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COPA-COGECA's response to the European Commission's Stakeholder's "Health Check" questionnaire¹

1.1. Simplifying the Single Payment Scheme

COPA and COGECA fully support the Commission's intention to achieve further technical simplification and reductions in red tape. This will improve the effectiveness of the CAP and enable farmers to concentrate on adapting more rapidly to changing market developments and shifts in demand.

However, adjustments to the systems of single payment in the Health Check must be limited to technical simplification. Bearing in mind that most of the 2003 reform measures were not introduced at farm level until 2005/6 and further reforms are still in the pipeline, the overriding priority now is to provide farmers and their cooperatives with a period of stability - both in policy and the rules and regulations farmers have to meet.

The implications of encouraging Member States to move towards a flatter rate of payment should be examined in the context of agricultural policy post-2013.

1.2. Cross Compliance

Farmers have made great efforts to meet cross compliance requirements. It is essential to make this policy much less bureaucratic and less complex, without of course endangering production standards. Farmers wish to comply with the rules but at present they are hindered, rather than helped, from doing so. COPA and COGECA have presented a detailed series of proposals already (see PR(07)19F1). Furthermore, there is still no impact study of the implementation of the Good Agricultural and Environmental Conditions (GAEC).

Bearing in mind these problems which still have to be rectified, and the fact that Member States are still in the process of implementing the necessary instruments (they have until 2008 to do so), it is certainly not acceptable to introduce further EU legislation to cross compliance.

1.3. Partially coupled support

Producers welcome the "freedom to farm" offered by the 2003 reform and, thereby, to become more responsive to market needs. At the same time, there are real concerns that in

¹ see also COPA and COGECA's reaction to the Commission's "Health Check" communication PR(08)126:1

some cases decoupling could lead to the complete disappearance of production in certain regions or certain types of production with severe consequences for the environment, the local farm economy and employment (cooperatives, farm suppliers and processors, tourism....) as well as infrastructure. It could also make the EU completely dependent upon imports for supplies of certain products.

COPA and COGECA are not convinced that the alternative way of dealing with these problems suggested by the Commission, namely through specific support measures under a revised Art. 69 of R 1782/2003, is the most effective or adequate solution, except on a limited basis.

Member States should therefore be given the flexibility to further decouple payments on a sector basis (i.e. to be applied to all producers within that sector in the Member State concerned) prior to 2013 providing it can be clearly shown, on the basis of an assessment, that this will not lead to serious loss of production and/or have serious agri-environmental consequences in certain regions.

1.4 Upper & lower limits in support levels

In the case of the upper limits proposed, the Commission has given no justification as to why a penalty should be applied to farms because they are large. The purpose of agricultural policy is not to redistribute income but to apply policy in a fair and non-distortive way. Furthermore the proposal of the Commission flies in the face of both simplification and the modernisation of farms through economies of scale. The proposal will penalise farmers who have made efforts to modernise and discourage further progress.

In the case of very small payments the administrative cost can exceed the payment. However, limits would be very detrimental to farms contributing to employment and quality production in many vulnerable regions. The solution therefore is to reduce the administrative costs, not the payment itself. For example, by making a demand for payment which is valid for more than one year.

2.1 Cereals intervention

Cereals intervention provides an important safety net at times of serious disruption on the world market and must therefore be maintained. Furthermore, the current market situation and prospects do not in any way call for adjustments to the system: public stocks of cereals are currently near to zero and forecasts of world demand indicate that there will in fact be little recourse to intervention in the foreseeable future.

However, it will be necessary to make an assessment as to whether these mechanisms are likely to remain effective and sufficient under future world market conditions or whether, in some cases, new EU or adapted instruments would be more appropriate.

2.2. Cereals set-aside

It would be advantageous to simplify farm payments by converting set-aside entitlements into "ordinary" rights. This would meet with farmers' and the authorities' concern to reduce administrative complications within the Single Farm Payment.

However, given the current market volatility and uncertainty, combined with the recent weakening of other mechanisms to stabilise the market (e.g. intervention for maize), it would be premature to abolish the possibility of using supply controls for cereals altogether at this stage.

2.3. Dairy Quota

The milk quota will expire in 2015. As COPA and COGECA have already stated, the three main long-term objectives in the milk sector must be stability, predictability and regional balance, to be achieved in a way which ensures EU producers' long-term competitive position. It is extremely important to introduce measures which will improve the competitive position of farmers between now and 2015. The development of the quota in coming years should be made on the basis of the market situation.

2.4. Other measures of Supply Control

It is essential to maintain EU-wide coupled payments currently applied in a series of sectors until 2013 and in particular for rice, durum wheat, dried fodder, seeds, flax and hemp and nuts. (see also concerns mentioned under point 1.3).

3.1. Managing risk

There is clear evidence that the risk element in agricultural production is increasingly strongly.

With increased risk, the role of the CAP in assuring the EU's nearly 500 million consumers secure and stable supplies of food and energy, produced in a sustainable way, will become much more important than it has been over the past years of abundant food supplies and Community preference.

This is why it is so important that there is no further weakening in existing EU market management mechanisms in the Health Check (see also point 2.1 above). COPA and COGECA do not agree with the Commission that the management of risk is a question of rural development. This is a question of the EU's food and energy strategy and security.

In the context of the longer-term development of the CAP, it will be necessary to carry out an assessment of whether existing mechanisms are likely to remain effective and sufficient under future world market conditions or whether, in some cases, new EU or adapted instruments would be more appropriate.

3.2. Climate change, bio-energy, water management and biodiversity

COPA and COGECA support the Commission's concern to address new challenges and agree that climate change, water management and bio-energy are priorities. However, COPA and COGECA do not accept the Commission's approach of conditioning the treatment of these new challenges to the acceptance of further cuts in farmers' decoupled payments. These are challenges which face the EU as a whole and must be treated as such.

The most urgent priority now is research in order to better understand the implications of climate change and to see to what extent the effects can be mitigated and to what extent

farmers can help in this process. Similarly, the development of second generation biofuels depends on the capacity of research (optimising production systems, conversion processes and fermentation, and obtaining value-added from co-products). This type of research, both on climate change and second generation bio-energy, is being financed under the 7th EU Research Programme but more research work is required.

Member States should take advantage of the 2010 interim review of current rural development programmes, which run for the period up to 2013, to ensure that they are giving sufficient priority to the new challenges under pillar 2, in particular to deal with one of the most pressing problems concerning water - both scarcity and quality. This review should also enable an assessment of whether the EU is on track to meet the objectives of the Water Framework Directive. Under no circumstances can elements of the WFD be brought in under cross compliance

3.3. Strengthening rural development

COPA and COGECA reaffirm the importance of rural development but this should not be achieved at the expense of the first pillar of the CAP.

COPA and COGECA oppose the increase in modulation proposed by the Commission for the following reasons:

- modulation means a cut in farmers' single payment yet the Commission has given no justification whatsoever for this cut. Nor does the Commission have a clear idea how the money will be spent under rural development. Member States have already drawn up their rural development programmes for the period up to 2013
- according to the decisions of the fruit & vegetable reform, land used for fruit & vegetables, orchards, nurseries and potatoes will be eligible for the decoupled single farm payment by 01/01/2011 at the latest. Bearing in mind that there will be no additional budget to cover payments for a large part of this area, Member States will have to make difficult adjustments in order to incorporate these sectors into the farm payment. This could mean further cuts in payments for other producers, particularly those under the historic system
- EU farmers cannot maintain their competitive position in the face of EU policy to open markets up to imports, and at the same time meet high EU standards of sustainability, if their direct payments are constantly being cut
- the Commission indicates that further modulation is necessary to offset the Council decision on financial perspectives in 2005 which led to a cut in support for rural development. It is not up to farmers to compensate for cuts decided by the Council

COPA and COGECA share the concern of the Commission to bring an end to the distortion of competition amongst farmers caused by the voluntary modulation. However, it is totally unacceptable that the position taken by two Member States should lead to yet further payment cuts for all farmers.

As indicated under point 3.2, further modulation is not a pre-requisite for dealing with new challenges. The first priority in the case of climate change and second generation fuels is research. Furthermore, Member States have the opportunity of the 2010 interim review of their current rural development plans to examine whether the most pressing problems of the day are given adequate priority within the overall funding and to make adjustments if necessary.