

*Brussels,
C/2011/*

Dear Ms Zissi,

The Commission would like to express its appreciation for the report made by the Hellenic Parliament, on the European Commission's Communication on the Common Agricultural Policy (CAP) towards 2020 {COM(2010)672}.

It is a valuable contribution to the ongoing dialogue between the Commission and national Parliaments concerning the political priorities of the Union and I welcome this opportunity to comment on your resolution. Please find enclosed the European Commission's reaction to the opinion which I hope will contribute to your deliberations.

I look forward to deepening our dialogue on these issues in the future.

Yours sincerely,

Ms Rodoula Zissi

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COMMENTS OF THE EUROPEAN COMMISSION ON AN OPINION FROM THE HELLENIC PARLIAMENT

COM(2010) 672 - COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS THE CAP TOWARDS 2020: MEETING THE FOOD, NATURAL RESOURCES AND TERRITORIAL CHALLENGES OF THE FUTURE .

The Commission would initially like to note that the Communication: "The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future" aims at making the European agricultural sector more dynamic, competitive and effective in responding to the Europe 2020 goals for smart, sustainable and inclusive growth.

As regards the recommendation of the Hellenic Parliament that the first pillar should continue to be fully EU funded and its budget should remain at its current level, the Commission is of the view that a strong, common European agricultural and rural development policy is fundamental for the future of the EU. In particular, direct payments have proven their value in supporting and stabilising farmers' income while at the same time through their link with cross-compliance; they contribute in rendering farming sustainable and providing basic public goods.

With relation to the future steps from the EU budget point of view, the Commission has committed itself in the coming months to translate the ideas and options set out in the Budget Review Communication into concrete proposals for a new Multiannual Financial Framework covering the period after 2013. Therefore, at the current stage no exact statement can be made on the precise allocation of resources in the first Pillar.

With regard to the recommendation of the Hellenic Parliament that the redistribution of direct payments between Member States should be balanced without extreme simplifications of the system, the Commission would like to emphasise that the current distribution of direct payments is based largely on historic parameters. However, during the preparation of the Communication on the future of the CAP, there was a widespread agreement for a review of the current model of direct payments so as to improve their distribution towards more equity between Member States and farmers and to render them more understandable to the EU taxpayer.

In this context, the Communication put forward suggestions so as to adapt the direct payment system in terms of redistribution, redesign and better targeting of support, while avoiding major disruptive changes which could have far reaching economic and social consequences in some regions and/or production systems.

A pragmatic, economically and politically feasible manner of doing so is to redistribute payments between Member States while at the same time limiting their gains and losses in the way that all Member States receive on average a minimum share of the EU-wide average level of direct payments. The possibilities and impacts of adapting the direct payments system are being assessed in the context of the Impact Assessment analysis.

Concerning the statement of the Hellenic Parliament that the introduction of criteria relating to the delivery of environmental benefits, the prior level of payments and the

territorial specificities of the regions, will lead to a fairer and more harmonised distribution of direct payments among member states, the Commission would like to point out that in light of the significant challenges facing the EU agricultural sector and the need to make efficient use of taxpayer resources and the effective public policy returns, there is a widespread agreement for the review of the direct payments distribution criteria.

As mentioned in the communication these criteria should be both economic, in order to fulfil the basic income function of direct payments, and environmental, so as to support the provision of public goods. The possibilities and impacts of introducing such measures in the direct payments are being assessed in the context of the Impact Assessment analysis for the preparation of the Legal Proposals.

As to the statement that a better targeting of pillar ii funds will promote measures that improve technology, innovation, competitiveness and employment and that incentives for investments should be given to new farmers, the Commission would like to highlight that as an integral part of the CAP, rural development has proved its value by reinforcing the sustainability of the EU's farm sector and rural areas- economically, environmentally and socially.

The Commission firmly believes that environment, climate change and innovation should be guiding themes in the future rural development policy and foresees in the Communication that the specific needs of young farmers and new entrants will be a priority.

The effectiveness of rural development measures could be significantly improved by strengthening the strategic approach that has been put in place in the current programming period where Member States draw their programs on the basis of a SWOT analysis in accordance with strategic guidelines at EU level.

In addition, a Common Strategic Framework for EU funds is under consideration. This should increase synergies between all the funds as they work together towards common objectives, and facilitate the work of administrations and applicants with a more coordinated implementation at all levels down to the local level.

With regard to the claim that any strengthening of the rural development should not materialise by transferring funds from the first pillar, the Commission would like to stress that the discussion on the future of the two pillars of the CAP and their funding gives an opportunity for the advantages and disadvantages of maintaining the current modulation mechanism, or moving to allocated budgets for each pillar, to be reappraised in the Impact Assessment, which will accompany the Commission's legislative proposals on this matter, in 2011.

Concerning the recommendation of the Hellenic Parliament that the CAP administrative procedures should be made simpler and easier to administer, the Commission is fully aware that the simplification and the reduction of the administrative burden are of major importance to strengthening the European farming sector. Resulting from the above, during the past years substantial efforts have been made towards this direction and the CAP has been considerably simplified. The direct payments system for example is a lot

easier than the former schemes and with our various sectoral reforms, and the Health Check, we have created a reasonably simple toolkit.

Following the same logic and principle the Communication on the future of the CAP stipulates elements in relation to further simplification. These elements relate for example to streamlining and simplifying market instruments; to simplify the implementation of the cross compliance rules by providing farmers and administrations with a simpler and more comprehensive set of rules; simplification and improvement of the set of indicators in the Common Monitoring and Evaluation Framework as well as the further strengthening and simplifying of the quality and promotion policies. A uniform level of direct payments could further contribute to this direction.

Finally, as regards the view expressed by the Hellenic Parliament that market instruments should tackle increased price volatility and income risks, including issues arising in the food chain. The Commission would like to emphasise that there is a broad consensus across the EU to keep the overall market orientation of the CAP while also maintaining the general architecture of the market management tools. Indeed the 2009 dairy market crisis highlighted the important role that existing mechanisms play in supporting the market in times of crisis. However, some specific adaptations appear necessary, most notably in streamlining and simplifying instruments currently in place, as well as in introducing new policy elements with respect to the functioning of the food chain.

The Communication on the future of the CAP recognises that there is a clear necessity to improve the functioning and transmission of market signals along the food supply chain. Long term prospects for agriculture will not improve if farmers cannot reverse the steadily decreasing trend in their share of the value added generated by the food supply chain. In the future of the CAP, special attention will be drawn to key issues of interest, which relate to the current imbalance of bargaining power along the chain, the contractual relations, the need for restructuring and consolidation of the farm sector, transparency, and the functioning of the agricultural commodity derivatives markets.

In addition, the Commission considers that a risk management toolkit should be included to help farmers deal more effectively with income uncertainties and market volatility that hamper the agricultural sector's possibility to invest in staying competitive.