



EUROPEAN COMMISSION

Brussels, 21 SEP. 2011  
C/2011/ 6540 final

*Dear Lord Roper,*

*The European Commission would like to thank the European Union Committee of the House of Lords for its opinion on the 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 {COM(2010) 672}.*

*In line with the Commission's decision to encourage national Parliaments to react to its proposals in order to improve the process of policy formulation, we welcome this opportunity to respond to your comments. I enclose the Commission's reply and hope you will find this a valuable contribution to your own deliberations.*

*Yours sincerely,*

*Maroš Šefčovič  
Vice-President*

*Lord Roper  
Chairman of the European Union Select Committee  
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## COMMENTS OF THE EUROPEAN COMMISSION ON AN OPINION FROM THE HOUSE OF LORDS

### *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*

As regards the comments of the House of Lords concerning the objectives of the future CAP, the Commission considers that these objectives are broadly in line with those presented in the Communication on the CAP towards 2020, namely viable food production, the sustainable management of natural resources and climate action and balanced territorial development.

The House of Lords attaches great importance to **innovation and research and development** in the agricultural and food sector. This is a view which is fully shared by the European Commission which launched the flagship initiative Innovation Union<sup>1</sup> in October 2010. The future Common Agricultural Policy (CAP), as envisaged in the Communication on the CAP towards 2020, should contribute even more than today to the Europe 2020 strategy of smart, sustainable and inclusive growth, in particular to the flagship initiative on a Resource Efficient Europe. Regarding innovation, the Commission is considering the creation of a possible European Innovation Partnership (EIP) on 'agricultural productivity and sustainability', as set out in the above-mentioned Communication on Innovation Union. . The main role of this EIP would be to look at the whole innovation cycle from Research and Development and to enhance the effectiveness and the integration of innovation instruments. It would improve coordination between actors (farmers, rural enterprises, advisors, researchers) and facilitate the use of opportunities provided by the different policy fields (CAP, EU Research Policy). Given the significant challenges EU agriculture will face in the medium term, the European Commission concurs with the House of Lords that appropriate funding of agricultural research within the next framework programme will be crucial. This is why it proposed in its Communication "A budget for Europe 2020"<sup>2</sup> to earmark a budget of €4.5 billion for research and innovation on food security, the bio-economy and sustainable agriculture.

The Commission takes note that the House of Lords sees no reason why farmers should be given **basic income support**. In reply, it would like to stress that basic income support provided through **direct payments** contributes to keeping farming in place throughout the EU territory by supporting and stabilising farmers' income, thus ensuring the longer term economic viability of farms and making them less vulnerable to price fluctuations. In the case of the United Kingdom, Commission data show that direct payments represent more than 30% of the income of farmers in the period 2007-2009. At the same time,

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<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Europe 2020 Flagship Initiative, Innovation Union" (COM(2010) 546 final)

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A budget for Europe 2020" (COM(2011) 500 final)

through their direct link with cross-compliance, direct payments contribute to rendering farming sustainable and to providing basic public goods. Direct payments form the basis for applying at farm level more targeted measures to support the environmental objectives above the baseline and for addressing climate change issues.

The proposal on **upper limits** for direct payments to individual farms ("capping") takes account of 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 would also need to consider the often substantial contribution of large farms to rural employment.

The **greening of direct payments** aims at improving the overall environmental performance of the CAP. The European Commission is pleased that the House of Lords supports this option. The House of Lords suggests 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". These aspects will be analysed by the Commission services. As indicated in the Commission Communication "A budget for Europe 2020", it is proposed that 30% of direct support would be made conditional on "greening".

The Commission takes note that the House of Lords insists on the necessity of improved **knowledge transfer systems** and the potential role of the **Farm Advisory System (FAS)** within this. The European Commission shares the House of Lords' view that farm advice will be key to the translation of research and innovation into farm practices. The envisaged EIP in agriculture on which Commission services are working would grant a significant role to advisory services as intermediaries between the research field and the producers. The Report of the Commission on the application of the Farm Advisory System<sup>3</sup> underlines in its conclusions that, with new challenges emerging, the FAS should take account of issues which go beyond its current remit (cross compliance). Regarding the rural development policy, the reinforcement of the set of measures which concern knowledge transfer and information is also investigated.

The European Commission notes the reservations of the House of Lords regarding the option of specific payments for farmers in **areas of natural handicaps** as part of Pillar 1 of the CAP. Payments for areas with specific natural constraints would provide additional income support to farmers located in areas (in complement to support in the second pillar) where difficult natural conditions create challenging circumstances for agricultural activity. In this way such a measure could contribute to combating land abandonment in marginal areas and thus to the continued provision of public goods.

All EU policies will need to contribute to the Europe 2020 strategy. For the CAP this means, even more than before, that the **rural development** measures, in addition to a greener first pillar, should aim at increasing resource efficiency through innovation, ensuring sustainable land management, providing environmental public goods, addressing climate change and biodiversity loss and unlocking the potential of rural areas. Such an improved alignment to the EU priorities does not mean rewriting the policy

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<sup>3</sup> Report from the Commission to the European Parliament and the Council on the application of the Farm Advisory System as defined in Article 12 and 13 of Council Regulation (EC) 78/2009 (COM(2010) 665 final)

objectives of promoting agricultural competitiveness, sustainable management of natural resources and balanced territorial development, which are already geared towards smart, sustainable and inclusive growth today. It means however that climate change and innovation are important considerations for steering the policy to a greater extent than before. As indicated in the Communication on the CAP towards 2020, the coherence between rural development policy and other EU policies will be strengthened. As indicated in the Commission Communication "A budget for Europe 2020", the European Agricultural Fund for Rural Development (EAFRD) will be included in the common strategic framework for all structural funds and in the contracts foreseen with all Member States. Improved coherence between the various structural funds will not only yield simplification and contribute to cutting red tape, it will better ensure that all rural communities are adequately served by the various structural funds.

As part of the reform process it is envisaged to align **rural development measures** more closely with the new priorities and challenges and to make the whole system more flexible. Within this exercise, such considerations as the development of non-agricultural activities and the development of rural infrastructures, which already receive support in the current rural development policy, will be given renewed consideration. Finally, as recalled by the House of Lords, Leader is an important instrument for the development of various types of innovations at the local level. This tool will be granted the attention it deserves in the preparation of the legislative proposal for the CAP post-2013.