



PROPOSAL FOR A NEW EU COMMON AGRICULTURAL POLICY

Our comments

GENERAL COMMENTS

The paper on the proposal for a new CAP is contributing to a most needed debate especially in the present context with a new EU Commission sitting in and having in mind the prospect of a new Financial Perspective for the EU post 2013.

It is most reassuring that among other stakeholders - like the authors of this paper- there is the feeling that designing a new agricultural policy for the EU is an opportunity which has to be seized. The process will sprang a lot of ideas and debates on the role and content of the CAP and it is of outmost importance that these are taken into the public domain for opinions and reactions. The final goal should be that the content of the policy responds to the society challenges of the day and to the interests of those directly affected by it. It is worth nothing to say that from the environmental and budgetary point of view each EU citizen has an interest in the development of the policy.

O P E R A



Innovation – a most used word in the present – has been providing with valuable solutions which lead our society towards progress. Finding new solutions to the problems at hand is a principle which has to become a part of the process to develop new policies in the EU. Applying innovative solutions has, of course, to be hand in hand with the realities of the agricultural activity. The concept of including public goods as central point in the policy is one of the possible innovative approaches and this is welcomed as a possible solution. This concept is very much in line with the existing operational objectives to enhance and further develop the multifunctional role of the EU agriculture. This solution has been suggested as the way forward by high profile experts and politicians in the agricultural and economic field within the debates organized within the Second Forum for the Future of Agriculture which has taken place in March 2009 in Brussels.

However, it is disappointing that the paper at hand is proposing the introduction of this concept concentrated only around the environmental public goods which can be provided by agriculture. Provision of public goods has to be seen, in our opinion, much more widely and to include aspects such as: social ones in direct relation to the general objectives of the EU stated in the policies directed towards occupation and equal opportunity; economic aspects generated by the cohesion objectives; development aspects in relation to the EU obligations in relation to developing countries; technological



development of the EU agriculture; preservation of the cultural specificities of the rural area; health issues related to food consumption; food security for all the EU citizens; etc. Agriculture pays a contribution to all these fields and this has to be clearly identified.

Inherent to the specificities of the agricultural production is the role of managing the natural resources. This being said, it is too much to say, as is suggested by the paper, that agriculture has only a role of safe keeping and custodian of the natural resources and environment. Agriculture has to deliver in economic terms, in social terms and it has to deliver towards the expectations of a better life and progress for the people involved in agriculture. The incomes of the farming community are still below the incomes in other sectors of activity. Above all, we think that, agriculture has to deliver food to a world which faces a new food crisis. The EU Treaties state these objectives very clearly and any future policy has to try to get us closer to them. This being said, it is clear that protection of the environment is a key issue for agriculture.

From the conceptual point of view, the EU's new vision has to maintain the "C" in the CAP as for "common policy". This goes to the heart of the EU construction as being one of the pillars which has been developed since the early years of the European Communities. The paper puts forward a contradiction by stating its attachment to this principle but then proposing solutions which will lead



to a nationalization of the policy. A large majority of the Member States have spoken in the past against such a process. Of course, the principle of subsidiarity has to be taken into account especially because it's more important position included in the Lisbon Treaty. Disregarding a robust common approach has the potential to undermine other important policies in the EU, for example the functioning of the internal market.

Sustainability of any human activity is a key concern which has to be addressed especially in the specific policies. The content of this concept is not very clear and without clear criteria to assess sustainability we can run into a confusing and misleading policy. Sustainability of using natural resources is one of the key elements to allow the agricultural activity to perform in the future. Equally important is ensuring economic viability and competitiveness for the EU products on the world market. A clear definition of the sustainability criteria for the EU agriculture is needed as to ensure a common goal of the proposed policy.

Simplification has been a central preoccupation in the past years for all policy structures in the EU. The concerns expressed by the Member States and the farming communities have to have a correspondent in the future policy. There is a strong concern that the proposed management system based on individual contracts will not satisfy the principles of simplification. In fact, the difficulty of managing tens of millions of contracts across



the EU and their respective evaluation and monitoring might just go against the objectives of ensuring sustainability of the European agriculture. Although the benefits in terms of accountability and transparency of support are there, continuing to use valuable financial resources, for the governments and for the farmers, for such a system is not socially and politically acceptable. These resources are taken from more important activities, even from those directed to the protection of the environment.

There is a strong belief in the EU at all levels that the fundamental principle of the EU policies to avoid overlaps between different policy areas has to be applied. This is a rule meant to avoid double financing of the same objective. The paper includes in its proposal a double up of objectives from other policies, especially those related to environment. In the same time a corresponding transfer of the financial resources is not foreseen. This adds up to having more burden on an agricultural production system which is already less competitive because of the high standards applied as compared with other actors on the world market.

Recently, in Rome, heads of states have gathered in a world summit to address the problem of food security. The proposed new CAP has failed to identify this concern as being central to its objectives. The policy proposal is made from an unusual static point of view, discarding the evaluations which foresee a need to increase agricultural

O P E R A



production by at least 70% in the next decades to cope with the increase in population. As any economist can testify the demand for agricultural commodities is less elastic and a further reduction of the EU production would only increase the demand pressure on the goods which are currently used to feed developing countries.

The major challenge ahead of the whole society is to combat climate change. Agriculture has to play its role in reducing its emissions down from the present 9%. It is not clear how the proposed approach will directly contribute to reaching this objective. The simple statement of the need to change consumption patterns or to develop local markets does not solve the problem. These have to be addressed with specific policy tools as to generate a positive reply from the population. It is unconceivable (especially under WTO) to put in place mechanisms to promote locally produced food with lower emission footprint and through this to deny the access to products from developing countries.



SPECIFIC COMMENTS

1. INTRODUCTION

A) THE SUSTAINABILITY CHALLENGE

It is agreed that agriculture has to play its role in combating climate change and to protect ecosystems. This is an integral part of the already promoted concept of multifunctional agriculture. Functions like carbon storage and energy production have to be further developed. As for the means and the choices we have to make to achieve this, they have to be developed in such a manner that they are available to the farmer to choose. Taking decisions at local or even regional level, as suggested by the paper, on the type of agriculture that has to be used by the farmers will lead to cluster based agriculture while the whole society moves towards integration.

We do not agree with the assessments that change of direction is needed for the CAP and that developments in the past 50 years have been based on unsustainable use of resources. Since the sustainability of EU agriculture is already an objective pursued by the CAP, an important adjustment of the CAP is requested to face the new challenges ahead.

The evolutions and green revolutions which have taken place in the past decades in agriculture have always been based on sound scientific knowledge. Introduction of new production techniques has always sprung debates and the solutions retained were those providing the greatest benefits to the society as a whole. Turning back the time to production systems which do not use technology and



modern techniques is not an option. This approach is not sustainable from the economic and social point of view. In fact, artificial inputs used in agriculture prevent for example the grubbing up of tropical forests to free the land for agricultural production in order to feed the world.

The high standards applied for the safety of these technologies give no reason to express concerns as regards the health or safety of the products. Recently, new and very ambitious objectives were set to take further the standards for producing and using chemicals in agriculture. The respective policies have to be implemented and assessed before certain conclusions are drawn on the impact.

B) A WASTEFUL AND INEFFECTIVE POLICY

The annual budget of 53 billions € allocated to the implementation of the CAP represents an important part of the EU budget. However, this accounts only for 0.43% of the EU GDP and only 0.92% of the EU total public expenditure. Other countries around the world go far beyond this figure to support their food production.

Unfortunately, it is our opinion that the paper is discarding in its initial evaluation the opportunity to take into consideration also the positive results of the CAP. A balanced assessment is needed in order to identify the existing workable policy measures which have lead to positive results as those regarding the income support for the farming community, stabilization of the markets, providing safer food to consumer, establishing higher



standards for food production, solving structural issues in the rural area and not the least the positive impact on the environment generated by the agri-environmental measures.

The sharp decrease in the population involved in agriculture in EU-15 (18% between 1995 and 2005) calls for even stronger measures meant to keep farmers involved in agriculture and to avoid abandonment of the land which has clear negative consequences on the management of the environment.

Through the cross-compliance system the beneficiaries of the direct payment have to deliver in terms of environment and production standards. We fail to understand how this could ever lead to the conclusion that farmers who deliver for the environment are subject to negative incentives by applying reduced direct payments.

As regards the Less Favorite Areas payments, the current rules state that the payment is done for all the farmers in regions designated by the Member States based on objective criteria related to natural conditions or socio-economic ones. There is no differentiation between farmers based on their production techniques or production system applied. Such measures can not contribute in the future to creating unbalanced support within a given farming community.

C) A NEW POLICY IS NEEDED



Scraping entirely a policy which has developed over the years is not our first choice. Definitely the shortcomings of the existing CAP have to be addressed as well as the new challenges facing the sector and the society. It has also to be recognized that certain parts of the existing policy have served well their purposes and they have to be continued. The market regulation mechanisms have managed to ensure stability for the European farmers, the income support has reduced the migration towards urban area and the rural development measures have addressed structural issues existing with the farming community, to state only part of them. It is a pity that the paper does not take the opportunity to retain some of these elements and that no alternatives with similar objectives are proposed.

Recent studies have shown that in the event of CAP support being eliminated the total agricultural production will not decrease significantly over medium term, but the production will be relocated and strong territorial, social and economic imbalances will occur. Starting with abandonment of land in less productive areas which usually have a high nature value, this will negatively impact on the environment and the society.

D) PUBLIC MONEY FOR PUBLIC GOODS

We welcome the concept of rewarding the agricultural activity for its contribution to providing public goods. The majority of those identified in the paper are already part of cross-compliance requirements or of targeted agri-environmental measures. The concept has to be



broadened and the importance of providing these goods has to be boosted. It has to be accepted that such public goods do not come for free and the efforts put in by the farmers have to be rewarded on a permanent basis. The technical difficulty in evaluating the value of the public goods has to be solved in the future by the scientific community. Certain research studies have already been commenced in this direction.

Certain farming systems consistently deliver more public goods.

Targeting is one of the key elements for policy success. The current rural development policy has provided for a special measure to ensure the preservation of the High Nature Value areas, where farmers are compensated for the income forgone due to the need to use special or traditional production techniques. The current targeting of the rural development measure on clearly identified High Nature Value areas brings together the concentrated action of all farmers. Shifting this approach to one which is based on the voluntary undertaking of a less intensive production system might shift also the resources to other less valuable areas. Here, the benefits of applying such techniques in terms of natural or cultural heritage preservation might not generate the same value for money. This comes against the interest of preserving extremely valuable nature areas.



However, the principle to have increments in the public support for those who provide more for the society has to be retained.

E) SUSTAINABLE PRODUCTION NEEDS SUSTAINABLE CONSUMPTION

We take this opportunity to advice caution on how policy elements are designed and implemented and also on their indirect effects. While it is clear that a rationalization of EU consumption is needed, it has to be understood that the general level of consumption is to stay relatively steady since it is part of the high standards of living in EU. It has to be taken care that the policies we propose do not determine a shift in supply of food from extra-EU sources where we cannot control the impact of the production on the environment and also we cannot be sure that similar high standards of food safety are applied, leave alone the fact that these products have a higher carbon footprint.

2. POLICY OBJECTIVES

The majority of the proposed objectives are close to the heart of the existing policy through the cross-compliance standards and rural development program, but it is true that some need a further enhancement of their role and importance. The new package of reforms adopted within the process of Health Check of the CAP in 2008 has addressed with specific measures the issue of adaptation to climate change. These measures are in the inception



faze of their implementation at member states level and their results will be better known at a later stage.

Without trying to be exhaustive, we propose taking into consideration the following additional objectives:

- ensure food security for the citizens of the EU and contribute to the achievement of the international commitments to combat world hunger;
- contribute to the improvement of standards of living in rural areas, including access to basic social infrastructure and providing for a level of income of the rural population similar to that achieved in the urban area;
- promote research and development in the agricultural area as to ensure technological progress and new innovative solutions for our production systems;
- ensure competitiveness of the EU production on the world market as to be able to respect the international commitments under WTO for an open and fair trade;
- reduce regional disparities and structural difficulties among all the farming communities in the EU.

As regards the use of Integrated Production techniques, we are concerned about the fact that one-fits-all solution is not the best one, given the variety of traditions and existing production systems in the EU. While, in some cases this approach would provide for positive results for the farmers and the society, in other cases the integration would generate more intensive production systems,



disregarding that existing conditions in certain regions would facilitate a less intensive way of producing a certain product. The integrated approach can be promoted in those cases where its positive impact can be documented.

3. OPERATIONAL PRINCIPLES OF A NEW CAP PAYMENTS SYSTEM

A) CONTRACTUAL BASIS

While the concerns about the administrative burden are still there, we see additional difficulties in differentiating between farmers based on their production systems in terms of delivering public goods. Who can justify for example that a hectare of organic production provides for more carbon fixation than a hectare of conventional farming. In fact it might be the other way around. Equally, it is difficult to refuse payments for the management of rural landscapes based on the production system used since the public good provided is the same.

An additional complication is added when applying the contractual system in cases where limited funds generate a strong competition between farmers to attract financial support. For example, who is to say in the process of selecting contracts, that measures taken to ensure biodiversity in bird populations are more important than those designated to plant biodiversity?



There are also other objectives like protecting against fires which have to be applied across the board in order to be effective.

B) TARGETING

A healthy principle of targeting support should not undermine a common approach towards European agriculture. It has to be avoided that national, regional or local objectives create distortion of competition.

C) COHERENCE

To the principles expressed on the need to ensure coherence between different policy areas we would add the need to ensure coherence of the measures with economic and social objectives as well as with international commitments.

4. ENVIRONMENTAL REGULATION AS A FIRM BASELINE

While the polluter pays is a generally accepted rule, it is a matter of principle not to accept that farming activity is perceived as a polluting activity.

Not compensated additional requirements to be observed by the farmers might reduce their income to a level where activity is no longer economically possible. We can imagine a series of objectives included in the community or national law which require public support to ensure their implementation due to the cost incurred by the farmer or due to the income forgone. So the principle to provide support only for the actions taken over and above



the existing environmental requirements has to be more flexible.

The content of cross-compliance requirements should not include the framework directives on water, soil and sustainable pesticide use since their implementation is dealt with in the corresponding national action plans. The use of the national action plans framework provides for the possibility, where Member States consider useful, to use incentives for actions needed from the farmer since these attract a supplementary cost or a reduction in the income. This allows avoiding resistance in applying measures by the farmers and simplifies control since it is for some measures difficult or even impossible to prove a breach of the rules.

5. ARCHITECTURE OF THE NEW CAP PAYMENT SYSTEM

Since the payment schemes proposed are a reflection and constitute the means to achieve the objectives of the policy, we would seek to find the comments expressed before on the content of the policy to be reflected accordingly.

D) BASIC FARM SUSTAINABILITY SCHEME

Such a scheme would be expected to address also the social and economic objectives attached with the policy. This would have to cover the provision of public goods of general nature, those which cannot be divided or their



source cannot be identified (e.g. landscape management, maintaining economic activity in isolated areas, compensation to prevent abandonment of land, preservation of traditions and cultural heritage related to agricultural activities, etc.).

The implementation of the commitment to identify 10% of the farm area as being Environmental Priority Areas has to be accompanied by corresponding compensatory payments for the income forgone for the respective farm land. Adding to this, its implementation through LPIS (Land Parcel Identification System) would stumble over some very important technical difficulties. According to the present legal requirements and in order to have the data base relevant for the real situation of the land parcels, the digitalized maps have to be renewed every 5 years. Mapping the proposed land features would be impossible to implement in due time every year and to have an up to date database without significant increase in the administrative costs. Without digitization of these features the automatic controls through cross checks within the data base are impossible to implement.

Crop rotation as part of the agricultural techniques is an important tool which is as much as possible used by the farmers since it has the potential of reducing costs and increasing yields. Where this technique is not applied it is because of objective criteria or where the farmer has certain commercial commitments to supply a certain quantity of product. Hence given the benefits of crop



rotation it is useless to include it as a commitment in the scheme. We also oppose the obligation to provide on-farm forage for the livestock since this forceful integration goes against the principles of having an agriculture which is market oriented and undermines the viability of certain production systems.

E) SUPPORT TO SYSTEMS DELIVERING HIGH LEVELS OF PUBLIC GOODS

In the above comments we suggested that the approach we favor for the preservation of the high nature value areas is slightly different than the payment scheme proposed in the paper.

As for the organic agriculture, the risk which has to be avoided is to set level of payments which will lead to overcompensation. Studies have shown that in the past years the surface covered with organic agriculture has increase at a high pace. This proves that the present support schemes and market conditions are positive enough for its further development.

F) TARGETED AGRI-ENVIRONMENT SCHEMES

Since the approach proposed has been proven useful and efficient under the current rural development policy we are in favor of maintaining such schemes.

Natura 2000 and Water Framework Directive
compensation schemes



The present European regulatory framework provides for the possibility that in the process of implementing these elements of legislation in the member states specific financial resources are allocated for targeted objectives. The new CAP has to avoid duplication of actions, but as it is the case with the current CAP provision, the observance of obligations derived from these directives have to be taken into account for any structural support scheme in order to be eligible as a beneficiary.

G) WIDER SUPPORT MEASURES FOR SUSTAINABLE LAND MANAGEMENT AND RURAL DEVELOPMENT

Since the majority of these measures are already part of the rural development policy and they have proven to be useful there is reason to maintain them. However, it is not acceptable to exclude support measures meant to increase the competitiveness of farms. Agriculture faces extreme difficulties in attracting the necessary fund for investments due to the long production cycles, instability of markets and high risk generated by the dependency on whether conditions. Exclusion of such measures denies the right of this economic sector and of the population depending on it to further develop and to achieve technological progress. Equally, this is a strong negative incentive for the research and development sector in agriculture. This prevents from finding innovative solutions to the challenges faced by agriculture and environment.



It is most unfortunate that the paper does not consider sufficiently important to be retained the existing schemes in rural development meant to increase the quality of life in the rural area, to reduce disparities and to support population access to basic social services. Equally it is a great loss that the LEADER approach, based on bottom-up development regional strategies, which has proven to be very successful in rural development, is not proposed to be retained in the new policy.