

Payments, decoupling and cross-compliance

CAOBISCO is in favour of a supply driven by demand. Consumers and customers will require the appropriate quantity and quality of raw materials. Therefore CAOBISCO supports the review of the remaining coupled payments and quota systems. **Total decoupling and phasing out of remaining quota systems** provides increased production flexibility, favours market orientation and, finally, simplifies the CAP. The shift from product to producer support with the introduction of a decoupled single farm payment is the right way forward.

CAOBISCO welcomes the principles of **cross-compliance** aimed at promoting the respect of specified standards as it reinforces consumer confidence in agricultural production. Attention must however be paid to minimizing administrative burden and costs. The scope of cross-compliance should also respond to new environmental challenges and enhance sustainable agriculture accordingly.

CAOBISCO believes that the **energy crop premium** is indeed no longer needed as there are sufficient incentives for the production of raw materials for biofuels. The Commission is also right to review the redirection of funds towards support to research and innovation for 2nd generation biofuels.

Market Instruments

Public intervention seems no longer to be a good market instrument esp. when it is used as an outlet in itself. Intervention purchasing was one of the cornerstones of the price support system. Therefore, the phasing out of intervention, either by reducing the intervention price to near world market levels or by abolishing the instrument altogether in relation to particular commodities, is welcome.

Storage and stocks are the traditional responses to price variability throughout the year. Private storage and the setting up of "strategic stocks" of certain raw materials should be envisaged as one of the options to be further analysed. They must however be managed so as to ensure that they will not cause unintended distortions of the market flows in the detriment of European supply and demand.

Furthermore, in reviewing market management tools, attention must be given to the use of instruments that can balance out availability problems and price fluctuations, for example, **imports (e.g. inward processing)**.

As long as gaps between EU and world market prices remain, **export refunds** are essential to ensuring the competitiveness of CAOBISCO high-value added products on world markets. The phasing out of refunds has to be linked with internal agricultural reforms and a parallel reduction of the gap between the world and the EU market prices of commodities

CAOBISCO welcomes the Commission's approach regarding the permanent ending of the **set-aside scheme**, since support is no longer linked to production. This would allow farmers to be more flexible in their plantations and it would alleviate the impact of non-food development.

Finally, CAOBISCO stresses the importance of an **effective system for the collection and publication of updated real-time statistical data**. Good published data would favour market transparency and help operators to make informed decisions and to manage risks.

Conclusion

Today, the European agricultural policy is facing new challenges. To respond to these challenges, it is crucial to take account of the necessary **coherence between European policy objectives**, such as agricultural production, environment protection, biofuels' promotion, food safety requirements and trade. Measures and instruments developed under these policies should prevent major market imbalances and disruptions that would prove damaging for the EU food industry.

(Specific response to the dairy market, attached)