

Brussels, 18 November 2010

Commission outlines blueprint for forward-looking Common Agricultural Policy after 2013

The European Commission has today published a Communication on "the Common Agricultural Policy (CAP) towards 2020 – Meeting the food, natural resources and territorial challenges of the future". The reform aims at making the European agriculture sector more dynamic, competitive, and effective in responding to the Europe 2020 vision of stimulating sustainable growth, smart growth and inclusive growth. The paper outlines three options for further reform. Following discussion of these ideas, the Commission will present formal legislative proposals in mid-2011

Outlining the Communication today, EU Agriculture and Rural Development Commissioner Dacian Cioloş underlined the importance of making the CAP "greener, fairer, more efficient and more effective". He continued: "The CAP is not just for farmers, it is for all EU citizens – as consumers and taxpayers. It is therefore important that we design our policy in a way which is more understandable to the general public and which makes clear the public benefits that farmers provide to society as a whole. European agriculture needs to be not only economically competitive, but also environmentally competitive."

Earlier in the year, the Commission held a public debate and a major conference on the future of the CAP. The vast majority of contributions identified 3 principal objectives from the CAP:

- **Viable food production** (the provision of safe and sufficient food supplies, in the context of growing global demand, economic crisis and much greater market volatility to contribute to food security);
- **Sustainable management of natural resources and climate action** (farmers often have to put environmental considerations ahead of economic considerations – but such costs are not rewarded by the market);
- **maintaining the territorial balance and diversity of rural areas** (agriculture remains a major economic and social driving force in rural areas, and an important factor in maintaining a living countryside)

This Communication looks at the future instruments that might be suitable for best achieving these objectives. For **direct payments**, the Communication outlines the importance of a **redistribution, redesign and better targeting** of the support, based on objective and equitable criteria, easy to **understand by the taxpayer**. These criteria should be both economic (noting the "income support" element of direct payments) and environmental (reflecting the public goods provided by farmers), with support **better targeted towards active farmers**. A more equitable distribution of funds should be organised in an economically and politically feasible way with a transition to avoid major disruption.

One approach could be to provide a basic income support payment (which might be uniform per region – but not flat-rate across the EU, based on new criteria, and capped at a certain level); plus a compulsory environmental payment for additional actions (annually) which go beyond the basic cross-compliance rules (such as green cover, crop rotation, permanent pasture, or ecological set-aside); plus a payment for specific natural constraints (defined at EU level) and complementing amounts paid via Rural Development measures); plus a limited “coupled” payment option for particularly sensitive types of farming (similar to the current option introduced [under Article 68] in the CAP Health Check). A simple, specific support scheme should enhance the competitiveness of small farms, cut the red tape and contribute to the vitality of rural areas.

On **market measures**, such as public intervention and private storage aid, there may be some scope for **streamlining and simplifying** measures, and possibly introducing new elements with regard to **improving the functioning of the food chain**. Although these mechanisms were the traditional tools of the CAP, subsequent reforms have enhanced the market orientation of EU agriculture and reduced these to safety net measures - to the extent that public stocks have virtually been eliminated. Whereas market measures accounted for 92% of CAP spending as recently as 1991, just 7% of the CAP budget was spent on them in 2009.

Rural Development policy has allowed enhancing the economic, environmental and social sustainability of the farming sector and rural areas, but there are strong calls to fully integrate **environmental, climate change and innovation** considerations into all programmes in a horizontal way. Attention is drawn to the importance of direct sales and local markets, and the specific needs of young farmers and new entrants. The LEADER approach will be further integrated. In order to be more effective, a move towards a more outcome-based approach is floated, perhaps with quantified targets. One new element in future rural development policy should be a **risk management toolkit** to help deal better with market uncertainties and income volatility. Options should be open to member states to address production and income risks, ranging from a new WTO-compatible income stabilisation tool, to strengthened support to insurance instruments and mutual funds. As with direct payments, there should be a new allocation of the funds based on objective criteria, while limiting significant disruption from the current system.

The Communication outlines 3 options for the future direction of the CAP, in order to address these major challenges – **1) adjusting most pressing shortcomings in the CAP through gradual changes; 2) making the CAP greener, fairer, more efficient, and more effective; and 3) moving away from income support and market measures and focusing on environmental and climate change objectives**. In all 3 options, the Commission foresees the **maintenance of the current system of 2 Pillars** – a 1st Pillar (covering direct payments and market measures, where rules are clearly defined at EU level) and a 2nd Pillar (comprising multi-annual rural development measures, where the framework of options is set at EU level, but the final choice of schemes is left to member states or regions under joint management). Another common element to all 3 options is the idea that **the future system of direct payments cannot be based on historical reference periods**, but should be linked to objective criteria. “The current system provides different rules for the EU-15 and the EU-12, which cannot be continued after 2013”, Commissioner Ciolos insisted today. More objective criteria are also need for Rural Development allocations.

More information:

- annex: description of the three broad policy options
- website: http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm
- [MEMO/10/587](#)

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: • 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.