



In association with:



The future of the common agricultural policy

A food policy for Europe in the XXIst century

Common position of the regions of Western France

Summary

Agricultural markets are structurally complex, uncertain, and partially globalised. They require a regulatory public intervention at European level. Hence, agricultural policy must remain common. It must retain efficient means to compensate variations in agricultural markets, and not deprive itself from all its market management tools.

The essential objective of the CAP - food independence for the EU - must be reaffirmed: the CAP is above all a Common Food Policy. It must secure supplies on the long term to the European citizens, in quality as much as in quantity, in a foreseeable difficult context (growth of the world population and food demand increase, climate change, competition for access to soil and water...). These challenges are of paramount importance: the EU must maintain the CAP among its main priorities in order to face them appropriately.

The CAP must also take into account non market services delivered by agricultural activities. Services such as environment protection, or quality and diversity preservation of European products, are beneficial to all European citizens. The CAP must evolve in order to deal with this objective in a better way via its second pillar. While modulation can be used in this way, it must not be an excuse to partially renationalize the CAP due to co-financing. Furthermore, the second pillar must come back to its purely agricultural and food industry nature: a European rural development policy remains essential but would better achieve its goals independently from the CAP.

Finally, regions of Western France recognise that the principles of financial solidarity, free and fair competition between farmers, and optimal market regulation require a regulatory and financial framework at the European level, adapted by the member states. Nevertheless, if the CAP is decided at the European and national levels, it produces its main effects on the local scale. According to the principle of subsidiarity, it is consequently of the utmost importance that European regions are given real freedom of political choice in a harmonised way. Thus, they will be able to adapt and improve the local effects of the CAP, according to the European and national frameworks.

45 years after its creation, the Common agricultural policy (CAP) is one of the main successes of the European Union (EU). However, the CAP is looking for legitimacy in spite of several consecutive reforms. The original objective of food security for Europe has long been considered to be reached or exceeded, and is sometimes even believed to be obsolete. Nonetheless, the radical change in the orientation of agricultural markets in the last few months has dramatically reduced world stocks and shaken the certainty that Europe no longer has to care about its food supply.

The last reform of this policy in 2003 did not really enable its regeneration via a revision of its essential objectives. Even if the necessity to compensate for non market services that agricultural activity provides to the society was put forward, this reform was basically conducted in a context of abundance and driven by external pressures, particularly international trade negotiations at the world trade organisation (WTO).

Today, the context has changed: the unexpected price increase for the main agricultural commodities gives the EU the opportunity to review the basic principles of its agricultural policy. The EU will only be able to confront victoriously the challenges of the XXIst century and insure its food independence on the long run by focusing primarily on political and strategic long term objectives of the CAP, and not on concentrating on technical and commercial aspects.

What are the main objectives of the CAP? How do these objectives interact with the international trade negotiations and the future debate on the European budget? This framework set, what should the means and tools of the CAP be to meet these objectives, in the political and economic context of EU 27, and soon maybe EU 30?

I. What objectives for the common agricultural policy?

Agriculture is not an economic sector like any other. On the one hand, it is absolutely essential to human's survival, including in our complex societies, because it fulfils the basic and noble need for food. Europe will always need farmers able to supply its citizens, in quantity as well as in quality.

On the other hand, agricultural production is prone to significant quantitative and qualitative variations (both being very often simultaneous) because it is exposed to environmental variability (climate, diseases, natural catastrophes). Hence, problems arise regarding the continuity of the supply chain and the considerable variation of prices, up and down. **Consequently, public intervention is required to mitigate these variations in both directions** on a market where supply and demand are particularly inelastic.

The objectives of an agricultural policy must be defined by taking these specificities into account:

- **Above all, agriculture must secure food independence for the EU.** In order to secure supplies, the CAP must focus primarily on meeting the internal European demand on the long term, making sure that European agriculture and food industry relies as little as possible on imports.
- **Agriculture must secure food safety, quality, and tasty products.** The CAP must make sure that this objective is met, as regards internal production as well as imports. This implies an efficient and reactive control system.
- **The agricultural production system diversity in Europe must be protected** by the CAP. Indeed, this diversity is a major competitive advantage for the EU. It provides robustness to our agri-food economy via optimal adaptation to local conditions. In this context, non GM production systems must be protected.

- **European agriculture must pay attention to the global food balance.** The CAP must avoid encouraging an export-oriented agriculture via specific support. Production in excess and sectors which are really competitive without public aid should be the only ones dealing with exportation.
- Agriculture plays an important socio-economic part in creating jobs, but also in structuring rural territories and landscapes. Hence, **the human-size agricultural model must be preserved**, particularly in its cultural and heritage aspects.
- **Agriculture also provides vital income to the farmers, within a market economy.** Fair prices and competitiveness must also be the objectives of the CAP.
- Agriculture is one of the human activities most dependant on environmental factors. Consequently, environment protection is absolutely necessary to its survival. **The CAP must favour the positive effects of agriculture on the climate and the environment, while preventing detrimental practices to occur.** Both research and education must take these concerns into account.
- **Agriculture must improve its energy consumption practices.** Hence, the CAP must simultaneously encourage actions to save up on energy, improve energy efficiency and develop energy local production.
- **Possible conflicts for access to soil between food and non food agricultural production must be avoided.** In particular, the CAP should refrain from encouraging biofuels development above a given limit.

II. What position in international trade negotiations?

Agricultural markets are partly globalised. Thus, our regional agricultural economies are interdependently linked with that of other regions of the globe. Because of this link, we are legitimately concerned with **the right to independence and food safety throughout the world**. Moreover, respecting this fundamental principle could contribute to reducing development gaps between countries, thus reducing migratory movements (if nothing is done they will inevitably tend to increase, particularly from Africa).

Governance

In order to move towards this objective, **multilateral international negotiations must be preferred**. Even if the current trends of the Doha Round negotiations at the WTO are largely questionable, any evolution back towards bilateral negotiations would only favour the rich at the expense of the poorer countries of the planet.

Internal market access

The possibility to apply tariffs in a reasonable way must be preserved. Indeed, full liberalisation of world trade on agricultural products would make external dependence incompatible with the principle of food independence on the long term. This is not only true for Europe, which must preserve its right to protect its most vulnerable or crucial productions, but even more for the poorest third countries. For them, tariffs are the only accessible tool to support their agricultural sector. This principle is consistent with our position on exports.

Moreover, common environmental and sanitary standards create higher production costs for European farmers. Tariffs allow a fairer competitive environment.

Export competition

In exchange, any system of export subsidy should be abandoned. By disturbing agricultural economies which do not have the necessary means to subsidise their own productions, public intervention in favour of exports is in direct contradiction with the principle of food independence in third countries.

Internal support and non trade questions

The EU must defend its ability to provide targeted and conditioned internal support in a food security perspective:

- On the one hand, market management tools must prevent and mitigate production variations and crisis in order to secure supplies.
- On the other hand, payment for non market services that agricultural activities provide to the whole society is the only justification for direct aid. Hence, every direct aid should abide by a cross-compliance principle, as it is already partly the case within the EU. This is how environmental, sanitary and production standards will be met.

Geographic indications

The almost complete disappearance of the concept of protected denomination of origin from the current WTO negotiation framework is regrettable. In a sustainable development perspective for its agriculture, respectful of the diversity of its types of production, the European Union cannot afford to neglect this concept. On the contrary, it should actively promote it, particularly towards third countries in order to facilitate mutual recognition of geographical indications. Taking these questions into account is the only way to prevent consuming habits' standardisation and to preserve cultural traditions.

III. What share for the agricultural policy within the EU budget?

Should the agricultural policy remain common to all the member states of the EU? In other words, is tackling these questions at a European level providing a real added value? Only once the level of European integration of this policy is determined, will its share of the EU budget be legitimated.

European added value

The objectives of food independence, quality and diversity preservation for agricultural productions, and market management to secure supplies were stated in the first chapter of this document. These fundamental aims are much more efficiently dealt with at the European level than at the national level, as the CAP has been demonstrating for more than 40 years. Indeed, many member states would find it very difficult to reach these goals by themselves. Hence, tackling these questions at a European level provides a significant and undeniable European added value: **the agricultural policy must remain common.**

Spending

According to the objectives set for the agricultural policy, and their importance for the European citizens and their future, **the CAP must remain a top priority for the EU. Considering this level of priority, the budget devoted to it must be maintained.**

Today, if the CAP represents 43% of the total EU budget, this is simply because it is one of the few common policies. European agricultural spending only accounts for less than 0.5% of the EU GDP. Instead of being criticised as an expensive policy, **the CAP should be taken as an example in order**

to integrate policies considered as priorities for the EU, such as research, transports, defence or foreign affairs for example. Likewise, dealing with environment, energy or rural development challenges would require setting up truly integrated and independent policies. We cannot expect the CAP to solve all problems at once. In this perspective, the EU budget should logically increase in order to address these new common policies. This would automatically result in a decrease of the share of agricultural spending within the total EU spending.

Resources

With a stable agricultural spending, and the integration of new policies in order to meet the challenges of the XXIst century, **the EU budget must be increased**. This obviously implies a resource increase, as regards national contributions as well as the EU's own resources.

Flexibility

The considerable structural variability of agricultural production, in a context of trade globalisation and climate changes, requires public intervention in order to compensate for the most brutal variations. **The agricultural budget would benefit from an increased flexibility**. This would enable it to deal appropriately with crisis management. Conversely, there should not be public intervention in sectors enjoying sufficient price levels. The level of public intervention should be regularly adapted to match market realities, in one way or the other.

Co-financing

The regions firmly oppose any increase in national co-financing within the agricultural policy. This would be a step backwards from the treaty of Rome. The principles of financial solidarity between member states, and free and fair trade between farmers, must be reaffirmed to avoid any partial or total renationalization of this policy. This is why the regions oppose any increase of modulation in its current form, since it would increase the co-financing rate.

Agriculture and rural development

The current second pillar of the CAP, represented by the European Agricultural Rural Development Fund (EARDF), sets up a dangerous confusion between agricultural policy and rural development policy. However, these policies are distinct from one another and would both benefit from being clearly identified. **A strict separation between agricultural policy and rural development policy must be implemented**. Roughly, current axes 1 and 2 of the EARDF will thus be clearly identified as elements of the CAP. Axes 3 and 4 will form the base of a new dedicated rural development instrument, independent from the CAP, which could possibly be integrated into operational programmes financed by the ERDF.

IV. What tools for the future of the CAP?

Governance

The governance of the CAP must be coherent and take into account the principle of subsidiarity:

- In order to reach the objectives assigned to the CAP, the legislative framework must be decided at European level. The EU organises agricultural markets regulation and financial solidarity between member states.
- Member states organise a fair allocation of the funds, in particular compensating for any natural disadvantage existing on its territory.

- **The regional level orientates and optimises the CAP and its effects, within the frameworks of European and national rules** (see article 59 of regulation 1782/2003).

This model is followed in most of Europe, but this is not the case in France. Today, French regions still lack political means to adjust the CAP according to the specificities of their territories. Yet, although this policy should keep on being decided at European level, it is nonetheless producing effects at a very local scale. The regional level (equivalent NUTS II) is the most relevant decision level to prevent the gap from widening between the objectives of the CAP and its local implementation. This is why **the regions expect the aid of the CAP (first and second pillar) to be managed at regional level**, whichever the management authority. Criteria for the allocation of aid must be discussed and adapted at regional level, and should be allowed to evolve.

Market management

Some market management tools must be preserved, even when they are temporarily not in action as it is the case for some of them nowadays. The complexity and variability of agricultural markets require a public regulation in order to secure food supplies for the European citizen. However, this necessity must not lead to a static system. Its evolution could be considered in two ways:

- The tool is considered efficient but is currently unused or inadequate; it can be frozen or adapted without being suppressed for that matter, for it could prove useful again in the future.
- The tool is considered obsolete, its suppression becomes necessary. Nevertheless, the creation of a replacement tool must be discussed.

Milk quotas fall into the first category: it is a supply management tool, but also a territorial cohesion tool, particularly in mountainous areas. It has demonstrated its relevance at an insignificant cost. **The regions believe milk quotas must be preserved, but the system must be given flexibility in order to regularly adjust volumes according to market opportunities.** A programmed and unquestionable increase in volume, eventually leading to the disappearance of milk quotas, would expose the sector to a severe crisis in the case of market reversal for milk and milk products.

If necessary, similar systems could be implemented in other sectors in a sustainable and financially sound production management perspective.

Direct aid

- **Single payment scheme: The regions support a regionalised model** as defined by article 59, with a flat rate applied according to the surface of the farm and a redistribution system (see below). The transition between the historic and the regionalised model may be progressive, as some member states have already chosen to proceed.
- **Decoupling: Within a regionalised model of the CAP, decoupling will be consolidated. Nevertheless it seems necessary to keep applying coupling for some productions** in order to avoid these activities to be completely abandoned, particularly in areas with natural disadvantages. Thus, coupled aid to cereals, oilseeds and protein crops, as well as cattle slaughtering premiums could be suppressed. On the opposite, suckling cow premiums and goat and sheep premiums seem necessary in order to preserve these activities on our territories, particularly within naturally disadvantaged areas (wetlands, islands, mountains, etc).

Aid reallocation

Three tools for CAP aid reallocation already exist or are currently considered: article 69 of regulation 1782/2003, modulation and capping.

- Article 69 allows a reallocation of up to 10% of the direct aid ceiling within the first pillar in order to favour particular production systems (environmentally beneficial, quality oriented systems...). **Article 69 seems to be the most appropriate tool for aid reallocation at the moment and should be reinforced.** We regret the fact that the French State has chosen not to use article 69 up to now.
- **Any potential increase of the modulation rate**, allowing transfer of funds from the first pillar to the second, **should not be linked with a compulsory national co-financing.** An increase in co-financing would mean a partial renationalization of the CAP, which would be in contradiction with the objectives previously stated.
- **Implementing a direct aid capping would be very positive.** Concepts of aid degressivity for higher payments and minimum aid level are also interesting. However, the efficiency of these measures will depend on the level of the thresholds. For example, a first ceiling of 100.000 euros per farm would be way too high to significantly reallocate funds. Similarly, any minimum level must only be implemented because of administrative costs, and not in order to discriminate between so-called "true" and "false" farmers. Capping should rather be considered according to agricultural employment on the farm. For instance, a ceiling of 20.000 euros per full-time equivalent job (AWU) could be set up, with a degressivity above this level.

On the whole, it would be more relevant to **devise a unique redistribution tool** whose threshold would be set up according to the final reallocation objective. The regionalised use of any fund collected in this way should be reallocated in the spirit of article 69.

V. Conclusion

In this document, the regions of Western France are offering a coherent vision for the future of European farmers, consumers and citizens. They wish the CAP to be reaffirmed as a food policy for Europe in the XXIst century. They underline its essential role as market regulator to the benefit of all citizens: farmers when the prices are too low, consumers when the prices are too high. They suggest a renewal of this policy in order to better adjust to current territorial, environmental and economic challenges.

This project takes into account the diversity of agricultures and the specific challenges the various European regions must face on a daily basis. The regions of Western France invite their European counterparts sharing this vision to work together for the benefit of agriculture and of all the European citizens.

Changé (France), 26 February 2008