

Brussels, 18 November 2010

Background note: Commission Communication on the future of the CAP

The European Commission today adopted a Communication on the future of the CAP entitled "The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future". This document marks the beginning of a consultation process which will continue until next spring and which will enable the Commission to prepare legislative proposals by summer 2011. The reformed CAP should enter into force on 1 January 2014.

What is the Commission's thinking on making European agriculture more competitive?

The long-term competitiveness of the agricultural sector lies in its ability to overcome the challenge of climate change and the sustainable use of natural resources whilst at the same time being more productive. In order to achieve this, it is necessary to maintain the agricultural sector's ability, throughout Europe, to demonstrate that it is innovative, as well as its ability to invest and to respond to market developments.

The Commission's Communication suggests several key elements. Firstly, the architecture of direct payments must be reviewed. They must include a 'green' component of ecological competitiveness and must be distributed more fairly and in a more transparent way. Secondly, efforts must be increased with regard to innovation and the fight against climate change in the context of rural development programmes. Lastly, it is necessary to work on the transparency of the food chain and to examine the possibility of giving Member States new tools for combating the excessive volatility of the prices of agricultural raw materials.

Why does the CAP need to be fairer?

Aid criteria inherited from the past. The reference criteria for direct payments for the farmers of the old Member States of the EU date from the period 2000-2002. Amounts were fixed based on the production volumes of that period. We now need to turn these into a more objective and fairer mechanism for all farmers and Member States.

Taking account of the enlargement of the EU. Currently, there are two reference mechanisms for direct aid which co-exist. One for the old Member States based on historical criteria, the other for the Member States which have joined the EU since 2004, based on a single amount per hectare. A new system must be established which is adapted for the whole of the EU and which is fair and transparent.

Do more to support the diversity of European agriculture. The reference criteria must include the economic dimension of direct payments aimed at supporting agricultural income as well as their environmental dimension (ensuring the production of public goods by farmers). Economically and politically feasible solutions are being studied in order to create the conditions for equitable support which takes account of a range of parameters relating to the social, economic and environmental context in which farmers work.

Should there be a limit on direct payments?

Direct aid is income support which is essential for maintaining agriculture throughout Europe. We need to ensure, therefore, that public aid is targeted at active farmers who really need it. Above a certain amount, the aid is no longer relevant unless there is concrete evidence, relating to income, to justify it.

Can the CAP be more useful for small farms?

It is not a question of helping farms which are not viable, but of stimulating their integration into the market. We need to make the CAP simpler. The red tape is slowing down access for small farms to CAP aid, even though these small farms play an important economic role in the dynamics of some rural areas. The CAP must be simplified in order to ensure fair access to public policies for all economic actors.

Will disadvantaged regions receive specific support?

Support currently provided for under the rural development programmes will not be affected. Maintaining agriculture in areas where production is more difficult is essential for preserving biodiversity and dynamic rural territories. Specific natural constraints could also be taken into account therefore when calculating direct payments.

What agricultural practices will be promoted to combat climate change and preserve the environment?

There is as yet no exhaustive list of agricultural practices which will be supported under the 'green' component of direct payments. An impact assessment is currently underway in order to determine the most relevant techniques. For example, green cover, crop rotation, the creation of ecological fallows or permanent pasture could be included.

Maintaining **green cover** during the winter period involves sowing certain plants immediately after harvesting. This enriches the ground, improves its capacity to retain water and combats soil erosion. It also means that so-called 'catch crops' can be produced.

Crop rotation is a traditional method which respects the capacity of soil to regenerate. It offers the advantage of reducing the use of chemical products (pesticides, herbicides, fertilisers etc.).

Pastures offer considerable reservoirs of biodiversity. They are ecosystems with high added value in terms of soil, use of water, carbon sequestration and landscapes.

Ecological fallows enrich the agricultural ecosystems by preserving refuges for flora and fauna. In order to use all their potential, fallows should be cut very carefully in order to preserve the development of shrubbery.

Is it necessary to keep the two pillars of the CAP?

The two pillars are two complementary facets of the CAP. The first pillar should support farmers on an annual basis to meet the challenges which are common to the whole EU. The second pillar, including the 'Leader' approach, is a multiannual and flexible investment tool, adapted to the local realities of each Member State, in particular to support competitiveness, innovation, the fight against climate change and the sustainability of agriculture.

Why does the Communication not contain more detail on some issues?

The Commission communication does not go into all the details of the reform. We will have to wait for the legislative proposals which will be presented by summer 2011. The text presented today is a policy document which gives the main outline based on the challenges identified during the public debate which took place at the beginning of the year. Between now and the presentation of the legislative proposals, specific impact assessments will be carried out in order to define the most relevant and effective tools for responding to the objectives defined in the Communication.

What are the next steps after the publication of the Communication?

The Commission communication will be discussed in Council and the European Parliament as well as in the European Economic and Social Committee and the Committee of the Regions of the EU. The Commission will organise a consultation during which stakeholders will be invited to submit their views on the options and contribute to the impact assessment of the different options by submitting their analysis. Taking account of the detailed impact assessments which are underway for each of the options set out in the Communication, the Commission will prepare legislative proposals which will be presented in summer 2011. These proposals will follow the co-decision procedure applied for the first time to a CAP reform, following the entry into force of the new Treaty. The CAP reform should enter into force in 2014.

What are the challenges for European agriculture in the future?

Food supply. According to FAO experts, the increase in the world population and the change in eating habits will mean that the demand for agricultural products will increase by 50% between now and 2030 and by 70% by 2050. Europe must accept its share of responsibility at international level by maintaining its capacity to produce quality products in sufficient quantities whilst at the same time respecting very high health standards and encouraging sustainable production practices in order to not harm the environment.

Sustainable use of natural resources. The agricultural sector is a key user of soil, water and biodiversity and a key player in the constitution of the landscape. Nearly 14 million farms manage more than half of European territory. Agriculture and forestry represent 80% of European territory. Agriculture can offer specific responses for combating climate change and biodiversity loss. In addition, farmers can adapt their practices in view of global warming.

The equitable development of rural territories. Agriculture is the economic motor in the majority of rural areas and the basis of the European food chain. In total, the agro-food sector employs 17.5 million people (13.5% of them in industrial jobs). It is essential to ensure that jobs in agriculture remain sufficiently attractive, in particular to provide for a minimum level of generation renewal. Agricultural incomes represent only 40% of the average European income.

ANNEX

DESCRIPTION OF THE THREE BROAD POLICY OPTIONS

	Direct payments	Market measures	Rural development
Option 1	Introduce more equity in the distribution of direct payments between Member States (while leaving unchanged the current direct payment system)	Strengthen risk management tools Streamline and simplify existing market instruments where appropriate	Maintain the Health Check orientation of increasing funding for meeting the challenges related to climate change, water, biodiversity and renewable energy, and innovation.
Option 2	Introduce more equity in the distribution of direct payments between Member States and a substantial change in their design. Direct payments would be composed of: <ul style="list-style-type: none"> • a basic rate serving as income support, • a compulsory additional aid for specific "greening" public goods through simple, generalized, annual and non-contractual agri-environmental actions based on the supplementary costs for carrying out these actions, • an additional payment to compensate for specific natural constraints, • and a voluntary coupled support component for specific sectors and regions¹, Introduce a new scheme for small farms. Introduce a capping of the basic rate, while also considering the contribution of large farms to rural employment.	Improve and simplify existing market instruments where appropriate	Adjust and complement existing instruments to be better aligned with EU priorities, with support focused on environment, climate change and/or restructuring and innovation, and to enhance regional/local initiatives. Strengthen existing risk management tools and introduce an optional WTO green box compatible income stabilization tool to compensate for substantial income losses. Some redistribution of funds between Member States based on objective criteria could be envisaged.
Option 3	Phase-out direct payments in their current form Provide instead limited payments for environmental public goods and additional specific natural constraints payments	Abolish all market measures, with the potential exception of disturbance clauses that could be activated in times of severe crises	The measures would be mainly focused on climate change and environment aspects

¹ This would be equivalent to today's coupled support paid through Art 68 and other coupled aid measures.