



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senate of the Czech Republic for its Opinion on the Reform of the Common Agricultural Policy for the 2014-2020 {COM(2011)625, 626, 627, 628 and 630 final} and would like to make the following remarks in reply to the issues raised therein:

Direct payments

The Single Area Payment Scheme was always designed as a transitional system. It was introduced to facilitate the path of the EU-12 towards the system of direct payments in place in the rest of the EU. All concerned Member States were aware of the fact that they would have to join the common EU direct payment system with the implementation of the current CAP reform and had time to make the necessary preparations.

The proposal on upper limits for direct payments to individual farms ("capping") reflects the discomfort of many citizens with paying large landholders who may not actually be in need of the same level of income support as small or medium sized farmers. However, any capping of payments also needs to consider the often substantial contribution of large farms to rural employment. Therefore, the amounts that large farms receive are first reduced stepwise ("degressivity") and only actually capped at very high payment levels. In addition, the employment characteristics of farms are taken into account in calculating the thresholds, as well as the greening payment. This means that a large farm with a high number of employees will be less affected by capping than a large farm with few employees. With this reasoning in mind, an increase of the capping ceiling per farm is not appropriate.

Even though the budget released by capping stays in the Member State, it needs to be recalled that capping is not designed as a tool to shift money from the first to the second pillar. And despite the expiry of voluntary modulation, the new proposal will allow a certain degree of flexibility between the 1st and 2nd pillars. For example, Member States would be able to transfer 10% of the annual national ceiling of the 1st pillar to the rural development programme if they wish to do so.

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PRAGUE 1

The Commission welcomes your support for targeting payments to active farmers. The proposals have been designed in such a way that genuine farmers would always have access to direct payments, including part-time farmers who have diversified their economic activity. The definition of an active farmer is proposed at EU level with the aim of ensuring equal treatment of farmers. Nevertheless, certain flexibility is given under Article 4(1)(c) by allowing Member States to define minimum activities to be carried out on agricultural areas which are naturally kept in a state suitable for grazing or cultivation.

The Commission welcomes your support for the new scheme for farmers in natural constraint areas, as proposed under Article 34 of the Regulation for direct payments. This scheme is optional for Member States, which may use up to 5% of their annual ceiling for direct payments for this purpose. The areas eligible need to be designated as areas with natural constraints in accordance with Article 33(1) of the rural development regulation.

Regarding your concerns on the greening requirements, the Commission has proposed three simple measures, which bring real environmental enhancement of the CAP through Pillar 1, while limiting the additional costs and burden in the operation of the farm and which are easy to control. In order to maintain the EU food production base and the competitiveness of the sector in the longer term, farmers need to engage in practices that are environmentally sustainable and respond to environmental challenges that could become even more pressing in the future in the face of climate change. Farmers who already apply sound environmental practices in their agricultural activities will face very few additional demands through greening. In this respect, it should be noted that the ecological focus area (EFA) requirement includes not only fallow land but also hedges, buffer strips and other landscape features, inter alia.

The provisions for greening, and in particular compulsory Ecological Focus Area (EFA) and crop diversification strike a balance between the need to increase production to satisfy global demand and the improvement of the environmental performance of the CAP such as the preservation of biodiversity, landscape features, the need to prevent soil erosion and to help restore soil fertility, etc. As elements of greening, they are a significant step to increase the delivery of biodiversity and ecosystem services by Pillar I. The Impact Assessment accompanying the legal proposals for the CAP post-2013 has assessed different shares for EFA and crop diversification in order to come up with a proposal that is balanced in terms of the environmental benefits as well as the effects on farm income and displacement of production to elsewhere. As such, both measures ensure the long-term sustainability of agriculture while preserving the competitiveness of our farming sector.

Other issues

Regarding your concerns on the food chain, the Commission sees collaborative actions of agricultural producers as a possibility for improvement, in view of the fragmented nature of the agricultural sector and its impact on bargaining power vis-à-vis the other actors along the supply chain. However, such collaborative action is not widely used given the lack of legal clarity, experience and difficulties in setting up such collaborations. The CAP reform proposal aims at facilitating common action through broadening the scope and improving legal clarity for producer organisations (POs), their associations (APOs) as well as interbranch organisations (IBOs), including their recognition and competition rules.

The proposal for the food chain aims to establish a uniform EU approach covering all agricultural sectors, by providing for mandatory recognition of POs, APOs and IBOs in all

Member States, thereby granting legal certainty and ensuring a level playing field. Further harmonisation is provided through the specific mention of POs and APOs in the provision on exemptions from anti-trust rules and through the extension of the anti-trust provisions to IBOs in all sectors.

The on-going discussions and research on food supply chain issues in the context of the High Level Forum for a Better Functioning Food Supply Chain, the Transparency of Food Pricing research project and the study on Support for farmers' cooperatives are expected to provide valuable input during the Council and European Parliament discussions.

Turning to your comment on the protection of EU farmers against imports, the Commission would like to stress that any form of imposition on third countries to respect environmental standards would appear not to be in line with current WTO rules, which also of course provide legal certainty for EU exports, and which we are committed to respect.

The Commission welcomes your positive assessment of the proposal for future Rural Development policy.

The Commission hopes that the explanation provided addresses the concerns raised by the Senate of the Czech Republic and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*