

**EN**

***European Economic and Social Committee***

**NAT/682**

**Factors that influence CAP post-2020**

**OPINION**

European Economic and Social Committee

**The main underlying factors that influence the Common Agricultural Policy post-2020**
(own-initiative opinion)

Rapporteur: **Simo TIAINEN**

|  |  |
| --- | --- |
| Plenary Assembly decision | 21/01/2016 |
| Legal basis | Rule 29(2) of the Rules of Procedure |
|  | Own-initiative opinion |
|  |  |
| Section responsible | Agriculture, Rural Development and the Environment |
| Adopted in section | 24/11/2016 |
| Adopted at plenary | 15/12/2016 |
| Plenary session No | 521 |
| Outcome of vote(for/against/abstentions) | 188/2/8 |

# **Conclusions and recommendations**

## For half a century, the CAP has helped to build the European Union. At this point in time, a return to basics should be an opportunity for a new long term vision for the CAP to give clear and concrete guidance not only to farmers, but also to millions of citizens. As consistently stated by the Committee, the future CAP should defend the European agricultural model, which is based on the principles of food sovereignty, sustainability and responsiveness to the real needs of European citizens, be they farmers, agricultural employees or consumers.

## The EESC welcomes the initial discussions and thoughts about the future of the CAP post-2020. While the objectives of the CAP set out in the Treaty – which have remained unchanged since 1957 – and the new challenges that it must address have never been so pertinent, it is of utmost importance to make an in-depth analysis of the current CAP and the result of the previous reform. The purpose of this opinion is to make some suggestions and take part in the reflection on the future of the CAP.

## First of all, in view of the complexity of the CAP and the difficulty in implementing of the last reform, political stability and a long term vision of agricultural policy are needed by farmers. Especially under the Lisbon Treaty, several years will inevitably be needed to reflect, to share objectives, to discuss challenges and to find solutions. Therefore, the European institutions should quickly agree to extend the term of the current CAP by at least two years.

## The setting up of young and new men and women farmers should be reinforced in the CAP, not only with specific tools, but with real stability in the policy. Indeed, farmers need more stability to be able to invest for decades and take up the challenge of generational renewal.

## The future CAP should take into account, on the one hand, the diversity of farming models and regional specificities, and on the other, the diversity of its objectives: economic, social and environmental. Own food production and own agriculture is important and part of the culture of every nation in the world. A European food policy should be based on healthy and good-quality food and create synergies with the CAP. One of the main principles of the CAP should be to keep agriculture alive and sustainable in all regions of the EU.

## Simplification should be the first underlying priority for the next CAP reform. Implementation of the CAP must be smoother and more reasonable control and sanction systems need to be developed. It is of utmost importance to ensure timely payment to farmers.

## Considering that the CAP is a policy involving direct intervention at European level, and that the breakdown of Community preference will lead to lower producer prices, the future CAP has to be able to respond to all the challenges it is facing including market turbulence. It is thus necessary to reorient the policy framework to address all these new challenges and to provide adequate tools at European level.

## In 2017, the European Commission will take forward its work and consult widely on the simplification and modernisation of the CAP. It is important that European civil society has an active role in this process. The EESC should set up a study group to follow and contribute to this process.

# **Introduction**

## Agriculture is central to the strategic, economic, environmental and social challenges of tomorrow. The CAP has been a success story for Europe mainly as European consumers have benefited from safer food with decreasing prices over the last decades. However, in some areas we are facing problems with biodiversity, the environment and landscapes which have to be addressed. Production of high quality food with sustainable agriculture is at the core of citizens' and consumers' concerns. To meet these expectations there is a need for a Common Agricultural Policy in order to guarantee healthy and safe food, high quality at a fair price, environmental protection, landscape conservation and a dynamic economy in rural areas.

## When farmers produce food in our market-oriented society, thereby ensuring food security, they also impact upon water availability and quality and air and soil quality, or the natural environment as a whole,while providing employment in rural areas and maintaining rural landscapes. Many of these by-products should be seen as public goods.

## Agriculture and forestry are closely interlinked as they account for a major part of land use in the EU. Therefore, forestry often participates in the provision of public goods.

## The factors that influence the CAP post-2020 are firstly the challenges facing agriculture, but also the fact that it is a European question, with a specific reform process and budget availability and above all a clear vision for the next decades.

## The Common Agricultural Policy has always been one of the key policies of the EU. The CAP is broadly in the interests of European civil society. It is therefore important for the EESC to be proactive in preparing for the next reform of the CAP which relates to the period after 2020.

# **Agriculture faces important challenges**

*The food security challenge*

## Given expected global demographic trends, there will be around 9 billion people to be fed in 2050. With the improvement of living standards in several regions of the world, we observe increased food demand and a shift to diets including more animal products. These developments would lead to a doubling of food demand in 2050. The EU must assume its responsibility for the world's food security, however the export of European agricultural products does not solve the problem of world hunger. It is worth noting that food security should be based on sustainable local food systems. Every nation needs to bear responsibility for their own food security, which is also recommended by the FAO. The EESC finds it necessary that the EU concentrates also on knowledge transfer and experience-sharing about how more and better food can be produced sustainably and locally in other parts of the world.

## At the same time, the expectation is that demand for food in Europe will remain quite stable but diverse as regards quality, health, ethics, origin, etc.

*Environmental challenges*

## Agriculture and the environment are very closely interlinked in a range of ways in all regions. Agriculture and forestry are essential to nature conservation, biodiversity protection, water quality, soil quality and lower pollution.

*The energy challenge*

## The EU climate and energy framework has sets a target of increasing the share of renewables to at least 27% of energy consumption by 2030. This share is set to increase in the future. Agriculture and forestry could provide biomass to reach this target within a green growth economy. They must also improve their own energy efficiency.

*Climate change: adaptation and mitigation*

## On 20 July 2016 the Commission presented a package of legislative proposals laying down detailed rules for the EU's climate and energy policy framework towards 2030. This will be the EU’s response in order to mitigate climate change as agreed in the COP21 agreement in December 2015. Agriculture and forestry are part of the solution to reduce emissions and to stock carbon in soil or wood. In order to respond to the food security challenge and to mitigate climate change, green growth, an agro-ecological approach and sustainable intensification within efficient agricultural production, will be necessary. Furthermore, adaptation to climate change will be crucial for future agriculture.

*Balanced rural development*

## Agriculture and forestry, and all parts of the bioeconomy linked to them, are fundamental to maintaining rural dynamism and to reinforcing balanced rural development. They are important in terms of employment, culture, territorial cohesion and tourism in rural areas throughout the EU. Depopulation and ageing in many remote areas, mountainous regions or less favoured areas remains the dominant demographic trend. Public policies, especially the CAP, should act to maintain agriculture and support producers across the EU, including regions with specific problems. Payments to farms in rural zones with natural handicaps are essential to rural development. Farming in such areas would not be viable otherwise.

## Synergies between the two pillars of the CAP are important and should be reinforced. The latest reform reinforces the link and coherence between all ESI funds, and this should be continued.

## The EESC is in favour of Community-led Local Development (CLLD) being extended and made mandatory for all ESI Funds in order to achieve a balanced development of rural areas. Using Local Action Groups (LAGs) as local partnerships – with farmers involved – to seek out and finance local projects brings benefits for people's quality of life. This could help in effectively combating depopulation and population ageing in the EU's rural areas.

## To maintain agriculture, generational renewal is a key question and setting up young and/or new men and women farmers should be reinforced through all available tools. Coupled payments are also a necessity for those sectors or those regions where specific types of farming or specific agricultural sectors are particularly important for economic or social or environmental reasons. The CAP should also have a clear focus on encouraging active farmers and production.

*Price and income volatility*

## Agriculture is a specific economic activity which does not comply with normal economic law. In a market economy, variations in prices and incomes are the result of shifts in supply and demand. But the nature of food as a basic necessity means that it is, by definition, price inelastic. Nor can the supply of food respond quickly to price changes. Therefore, unexpected changes in output volumes often require a longer period of time and large price changes to restore market equilibrium. For these reasons agricultural markets are considered to be highly volatile. Other innovative market mechanisms could also be trialled.

*Consumer demand*

## Consumers demand safe, sustainable, nutritious and high-quality food. They also want food at affordable prices and this has been reinforced by economic crisis. Many consumers appreciate traceability and locally produced food. The Special Eurobarometer 410 shows that knowing the origin of meat is regarded as necessary by a large majority of respondents in all Member States. It is the duty of all stakeholders in the food chain to respond to this challenge.

*Sustainable development*

## The next CAP, like other EU policies, should be consistent with the sustainable development goals (SDGs). The CAP is relevant to numerous goals, but the most relevant is Goal 2: "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture".

*Uncertainties in international trade*

## The role of international trade will inevitably increase in the future. Nevertheless, the recent Russian ban on food products originating from the European Union has led to major uncertainties in relation to international trade. Russia's embargo has put enormous pressure on EU agricultural markets, especially in some Member States. Combating challenges related to uncertainties in international trade will be crucial for the future of agriculture.

*Shift in bargaining power in the food supply chains*

## In recent years, there has been a shift in bargaining power in the food supply chain, mostly to the advantage of the retail sector and some transnational companies and to the detriment of suppliers, in particular farmers. The future CAP should enhance the bargaining power of farmers.

# **In the EU, agriculture is a European question**

## Agriculture is a key issue for the EU. The objectives of the Common Agricultural Policy were laid down in the initial Treaty of Rome in 1957. They are still valid.New challenges – such as environmental concerns, rural development questions, as well as quality and health issues and global hunger – have also arisen, and the Treaties have not yet been adapted to reflect them.

## The CAP is a fundamental European and integrated policy, which is increasingly interlinked with other policies such as employment, environment, climate, competition, budget, trade and research with specific European added value.

## The CAP is a precondition for achieving a single market in the food sector in the EU. The European food industry is the biggest industrial sector in the EU, providing more than five million jobs.

*Preparation for the next CAP reform*

## Complexity and subsidiarity are key words in adapting to all sectors and territories. These features have been enhanced with the latest reform. Preparing and negotiating common rules under the Lisbon Treaty, and with the involvement of 28 Member States and the European Parliament, has been a particularly complex task.

## Assessments of current policy measures have not yet been carried out. Assessing the implementation of the first year of greening obligations is still underway. The same is true for Ecological Focus Areas. It is important not to rush into another CAP reform without a clear and thorough assessment of the current CAP, so as to identify to what extent policy measures have reached their policy objectives. This requires a proper assessment, especially for measures where more time is needed to see the results, e.g. greening obligations.

## Considering that the last reform was launched in 2010 and its implementation started in 2015, it took five years to conclude the reform. During the current mandate of the Commission and EP there will be no time to conclude the next CAP reform for possible implementation in 2021. Therefore, a transitional period is needed to continue the current CAP for a sufficient period of time after 2020.

*Subsidiarity and European added value*

## The CAP has been founded since 1962 on three basic principles: market unity, Community preference and financial solidarity. The single market is a fact nowadays, but Community preference and financial solidarity have to be reaffirmed at political level.

## With globalisation, the USA uses financial support to promote its agriculture through consumers with the food stamp programme and the "Buy American Act". The European Union should implement reciprocal measures and could highlight the strategic importance of European preference with a "Buy European Act".

# **General comments**

*Brexit*

## Brexit is going to have a major impact on the EU, especially on the single market and on international trade, and therefore on the future of the CAP. During the Brexit negotiations, if the UK is to leave the EU customs union, the current trade flows should be used as the the key criterion for dividing the EU-28 WTO quota between the UK and the new EU.

*Competitiveness,productivity and sustainability*

## Since the 1992 reform, competitiveness has become the first priority of the CAP with the introduction of direct payments. But to press ahead with competitiveness, productivity and sustainability new incentives are needed to concentrate on promoting innovation (development, dissemination and uptake of new technologies).

## The farming sector needs major investment which could be achieved if the expected income is sufficient and economic risks are manageable. Supporting farm incomes with direct payments is, in the current situation, a necessity.

*Managing risks and crisis in agriculture*

## EU producers are no longer isolated from the world market and its higher price volatility. Moreover, agriculture is subject to extreme natural events, and more health problems due to increased mobility of goods and people (pandemics) with considerable losses to production. The CAP should provide specific tools to enable the agricultural sector to limit and manage these risks.

## There are some risk management tools available in the current CAP. Intervention price, private storage, promotion or futures markets and tools provided by the single CMO should be maintained or developed.

## But there is a clear need to develop new tools:

* **market observatory mechanisms** must be further developed. The European Commission should define different levels of crisis in order to act more efficiently in preventing them. Better market transparency concerning volume of production and prices is crucial to the proper functioning of the supply chain.
* Experimentation with mutual fund systems or **insurance schemes** (crops, turn-over or income) should be pursued to investigate whether insurance companies or other bodies are able to provide efficient options.We note that the latest US Farm Bill introduced an option to use insurance schemes, but that none of our trading partners are using the green box to notify such insurance tools to the WTO. Under no circumstances should any movement in that direction increase the distortion in competition between producers. It is also necessary to determine the cost of this mechanism.

*The environmental dimension of the CAP*

## Environmental preoccupations are clearly a priority in farming. As a result, greening was introduced in the last reform. Policy makers repeatedly highlight this major evolution of the CAP. The environmental dimension of the CAP is both global and complex as farming deals with soil, water, biodiversity, forestry and CO2 emissions. A more efficient policy should be more understandable, feasible and simpler for farmers.

## There is a need for payments which compensate farmers for providing public goods (especially ecosystem services).

 *A Common Food Policy*

## The Dutch EU Presidency in particular has promoted the idea of a Common Food Policy. With the new CAP, the EU recognises that European agriculture needs to attain higher levels of sustainable production of safe and quality food. The CAP promotes school fruit and milk schemes for schoolchildren aimed at encouraging good dietary habits from an early age. It also promotes organic production by ensuring an informed choice with clear labelling rules and specific support schemes under rural development policy.

## Currently the promotion of public health, healthy diets and lifestyles is a matter of national competence. But the European Union must ensure access to healthy and good-quality food for all Europe's citizens through sustainable food systems. Whereas European actions complement and coordinate national efforts, more synergies should be developed between the CAP and a future European food policy.

## Bearing in mind public expectations and consumer demand, a special effort should be made to develop Local Food Systems (LFS) and hence short supply chains, particularly in the mass catering sector.

*Climate policy and the CAP*

## Since 1990 the environmental footprint of agriculture has become smaller. Nevertheless, there is still a need to reduce agricultural emissions by 2030. This must be done in keeping with a European model of agriculture and with a cost-efficient emissions reduction policy. There is potential to increase the carbon content in the soil and to substitute fossil energy and petrochemicals with agricultural and forestry products.

## The multiple objectives of the agriculture and land use sector, with their lower mitigation potential, should be acknowledged, as well as the need to ensure coherence between the EU’s food security and climate policy objectives[[1]](#footnote-2).

*Research, innovation and advisory systems*

## At farm level, in experimental stations and in laboratories important innovations are discovered continuously. Efforts towards research and development should be stepped up to accompany the evolution of farming towards more sustainable systems. It is also crucial to make these innovations known to other stakeholders. Extension services, cooperation between stakeholders and other means of disseminating innovation and sharing best practices should be promoted.

## The EU research programme on agriculture should be reinforced in the next programming period to take into account the challenges and the geostrategic importance of food in the 21st century. The digital economy could be the next "agricultural revolution" after the green revolution of the 20th century.

*Functioning of the supply chain*

## There is clear evidence of the malfunctioning of the supply chain in almost every Member State due to high concentration downstream. Distribution of added value between stakeholders in the food supply chain is unfair.

## Due to EU competence in competition and single market issues, this problem should be tackled at European level. The European Commission should propose European regulatory frameworks for arranging contractual relations within the chain and legal possibilities for organising collective actions by farmers. Indeed, producer organisations are important players in the food supply chain and contribute to strengthening the position of producers. The next CAP should enhance the bargaining power of producer organisations. The results of the work by the Agricultural Market Task Force (AMTF) should be taken into account.

## The CAP has to be adapted to the reality and the rapidity of economic change. In the CAP, Articles 219 to 222 of Regulation 1308/2013 must be developed to be workable and achievable for the EC and the producer.

*International trade*

## World trade and open markets strengthen competitiveness and could reduce the price of food. Nevertheless, fair trade is of utmost importance for the EU in order to compete with the same production methods and rules with third countries. Non-tariff barriers could jeopardise international development. In the various and numerous solutions to achieving global food security, trade has its role to play as regards increasing agricultural exports.

## Nevertheless, the CAP and trade policy should enable European producers to compete on a level playing field with imported products. Therefore, the EU should require that imported products meet the same standards.

*European budget*

## Historically the CAP has been financed at European level. The CAP accounts for an important share of the EU budget (38% in 2015), but amounts to only about 0.4 % of European public expenditure. The CAP budget is lower than its US or Chinese equivalents. Moreover, it has been stable or decreasing for several years, in spite of EU enlargement. The CAP has to respond to the many important challenges it will face in the future; it is necessary therefore to increase the budget for agricultural policy at European level.

## Specific aspects of the European budget, such as annuality, represent a huge constraint for CAP design. Mutual funds or crisis measures are limited by these constraints. Furthermore, budget distribution is source of political tension and could result in inefficiencies.

## *Simplification*

## Simplification has been a priority for many years in the CAP and particularly in the first years of implementation of the 2013 CAP reform. Nevertheless, simplification should be the first underlying priority for the next reform. In particular, adequate controls and proportionate sanction systems should be improved. Currently, payment reductions for greening and cross compliance measures can be unreasonable and disproportionate. It is of the utmost importance to ensure the timely payment of direct supports.

*Structure of the CAP*

## For the past decades the structure of the CAP has been based on two pillars. While the pillar I is entirely EU-financed, pillar II is co-financed and adapted to each Member State's needs by means of multiannual programmes. The diversity of Member States and regions and their different needs requires that the two pillar structure be retained in the future CAP.

*Preparation for CAP post-2020*

## In its 2017 work programme published on 25 October 2016, the Commission states that it will work and consult widely on the simplification and modernisation of the CAP to maximise its contribution to the Commission's ten priorities and to the Sustainable Development Goals. It is important that European civil society is actively involved in this process.

Brussels, 15 December 2016

Georges DASSIS
The president of the European Economic and Social Committee

\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Point 2.14 Council Conclusions, 23-24 October 2014 [↑](#footnote-ref-2)