

ROADMAP

Title of the initiative: **The future of the CAP**

Type of initiative (CWP/Catalogue/Comitology): CWP 2010, Communication

Lead DG/contact person/details: AGRI

Expected date of adoption of the initiative (month/year): November 2010 [timing of adoption to be checked]

Date of modification: 15/03/2010

Version No: 01

Initial IA screening & planning of further work

A. Context and problem definition

(i) What is the political context of the initiative? (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

This Communication will prepare grounds for the legal proposals on the future of the Common Agricultural Policy (CAP), to be adopted by the Commission in July 2010.

The 2003 reform and the Health Check decisions prepared the grounds for the Common Agricultural Policy till 2013. A new legislative framework should be prepared for the period post 2013. With the entry into force of the Lisbon Treaty the European Parliament will this time act as co-legislator

This Communication will be launched in a wider context than other Communications in the past since it will take place with the role of the European Parliament strengthened with co-decision after the Lisbon Treaty. This initiative will also be linked with the discussions on the Europe 2020 and the revision of EU budget and the new financial perspectives. The CAP faces the same major challenges as those identified in Europe 2020, stemming from expected pressures on its budget and from the need to respond to the combined effect of the economic crises and climate change.

The CAP since its creation has been adapted to the challenges required by a public demand for a sustainable sector across the EU. The reforms in 1992, 2000, 2003 adjusted with the Health Check pursued the objectives of increased market-orientation, competitiveness and sustainability. It now disposes of more versatile instruments and is more responsive to societal challenges (food security, land management, viable rural areas). Further adjustments should continue this path and better prepare the policy to respond to EU new challenges.

What are the main problems identified?

The impact of the economic crisis has been more severe than previously thought for EU agriculture, leading to a cumulative decline in agricultural income that erased in just two years the gains of the past fifteen. This development is neither related to the reform of the CAP, nor to developments in agricultural markets. On the contrary, it is directly linked to the way by which agriculture has been caught in the turbulence of the parallel boom and bust of all commodity markets in the aftermath of the financial crisis.

As a result, the capacity of the CAP to enhance in the future, its contribution to the environmental and territorial balance of EU agriculture will be put to the test. Climate change challenges, be it for adaptation or mitigation, will put this balance at risk if the inevitable pressure for increasing the efficiency and competitiveness of EU agriculture is not accompanied by the necessary measures and resources that would guarantee the sustainable delivery of this objective.

- The increased volatility of the markets and the risks for food security linked with climate change, population growth and increasing demand.

- The continuing trend of land abandonment in some areas and the possible prospects of further intensification in other areas, which increase the pressure on natural resources and the environment and affect the level of public goods provided through agriculture.
- The increased farm income variability and the inequitable distribution of EU support among farmers, within and among member states.
- The weak transparency and price transmission across the food chain, and the associated pressures on farm income linked with the concentration of market power upstream and downstream and an unequal bargaining power among the chain partners.
- The diverging evolution of farm income compared to income from other activities and its consequences for the economic and social development of rural areas and for the territorial balance in the EU.
- The pressures on the competitiveness and on the maintenance of certain farming systems and agricultural products in the EU in a more liberalised economic and trade environment.
- The expected pressures on the financial resources available and the need for a better targeting and transfer efficiency of the public support to agriculture and rural development.
- The CAP implementation and governance issues linked with the increased diversity of farming structures and practices within the enlarged EU.

Who is affected?

This Commission Communication will explore avenues on the future of the CAP essential to the public debate and to a proper consultation before preparation of legal proposals. Therefore the Communication itself does not have direct impacts. The issues discussed in the communication will affect mostly people engaged in agriculture and food industry, as well as rural communities; However, the policy as a whole and in particular the issues of food production and environmental sustainability in the EU respond the demand of all EU citizens. The Common Agricultural Policy of the EU aims at responding to the public demand for a sustainable agricultural sector in Europe by enhancing the competitiveness of the agricultural sector, ensuring sufficient and secure food supply, preserving the environment and the countryside while providing for a fair standard of living for the agricultural community.

(i) Is EU action justified on grounds of subsidiarity? (ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)? (iii) As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)?

CAP objectives have been affirmed in the revised Lisbon Treaty. A Community approach towards supporting agriculture ensures a level playing field for farmers competing in the internal and on the global market with a common set of objectives, principles and rules. Furthermore, the implementation of policy measures should benefit from mutual learning and experience, as a resource for economic and social development. It allows mobilising joint forces to enhance the competitiveness of the sector and, thus, contributing to the Europe 2020 agenda.

Several objectives of agricultural policy can only be addressed at a trans-national level as they concern either common interests or refer to balancing differences in development and opportunities, to the benefit of farmers acting under unfavourable economic and structural conditions. Common action is needed to achieve cohesion across Member States and regions, the preservation of the common natural and cultural heritage, and to address cross-border problems in the field of the environment as well as global challenges such as climate change, water management and biodiversity.

B. Objectives of EU initiative

What are the main policy objectives?

Evaluate the capacity of CAP reform in adapting and targeting policy measures contributing to Europe 2020 objectives, cohesion and the sustainability challenge embedded in the Gothenburg strategy.

Assess the CAP needs and adjust the policies to take into account the impacts of economic crises and better address increasing market volatility, whilst as well respond to the challenges of food security, climate change and availability of resources.

Rise important elements and explore avenues on the future of the CAP essential to the public debate and to a proper consultation before preparation of legal proposals.

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

The objective relate to adjusting current EU policy in the area of strategic importance, including the goals set out in Europe 2020 strategy for developing an economy based on knowledge and innovation, promoting a more resource efficient, greener and more competitive economy and fostering a high-employment economy delivering social and territorial cohesion. The intervention of the CAP in the EU challenges of sustainable development, in particular fight against climate change, halting biodiversity loss, water management and bio energy are expected to be reinforced.

C. Options

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered? (iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

To answer to the identified challenges, alternative options will be discussed; further debate will follow in the framework of the Impact Assessments of the legal proposals.

Policy options correspond to scenarios that should better adapt the policy to continue and improve the delivery of EU objectives. These policy options would be:

- 1) Continue the current policy framework.
- 2) Reorient current policy framework for better delivery of EU objectives. This will involve the maintenance of the current two pillar structure with adaptation of main policy areas of instruments (direct support, market mechanisms and rural development) to enhance further market orientation, convergence of support across and between Member States, more sustainability.
- Financing: address the weight between the three policy areas.
- 3) Change current policy framework and adapt policy so that different instruments are targeted to different objectives
- 4) Abandonment or decentralisation of current policy

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

Yes

Explain how the options respect the proportionality principle

In the follow-up legislative proposals all options will be assessed in terms of proportionality principle. Because they are oriented towards better delivery of EU objectives, instruments will be considered in the light of EU added value.

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

The Impact Assessment on the follow-up legislative proposals will evaluate the consequence of reform options. The economic, environmental and social impacts will focus on agricultural markets, budget, income, natural resource and environment, cohesion and activity in rural areas. The groups affected by these impacts will be farmers and all actors of the food chain, residents in rural areas, consumers in the EU and outside the EU.

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

The follow-up legal proposals have impacts on the EU-Budget.

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

The follow-up legislative proposals could lead to simplification, reduction of administrative burden and could have implications in relation to third countries.

E. Planning of further impact assessment work

When will the impact assessment work start?

This communication will not have an Impact Assessment but foresees a large public debate. An Impact Assessment will be made in the context of the legal proposals. (c.f. road map for legal proposals on the future of the CAP)

- (i) What information and data are already available? (ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out? (iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when? (v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

See road map for legal proposals on the future of the CAP

Which stakeholders & experts have been/will be consulted, how and at what stage?

A major exercise of public consultation involving a wide range of stakeholders and general public is being organised from April till July 2010. This consultation will be summarised in a public document which will be presented in a wide public conference in July 2010. The civil society as a whole and the full range of stakeholders with interest in agriculture, food, environment and rural issues will be consulted. The results of this consultation will serve as basis for the preparation of the Communication on the future of the CAP to be adopted in November 2010.

This consultation will be launched by the Commissioner in April 2010. The Commissioner will then present a set of questions related to the future of the policy. All parties concerned will be invited to answer to a set of broad questions on the future of the CAP. A set of consultation channels will be organised where these questions will be submitted:

- EP, CoR and ECOSOC
- Enlarged advisory group on the CAP to be organised on the 3rd of June.
- DG agri advisory groups and Rural Development networks.
- Internet consultation in line with the minimum standards for consultation.
- Debates in the 27 Member states organised by stakeholders and think tanks.
- A public conference in 19-20 July 2010.

The answers and contributions will be summarised by external consultants so as to provide an independent and be presented in the July conference. The conference will finalise the first stage of consultation.