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Dacian Cioloş  
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European Commission  
Rue de la Loi 200  
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26 January 2011

Dear Commissioner

**COM (2010) 672 "The CAP Towards 2020: Meeting the food, natural resources and territorial challenges of the future"**

Your Communication on "The CAP Towards 2020" has been considered with interest by our Agriculture, Fisheries and Environment Sub-Committee. You will be aware that we have published a series of Reports that are salient to the future of the CAP over the last three years,<sup>1</sup> and we are currently working on an Inquiry focussed on Innovation in EU Agriculture.<sup>2</sup> Our comments on your Communication draw on all of this work.

You have proposed three Options. We would prefer to see a thorough overhaul of the CAP and we would therefore wish that the CAP moves in the direction of Option 3. Nevertheless, it is clear to us that you favour Option 2, and indeed that it is the option most likely to command consensus. We shall therefore focus on the detail of that option.

We consider that the **objectives** of the reformed CAP must be clear. Net agricultural production in the EU has remained relatively static for some time. In our view, the CAP should be structured and must contribute to addressing the most serious challenge of our time - the need not just for stability of supply, but to feed a fast expanding global population with changing dietary habits from increasingly limited agricultural land availability, while at the same time adapting to climate change as well as protecting biodiversity and ecosystems. Forestry as well as agriculture has an important role to play.

Radical responses are required. For that reason, **innovation** should be proactively encouraged and should be a golden thread running through the CAP. Above all, it can help to increase productivity, without which EU farming will inevitably rely on direct payments. Innovation within the CAP should be considered alongside **research and development**

<sup>1</sup> *The Future of the Common Agricultural Policy* (EU Committee, 7th Report of Session 2007-8, HL 54); *The Review of the Less Favoured Areas Scheme* (EU Committee, 13th Report of Session 2008-9, HL 98); *Adapting to climate change: EU agriculture and forestry* (EU Committee, 8th Report of Session 2009-10, HL 91)

<sup>2</sup> <http://www.parliament.uk/documents/lords-committees/eu-sub-com-d/innovation/cfeinnovation280710.pdf>

**funding** under the Framework Programme. The two are intertwined, and substantial funding for agricultural research and development under the next Programme is, we consider, crucial

We see no reason why farmers should be given **basic income support** and would contend that this is not consistent with Article 39, TFEU. This states that one of the objectives of the CAP, among others, should be “to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings engaged in agriculture”... “by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour”. This, we believe, does not mean direct income support.

On the contrary, Article 39 highlights the importance of innovation in the agricultural sector. We, and some of our witnesses in the innovation inquiry, are concerned that the Commission sees innovation as relevant only to Pillar 2. In reality, of course, it is crucial to the whole of the Policy and should underpin its entire design. This approach would align reform with the ambitions of Europe 2020.

Integrating innovation within Pillar 1 would militate against basic income support, as also against a **capping of the basic rate**. While we understand the arguments for capping the payment each farm is able to receive, we see it as a blunt instrument that diverts attention from the real challenges facing the policy and fails to take into account other issues such as farm size, employment and overall farm income. It also militates against any incentive to innovate.

Above all, we see no justification for payments that are made available without an environmental justification or, at the very least, without environmental conditionality. We therefore welcome the idea of “**greening**” Pillar 1 – i.e. making aid available for the delivery of environmental public goods. A distinction should be drawn between environmental outcomes that can be secured through regulation (such as reduction of water pollution) and those that may not be delivered without financial incentives. We would suggest that eligible activities could include measures to protect biodiversity, incentives to mitigate agriculture’s contribution to climate change, and to adapt to the impact of climate change upon agriculture. Land managers require incentives to examine alternative, water-saving and improved soil management techniques, as also to plant woodland. In our inquiry into adaptation to climate change of agriculture and forestry, we heard that there is little incentive to plant woodland, despite the fact that it offers a means of both mitigating and adapting to climate change.

Better integration of environmental considerations into Pillar 1, however, must go hand-in-hand with vastly improved **knowledge transfer systems**. Evidence taken in both our Adaptation inquiry and our Innovation inquiry has pointed to farm advice as being key to the translation of research and development into farm practices, but also an area requiring significantly greater work by public authorities. The current **Farm Advisory System** is implemented differently across Member States and is limited to advice on cross-compliance. Clearly that is only one small part of the picture. In the UK, advice on other aspects is available from a variety of private sector sources, whose impartiality may often be open to question. If the CAP is genuinely to promote innovation while contributing to the challenges of climate change and global food security, farm advice must be taken more seriously as a public policy challenge. We would suggest that it needs to have a prominent role in Pillar 2, allowing it to be part-funded through the Rural Development Fund, but also that the

obligation under Pillar 1 to provide it needs to be strengthened and extended beyond cross-compliance.

Under Pillar 1, you also propose an additional payment to compensate for specific natural constraints. **Specific payments for farmers in areas of natural handicap** are necessary if other payments fail to reflect variation in the magnitude and significance of the public benefits delivered by farming activity in different settings. Farming activity in marginal areas often generates public benefits in the particular form of positive impacts on the environment and the landscape. We issue two warnings, however. It may be that a well designed integration of environmental considerations into Pillar 1 can alleviate the need for a specific area of natural handicap payment. Second, society does not owe unconditional support to farmers wishing to farm in areas affected by natural handicaps. In some instances, for example where water scarcity becomes particularly acute, land may become so severely handicapped that agricultural support should be withdrawn.

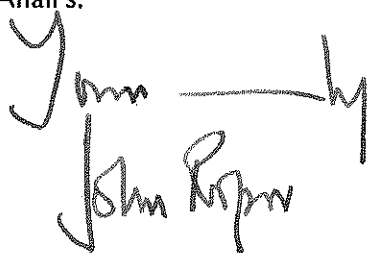
We acknowledge that there is more to farming than payments for public goods and incentives to innovate. Clearly, farming has a **broader economic, social and cultural role**. For that reason, we see Pillar 2 as being important to assist those farmers unable to derive a sufficient income from agricultural activities. Non-agricultural income forms a very important part of the rural economy. We believe that the types of admissible actions under Pillar 2 should be recast more broadly to include more non-agricultural measures but these should be complementary to, and not duplicate, existing social and economic funds designed for these purposes. Funds might thus be used to improve communications, infrastructure and amenities in rural areas so as to ensure that rural communities, particularly those not eligible for high levels of regional policy funding, are not disadvantaged by their rurality. The ultimate aim would be to ensure that non-agricultural economic activities are genuinely available and viable as the agricultural sector adapts and restructures in response to market signals. In this context, we see room for improvement in how the European Agricultural and Rural Development Fund interacts with the European Regional Development Fund, European Social Fund and Cohesion Fund.

**Pillar 2** could also expand its current role in relation to tackling climate change, adapting to it, promoting agricultural innovation and tackling other key challenges such as water and soil management. It can do this through financing infrastructure and advisory services. The key issue, however, is that the CAP meets these challenges, and that you, as Commissioner, have a **strategic overview** of its overall impact. How Pillar 1 and Pillar 2 should contribute and what the balance should be is, to us, generally secondary to achieving the overall objectives. On a point of detail, however, **small farmers** might more effectively be supported through Pillar 2 rather than a specific support scheme under Pillar 1 as you suggest. We consider the **Leader** element of Pillar 2 to be critical as a way of promoting innovation at the local level, and would suggest that this might be strengthened after 2013 as long as lessons are learned from the recent European Court of Auditors Report.

Much of the policy orientation outlined above hinges on high quality **agricultural research and development**, and its transfer to practitioners. Should budgetary resources be particularly stretched, we would support modulation from the CAP budget to the Research and Development budget in order to support this important activity.

We hope that you find these suggestions useful and we look forward to working with you on the future CAP over the next few years.

I am copying this letter to Mr William Cash MP, Chair of the House of Commons European Scrutiny Committee and Mr Jim Paice, Minister of State at the Department for Environment, Food and Rural Affairs.

A handwritten signature in black ink, appearing to read "John Roper". The signature is written in a cursive style with a horizontal line extending from the middle of the name.

The Rt Hon the Lord Roper  
Chairman of the Select Committee on the European Union