

The Common Agricultural Policy after 2013

The reaction of EU Farmers and Agri-Cooperatives to the Commission's Legislative Proposals





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MESSAGE FROM THE PRESIDENTS OF COPA AND COGECA

In a world of increasing global uncertainty, the EU needs a strong Common Agricultural Policy more than ever before. The world's demand for food continues to rise but its production capacity is under increasing threat from diminishing resources of land and water, as well as climate change. And within the EU we are faced with unprecedented economic problems.

With a strong CAP behind them, farmers and their cooperatives can ensure food security, stability, a sustainable rural environment and continued employment for some 40 million people in the agri-food chain – at the cost of less than 1 % of total EU public expenditure.

To achieve this, we must use the opportunity of the upcoming reform of the CAP to refocus on reinforcing the economic role of farmers and their cooperatives and making European agriculture a dynamic, innovative and profitable sector.

In October last year the European Commission came out with its legislative proposals on the future of the CAP after 2013. In this brochure we have pleasure in putting forward the reaction of European farmers and European agri-cooperatives to the Commission's proposals.

We urge the EU institutions to give serious consideration to the views of those working on the ground – farmers and their cooperatives – when making vital decisions in the months to come on the future of the CAP.





Summary

- ◇ Food and agriculture is gaining more and more attention from governments around the world and rightly so given the challenges ahead. Not only is world food demand rising. The world's production capacity is threatened by climate change and declining land resources while market volatility is on the increase. At the recent G20 summit leaders called for increasing agricultural production and productivity in order to promote food security and foster sustainable economic growth. The agri-food sector, which employs some 40 million people, is also central to economic recovery and stability in Europe. It is therefore essential that the EU maintains a strong common agricultural policy and makes full use of its production potential, whilst ensuring environmental sustainability.
- ◇ Over the past twenty years the whole focus of CAP reforms has been on the way food is produced: to ensure it meets the highest food safety, environmental and animal welfare standards in the world. Food production itself has been taken for granted.
- ◇ The opportunity offered by the upcoming reform of the CAP must be used to refocus on reinforcing the economic role of farmers and their cooperatives and making European agriculture a dynamic, innovative and more profitable sector: a sector which maintains its high standards but one which is better equipped to ensure food security and stability in an increasingly uncertain world.
- ◇ Unfortunately the Commission has failed to grasp this opportunity. Its proposals, notably on mandatory greening, will actually undermine the ability of the agri-food sector to be competitive, efficient and to achieve sustainable growth. Furthermore, while the Commission subscribes to the objective of simplification, the Commission proposes to introduce yet further layers of bureaucracy and red tape on farmers and governments.
- ◇ In contrast, Copa-Cogeca has called for measures which will promote green growth. We need win-win solutions which enable farmers to contribute to a better environment but which also have a positive impact on their productivity and profitability thereby enabling them to maintain production and face the challenge of climate change. This needs to be accompanied by the strong measures which Copa-Cogeca have proposed in order to reinforce the farmers' position in the food chain.
- ◇ Copa-Cogeca is therefore calling for a reappraisal of some of the elements of the Commission's proposals as outlined below and looks forward to more detailed discussions with the European Commission, European Parliament and the Council over the coming months. However, it will not be possible to decide on the future CAP until its budget has been decided. Farmers need to make long-term plans but the Commission's proposals have caused considerable uncertainty about their future. A timely decision on the CAP after 2013 is therefore important.
- ◇ Agriculture is the only sector which has a truly common EU policy and the CAP has made an important and successful contribution to the construction of Europe. Copa-Cogeca reiterates its support for European integration and calls upon Heads of State and governments, the European Parliament and the European Commission to ensure the maintenance of a strong Common Agricultural Policy, a strong Single Market backed by a strong EU budget.



Copa-Cogeca's reaction to the main elements in the Commission's proposals

■ Simplification

- A common theme of this CAP reform should be simplification. Unfortunately, despite the Commission's acceptance of the urgent need to simplify the CAP, each reform of the CAP results in increased complexity and additional red tape. The Commission's current proposals are no exception. Its proposals on cross compliance, on greening, on capping on the definition of active farmers, as well as its proposal to fragment the first pillar, will all make the system less transparent to the public and much more burdensome for farmers and governments.

If a proposal does not result in simplification it must be reworked in a way which does not create discrimination between farmers.

■ Direct Payment Scheme

Redistribution between Member States

- The Commission's proposal concerning the redistribution of direct payments is moving in the right direction. However, this will require continued negotiations since the level of hectare payment will still be significantly lower than the EU average in several Member States, especially in the Baltic States. It must be ensured that there is fair and equitable treatment of all farmers, taking into account differences in conditions.*

Moving towards a regional or national flat rate in all Member States

- Member States currently applying historic payments must have more flexibility and time to adapt to the extremely adverse effects a new payment system will have on some farmers and on production capacity. In particular, the changes should be phased in gradually over the whole period, rather than being front-loaded as proposed by the Commission. Member States must also be able to adjust payments adequately, based on objective criteria, to reflect differences, such as type of land. Member States applying the SAPS system should be given the possibility to continue to apply it.

Active farmers

- Copa-Cogeca has called for direct payments to be targeted to active farmers/farms and the Commission has supported this approach. It must be ensured that payments go to farmers/farms contributing in some way to food security. CAP funds should not be used to subsidise non-productive landowners whether large or small so there should be no exemption for small farmers as proposed by the Commission (proposed derogation threshold for those receiving less than €5000 of direct payments) . However, the definition proposed by the Commission is not satisfactory and will require additional complex administration.
- Copa-Cogeca proposes that, instead, Member States should have the flexibility to choose, on the basis of an EU indicative list of possible eligibility criteria, the most appropriate way of targeting payments to active farmers/farms.

Capping

- The Commission's proposal for a complicated system of capping direct payments would heavily penalise farms, including cooperative farms, which have already made the effort to achieve economies of scale. It would also act as a disincentive to the modernisation of farm structures. Associative entities, which provide a service by centralising the distribution of direct payments to farmers, may also be penalised. The proposed mitigation option (based on declared salaries, including taxes and social contributions), while better than no mitigation, takes no account of family or contract labour and would impose an additional administrative burden on farms.

Capping is therefore rejected.



Mandatory Greening

- If the agricultural sector is to meet society's concerns and needs over the coming years it must face two major challenges. First, how to ensure food security in the face of rising world demand, dwindling resources of land and water and climate change. Secondly, how to contribute to much-needed economic growth and employment. The answer is to improve the productivity and efficiency of EU agriculture and to do it in a sustainable way. If EU agriculture can respond positively to these challenges, we believe the public will recognise that the cost of the CAP – less than 1% of EU public expenditure – is an extremely good investment.
- Rather than using the opportunity of this reform of the CAP to help farmers meet these challenges, the Commission's proposal on mandatory greening will do the opposite:
 - ♦ imposing the same requirements on over 12 million farms in very diverse situations is probably the most inefficient way of achieving environmental benefits and may give rise to perverse results. For example, it is very difficult for many farmers to grow more than 2 crops for climatic or agronomic reasons. Also, small-sized farms, livestock producers and specialised producers will find it particularly difficult to meet the requirement to grow 3 crops
 - ♦ the proposed measures will increase farm costs (as shown by the Commission's own impact assessment), restrict production and reduce farmers' ability to respond to market signals. This in turn will reduce the competitive position of the EU agri-food sector and lead to increased food prices for consumers and/or increased dependence on imports. In particular, it does not make sense to prohibit production on as much as 7% of land on each farm when the world needs more food and governments are trying to encourage a more bio-based economy (e.g. using more bio-energy and other renewable materials)
 - ♦ similarly, the freezing of farmers' production options on 95% of all land currently under permanent grassland, indefinitely, is much too rigid and ignores reality: farmers need flexibility to take account of climatic conditions (e.g. regular re-sowing of grassland is of major importance in parts of the EU due to climatic conditions) and to meet their own feed requirements. Furthermore, the availability of arable land across the EU, in most cases extremely fertile land, is already in serious decline, caused mainly by the expansion of urban areas and transport infrastructure
 - ♦ the introduction of a new layer of measures, in addition to the 50 or so obligations which farmers have to meet under cross compliance, will lead to an extremely heavy additional administrative burden on both farmers and governments.



- Farmers are more aware than anyone of the need to protect our natural resources and adapt to climate change. However, maintaining production capacity and increasing productivity is an equally important challenge if we are to assure food security and contribute to economic growth.
- This is why Copa-Cogeca has called for an alternative form of greening which is aimed at encouraging green growth, in line with the objectives of Europe's 2020 strategy:
 - ◆ the clear aim of these measures should be to encourage green growth i.e. to integrate environmental protection and the production process in a way which maintains production capacity and contributes to efficiency, productivity and innovation
 - ◆ in order to ensure real benefits for the environment, there should be an EU list of measures so that farmers can make a choice based on their own farm situation. Some farmers may already be carrying out eligible measures on the EU list and this should be recognised
 - ◆ the amount of pillar 1 funding used to promote these measures should be substantially less than the 30% proposed by the Commission
 - ◆ farmers not undertaking green growth measures should not receive the full direct payment but the penalty for mandatory greening proposed by the Commission of not only a 30% cut, but also a cut in the basic payment, is unacceptable.

Cross compliance

- The Commission's positive response to Copa-Cogeca's request to streamline cross compliance into a single group of requirements and standards, and to eliminate optional national GAEC, is welcomed. However, rather than simplifying cross compliance, the Commission is proposing a significant reinforcement. Furthermore, while the Commission repeatedly emphasises the need to legitimise direct payments, it has totally failed to take this opportunity to better inform the public of the many obligations farmers already meet under cross compliance which ensures that EU production meets much higher standards than most of its world competitors, including imports.
- Much more work is needed to streamline, simplify and harmonise mandatory rules across the EU¹. Copa-Cogeca also repeats its call for the compulsory standards and requirements under cross compliance to be renamed "EU agricultural production standards" and much more widely publicised. In addition, farmers in Member States which implement national legislation which goes beyond EU standards should be able to receive compensation under pillar 2 for the additional costs they bear compared with their competitors on the Single Market.

¹ This is in contrast with greening or green growth measures which, if they are to achieve environmental benefits, must be geared to the individual farm situation and local conditions.

Generation renewal

- Copa-Cogeca recognises the urgent need to attract young entrants into farming. The major obstacle for young farmers is the lack of access to capital, poor market returns and the low level of profitability of farm businesses. It is therefore essential to provide immediate additional assistance for young entrants, accompanied by the measures proposed by Copa-Cogeca to improve the long-term profitability of the sector.

It must therefore be mandatory for Member States either to apply an annual top-up to direct payments to young farmers under pillar 1 or to set up a specific sub-programme for young farmers, with higher maximum support rates, under pillar 2 (while not excluding them from doing both if they wish). Member States should also continue to have the option to apply an early retirement scheme in order to facilitate generation renewal.

Small farmers' scheme

- Copa-Cogeca recognises the Commission's efforts to achieve simplification through the introduction of a small farmers' scheme. However, given the very different structures from one Member State to another, this scheme should be voluntary. Eligibility for payments under a small farmers' scheme should also be restricted to active farmers. The incentive proposed under pillar 2 (art. 20) to enable these farmers to transfer their holding to another farmer or develop their farm is therefore welcomed in order to encourage structural reform.



Coupled payments

- Copa-Cogeca accepts the need to maintain the possibility for Member States to make limited coupled payments. Member States should be free to identify the sectors to benefit rather than specifying a list of eligible sectors at EU level but the Commission should ensure that distortions to competition are kept to a minimum.

Payments for areas with natural constraints (currently denominated LFAs) under pillar 1

- Currently all payments to areas with natural constraints (LFAs) are made under pillar 2. The Commission is now proposing that, in addition to support under pillar 2, Member States can, if they wish, use up to 5% of funds under pillar 1 to make payments to areas with natural constraints. This could amount to making farmers pay, through a cut in their direct payment, for measures previously funded by the EAFRD. Member States which choose to use pillar 1 funds for this purpose must therefore have objective grounds for doing so and ensure that it does not lead to additional bureaucracy for farmers or incoherence between the pillars.

Un-used funds

- The Commission fails to specify what should happen to un-used funds under pillar 1 should they arise (as they have done in the past). Copa-Cogeca considers that it should be clearly specified in the legislation that un-used funds should remain with the Member State where they arise for use within the CAP (e.g. to encourage innovation or enhance risk management tools).



■ Single Common Market Organisation

Market measures

- The Commission proposes to maintain existing safety net measures, with their extension to all products. Copa-Cogeca is concerned that this may not be adequate given the prospect of increasingly volatile markets. The level of the current safety nets has remained unchanged for over a decade while farm costs have risen rapidly. As a result they no longer even cover production costs of the most competitive producers.
- Copa-Cogeca repeats its call for safety nets to be reinforced and updated. It is crucial that market management measures enable producers to cope during periods of low market prices and/or rapid increases in costs. Copa-Cogeca also calls for the maintenance of measures in the sugar sector, at least up to 2020 (including quotas and the minimum beet price) and in the wine sector (including planting rights) to take account of the specific nature of these sectors.

Crisis reserve

- The proposed crisis reserve (which will also finance intervention, private storage and export refunds) will have a crucial role to play in future. It is essential that it has the capacity to release funds rapidly and provide an effective response. Copa-Cogeca also calls for the reserve to cover all types of agricultural crises (for example losses due to restrictions on production during a disease outbreak) and for it to be possible to transfer unused funds from one year to another.



Reinforcement of farmers' position in the food chain

- It is not only important to reinforce competitiveness at farm level (for example through green growth and innovation) but also to strengthen farmers' position in the food chain by strengthening producer organisations and cooperatives, by ensuring fair commercial practices and by establishing the conditions for sectors to become organised.

- Producer Organisations, their associations and interbranch organisations

- The extension of the product coverage for recognition of producer organisations and their associations, as well as interbranch organisations, is welcomed. However, Copa-Cogeca is extremely concerned by the lack of a clear definition of a producer organisation. They must be formed and controlled by farmers themselves, fully assume the 'economic responsibility' assigned to them with the objective of commercialising the production of their members and have the human and technical means, as well as an adequate economic size, to achieve their objectives. It is equally important that existing producer organisations and cooperatives are not undermined and that there is a coherent approach between sectors in the measures to encourage producer organisations.

Copa-Cogeca calls for a more precise definition within EU legislation of the criteria for recognising producer organisations and aims and tasks assigned to them. Producer organisations and other economic organisations also need to be guaranteed "legal certainty" with regard to Community competition law so that they are able to consolidate, thereby becoming more effective on the market.

- Ensuring fair commercial practices for farmers

- It is imperative to eliminate unfair and abusive commercial practices along the food chain (Business-to-business - B2B - approach) if farmers are to obtain a fair return from the market, which is far from the case at the moment. To achieve this Copa-Cogeca has called for a B2B unfair commercial practices Directive. The monitoring of competition policy and a better coordination between national competition authorities is also important. Price and market observatories, which already exist in some Member States, should monitor markets and commercial practices to ensure a fair, transparent and balanced functioning of the food supply chain.



■ Rural Development

Common Strategic Framework

- The Commission is calling for increased coherence between the five funds (ERDF, ESF, CF, EMFF and the EAFRD) through a Common Strategic Framework and Partnership Contracts. To ensure this coherence Copa-Cogeca calls for the EAFRD to be refocused on agriculture and its related sector, forestry, and that the ERDF addresses the development of rural areas.

Union Priorities

- Copa-Cogeca supports the six Union priorities proposed by the Commission for pillar 2 as well as the move from an axis to a thematic approach. In particular, the fifth priority (promoting resource efficiency and supporting the shift to a low carbon and climate resilient economy) will in future be extremely important since it focuses on the major global challenge ahead: how to meet rising world food demand in a sustainable way and in the face of climate change. In other words how to achieve ‘green growth’ in the agricultural sector, as called for in the Europe’s 2020 strategy.
- Unfortunately, the Commission’s proposals on greening under the first pillar will undermine, rather than promote, growth. Also, although the fifth priority of the Commission’s RD proposals mentioned above reflects the need for green growth, there are no specific measures to achieve this. For example, the Commission links this priority to measures which, apart from agri-environmental measures, are not open to mainstream farmers (they mainly concern forestry - see annex V of the Commission’s RD proposals). Addressing the climate challenge via agri-environmental measures will not promote growth. Yet green growth is essential for the agricultural sector and all farmers if they are to meet the EU’s objectives of sustainable growth, competitiveness and food security.



Need for a new focus on green growth

- It is essential to make farmers aware of the importance of green growth. Copa-Cogeca therefore calls for the introduction of a specific article linked to the fifth priority entitled 'Green growth'. The green growth measures should support the integration of environmental protection and the production process in a way which maintains production capacity and contributes to efficiency and productivity e.g. by encouraging resource efficiency including water management, a climate resilient economy and one which contributes to climate mitigation through economic activities such as bio-energy production.

Given the urgent need for green growth, Copa-Cogeca proposes that Member States should be required to spend a significant share of their EAFRD funds on these measures.

Agri-environmental measures

- Copa-Cogeca welcomes the maintenance of agri-environment payments in the rural development programmes and the obligation for Member States to offer them. However, as indicated above, the challenge of climate change is too important to be treated solely by adding it on to agri-environmental measures as the Commission proposes.
- Agri-environmental measures should continue to be aimed at measures which do not necessarily have the objective of maintaining productive capacity or improving efficiency and productivity. This is in clear contrast with Copa-Cogeca's proposal for green growth measures outlined above. This way Member States can ensure that there is no overlap between agri-environmental and green growth measures..
- Farmers who have to comply with mandatory environmental requirements at national level which go beyond EU standards should be entitled to receive compensation for additional costs they bear compared with their competitors on the single market. This payment may be time-limited, giving farmers the possibility to adapt their activities. Agri-environment measures should also aim to incentivise farmers' uptake and not just compensate income forgone and additional cost.

Payments to areas facing natural or other specific constraints (replacing current measures for LFAs)

- Copa-Cogeca is extremely concerned by the delimitation of less favoured areas and calls for changes taking into account the proposals made by the European Parliament and Copa-Cogeca. In particular the eight proposed biophysical criteria will not provide a reasonable and comprehensible delimitation and are neither in the interest of farmers nor tax payers. Furthermore, the proposed thresholds are too strict and the results do not correspond to the objective of the European Commission for a coherent, transparent and objective EU-wide delimitation.

Copa-Cogeca calls for alternative and adapted thresholds as well as the possibility of using cumulative biophysical parameters: combining physical (soil, climate, etc) and geographical criteria (distance, isolation) on the one hand, and production criteria on the other (proportion of grassland, livestock density etc).

Support for investment in physical assets

- The decision not to limit support for processing and marketing to SME is welcomed as it is important that larger sized groupings are also encouraged.

However, in the case of investments to support the restructuring of agricultural holdings, the Commission proposes that this be limited to small farmers, to be defined by Member States. Copa-Cogeca does not support this restriction.

Promotion of short supply chains

- Copa and Cogeca welcomes the efforts made by the Commission to promote better integration of primary producers into the food chain through promotion in local markets and short supply circuits. The objective is to promote/support farmers' initiatives selling directly their products to the end-consumer (e.g. direct sales at the farm-gate, through agricultural cooperatives, at local markets, through collective platforms or businesses under the control of the producer).

Risk Management

- The maintenance of current risk management measures, but transferred to pillar 2, and the Commission's proposal to introduce an additional voluntary income stabilisation tool, are welcomed. However, Copa-Cogeca is extremely disappointed that its specific proposals both to strengthen the existing tools, as well as to overcome a series of practical problems of implementation which has limited the current take-up of these measures to only four Member States, have not been taken up by the Commission. Farmers face increasing risks so it is essential to improve the effectiveness of risk management tools along the lines proposed by Copa-Cogeca. Furthermore, for some Member States national programming of risk management may be more appropriate than regional programming and this should be possible.

Research, innovation, training and advisory services

- Copa-Cogeca welcomes the proposal to reinforce innovation, training and advisory services. The setting up of European Innovation Partnerships (EIP) with the aim of achieving a more joined-up approach on research, innovation and advisory services is also positive. It is important that there is a coherent approach between the Horizon 2020 programme (the new EU research fund) and the EAFRD which should concentrate on ensuring research know-how is passed on at farm level. The challenge is to encourage innovation and to find practical solutions for farmers which achieve environmental benefits AND greater efficiency.

Improved equality of opportunities for women

- Women have an enormous potential to contribute to making agriculture a more dynamic, innovative and profitable sector but are currently held back by lack of training and support. The Commission's proposals foresee the possibility for Member States to include thematic sub-programmes aimed at addressing specific needs (e.g. for young farmers and small farmers) through a higher level of support under RD measures of particular importance for those groups. Copa-Cogeca calls for an additional sub-programme aimed at ensuring women farmers play a more integrated role in developing innovative agricultural production and related activities. Support for the following measures are particularly important: knowledge transfer and information, farm and business development, cooperation (especially in promoting local activities such as short supply chains and local markets) and quality.

Leader

- Local Action Groups (LAG) have a key role to play in the delivery of the Union's priorities. The bottom-up localised approach could contribute to improving knowledge transfer, information flow, know-how, best practices and innovative solutions in a more targeted, less bureaucratic and, therefore, more efficient manner. However, Leader should be seen as a tool to achieve objectives rather than an objective in itself. For certain projects Leader is not the appropriate tool but, where it is, this bottom-up localised approach could be more widely used. There should be a maximum, rather than a minimum fund allocation for Leader.

* Reserve of the Belgische Boerenbond (BB), Danish Agriculture and Food Council (DAFC), Fédération Wallonne de l'Agriculture (FWA), Irish Farmers' Association (IFA), Slovak Agricultural and Food Chamber (SPPK).

Copa-Cogeca is the united voice of farmers and agri-cooperatives in the EU. Together, they ensure that EU agriculture is sustainable, innovative and competitive, guaranteeing food security to half a billion people throughout Europe. Copa represents over 13 million farmers and their families whilst Cogeca represents the interests of 38,000 agricultural cooperatives. They have 70 member organisations from the EU Member States.



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