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Reforms of the Common Fisheries Policy and the Common Agricultural Policy

Report¹

Committee on the Environment, Agriculture and Local and Regional Affairs

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Summary

Access to safe and nutritious food is a basic human right. Food security has become a growing political issue worldwide, as most countries rely today on both import and export markets to feed their population. The supply chain consequently becomes very sensitive to both economic and environmental factors. Biodiversity loss and climate change will inevitably pose additional severe risks to food security and to the viability of the agriculture and fisheries sectors.

In the current political context of ongoing reforms of the European Union's Common Fisheries Policy (CFP) and the Common Agricultural Policy (CAP), certain environmental and socio-economic issues must be raised with a view to providing policy guidance to the member states. Particular attention should be paid to possible impacts of the CFP and CAP on the 12 countries which acceded to the European Union after 2004 and on the non-European Union member states of the Council of Europe.

1. Reference to committee: [Doc. 11902](#), Reference 3583 of 22 June 2009; [Doc. 12050](#), Reference 3630 of 25 January 2010.



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A. Draft resolution²

1. Convinced that access to safe and nutritious food is a basic human right, the Parliamentary Assembly raises this important issue with a view to providing policy guidance to the member states, especially in the current political context of ongoing reforms of the European Union's Common Fisheries Policy (CFP) and Common Agricultural Policy (CAP) and their possible impacts on non-European Union member states of the Council of Europe.
2. Food security has become a growing political issue worldwide. The challenge will be to produce and supply enough safe and nutritious food in a sustainable way for a growing global population, which is projected to reach 9 billion people by 2050. According to the United Nations Food and Agriculture Organisation (FAO), the demand for food is projected to increase by 40% by 2030 and by 70% by 2050. On a *per capita* basis, food production in the least developed countries is already struggling to keep up with rapid population growth.
3. Due to globalisation and past European Union orientation towards intensive agricultural production with single-crop farming on the one hand, and following several decades of overfishing and declining fish stocks on the other hand, self-sufficiency in food production has become extremely rare. Most countries rely today on both import and export markets to feed their population and the supply chain consequently becomes very sensitive to both economic and environmental factors. Biodiversity loss and climate change will inevitably pose additional severe risks to food security and to the viability of the agriculture and fisheries sectors.
4. Over the past decades, the Common Agricultural Policy has been criticised for its high cost, perverse incentives to over-production, for its distorting impact on food prices on world markets, but above all for increasing intensive farming – such as single-crop farming and intensive livestock breeding – harmful to Europe's environment.
5. Intensive farming has increased pollution of soil, water and air; induced fragmentation of habitats and loss of wildlife. It also has high energy consumption leading to high levels of greenhouse gas emissions. Wider structural change in the past has also led to the loss of labour-intensive farms, replaced by resource-intensive farms, with considerable impacts not only on the environment, but also on employment.
6. The Assembly deplores that 85% of CAP direct payments go to just 18% of farmers, with the largest farms in the old European Union member states (EU-15) benefiting the most. Furthermore, some farmers working in the most disadvantaged areas receive the smallest payments.
7. Moreover, CAP expenditure was capped for the period 2004-2013, with the result that the inclusion of farming sectors of the 12 new member states has taken place at a constant cost and resulted in a very distorting and discriminating situation between old and new European Union member states. Total direct payments received in the new European Union member states (EU-12) currently represent only 12.14% compared to 87.86% of the total payments received by the old European Union member states (EU-15).
8. The Assembly deplores this situation of inequity since there is no level playing field within the Single Market; in several new European Union member states, following the unequal distribution of direct payments within the PAC, local producers have lost ground even on their domestic markets.
9. The Common Fisheries Policy has been criticised for mismanagement and malfunctioning of its quota systems, which in practice have often led to illegal, unreported and unregulated fishing and discards at sea of up to 50%. According to the International Council for the Exploration of the Sea, 88% of European fish stocks are over-fished, compared to 25% elsewhere in the world. The Assembly condemns the industry's reliance on immature catches before the age of reproduction and regrets that overfishing and certain trawling techniques have also led to degradation of the marine environment.
10. The Assembly therefore considers that both the CAP and the CFP have to gradually evolve towards a broadening of their objectives and a redefinition of their policy approaches in order to meet the food security, environmental, biodiversity, climate, energy, rural and coastal development challenges of the 21st century. In addition, they have to help the farming and fisheries sectors remain economically and socially viable and become more sustainable, competitive and robust to cope with the economic crisis and increasingly volatile prices set by the global markets.

2. Draft resolution adopted by the committee on 25 February 2011.

11. In view of the above considerations, the Assembly recommends that the member and non-member states of the Council of Europe, and particularly to the member states of the European Union, the following policy guidelines:

11.1. introduce in the forthcoming CAP and CFP reforms more general and simpler rules at the European level, concentrating on overarching principles and objectives;

11.2. reinforce the policy definition and management at regional level in order to adapt to the extremely diverse agricultural and fishing circumstances in the enlarged European Union;

11.3. while negotiating the CFP and particularly the CAP budget for the next funding period (2014-2020), reach a more equitable division of direct payments between old and new European Union member states in order to redress the current unbalanced situation and achieve a level playing field for all producers within the Single Market;

11.4. encourage the negotiating parties to achieve a radical shift, both in the overall objective setting for the CAP and the CFP and in the definition of their delivery mechanisms, in order to fine-tune the European Agricultural Model and the European Fisheries Model so as to deploy sustainable practices that can provide long-term optimal yields, while using natural resources efficiently;

11.5. reinforce consistency of the first and second pillars of the CAP, and also between support systems under the second pillar and under the European Union structural funds;

11.6. defend the principle of family farms and small-scale coastal fisheries and set up a differentiated support regime within the CAP and the CFT which is adapted to their particular needs;

11.7. further develop support schemes for farmers and fishermen in disadvantaged areas and make more extensive use of such incentives in the member states to prevent land abandonment and depopulation in those areas in order to maintain agriculture in all areas of Europe;

11.8. set up special schemes to help young professionals in the farming and fisheries sectors to meet high start-up costs (access to credit, insurance, and so on);

11.9. reconcile the objectives of the CAP and CFP with the common trade policy, make prices more transparent at all stages of the distribution and processing of agricultural products and foodstuffs and enable producers to have a greater bargaining power in the food supply chain vis-à-vis processing, distribution and retailing sectors;

11.10. consider the impacts of the CAP and the CFP on third countries, including Council of Europe member states;

11.11. respect international humanitarian law (including the Hague Regulations concerning the Laws and Customs of War on Land), which stipulates that occupying powers cannot make use of natural resources in occupied territories without prior consultation with the local population and without it being in its interest;

11.12. within the Common Fisheries Policy, it would be necessary to:

11.12.1. manage fish stocks with long-term plans and with the primary objective of reaching maximum sustainable yields, preferably by 2015;

11.12.2. design a two-edged fishing fleet policy, consisting of a one-off temporary fleet overcapacity reduction scheme and a subsequent fleet renewal scheme requiring large reductions of active fishing vessels;

11.12.3. invest in research and innovation in order to establish accurate scientific databases to achieve sustainable management of fish stocks and natural resources;

11.12.4. eliminate discards by innovative gear design and fishing practices and the requirement to land all catches and count them against quotas;

11.12.5. develop strong incentives and enforcement mechanisms to encourage "responsible behaviour at sea" by fishermen;

11.12.6. reinforce and harmonise control mechanisms for the elimination of illegal, unreported and unregulated fishing and fully implement a culture of compliance;

11.13. within the Common Agricultural Policy, it would be necessary to:

11.13.1. reinforce the concept of multifunctionality of agriculture which delivers public goods and has positive externalities, such as the protection of the environment and natural resources, rural development, stewardship of landscape, and food quality and safety;

11.13.2. reward good environmental practice, taking into account biodiversity and ecosystem functionality criteria;

11.13.3. increase the use of agri-environmental payments under the second pillar of the CAP and develop special support schemes for organic farming and high nature value farming and the farming of traditional breeds and varieties;

11.13.4. apply general principles of integrated production, and in particular encourage mixed crop farming and crop rotation and re-establish the link between crop farming and livestock breeding;

11.13.5. invest in research and innovation (agronomy);

11.13.6. encourage local initiatives of co-operation at the level of water basins (watershed) with a view to achieving "good status" in European freshwater systems and adjacent coastal waters;

11.13.7. protect farmland from pressures of urban sprawl;

11.13.8. encourage local production closest to the consumer and accommodate the needs of short food chains by, *inter alia*, adapting the cross-compliance system and allowing more flexibility regarding food safety and hygiene standards;

11.13.9. adopt a genuine quality policy for agricultural products, ensuring minimum quality standards for all products and promoting high-end quality products, notably through quality guarantee schemes such as the PDO (protected designation of origin), PGI (protected geographical indication) and TSG (traditional specialities guaranteed) schemes or the new "Euroleaf" logo for products derived from organic farming;

11.13.10 improve traceability to allow consumers to make informed choices and raise public awareness, particularly of young people, with regard to dietary habits and choices.

B. Explanatory memorandum by Mr Korkeaoja, rapporteur

1. Section A: The European Union's Common Fisheries Policy: A road map for the sustainability of European fisheries

1.1. Introduction

1. Fish is an important and healthy food resource for the European population. Fishing in European waters has been and still is a fundamental basis for the livelihood of many Europeans. Following decades of overfishing and declining fish stocks the continent is, however, losing its fish production potential and increasing its dependence on imports of fishery products.

2. In many Council of Europe member states, fisheries is an important economic activity in addition to its social and traditional value to local coastal communities. The reality of fisheries – particularly in the Atlantic Ocean and the North Sea – is unfortunately generally characterised by overfishing, fleet overcapacity and low economic profitability. There are nevertheless cases of fisheries which are managed sustainably that can serve as examples of good governance. Some areas of the Mediterranean, for example, feature predominantly small-scale coastal fisheries based on small traditional family-run fleets.

3. In order to better respond to these different realities across the enlarged European Union and to anchor more firmly the principles of sustainable fishing practice, the European Union has launched a reform process for its Common Fisheries Policy (CFP). The next reform cycle of the CFP is foreseen for 2012. This process provides an excellent opportunity to debate fishery policies at pan-European level.

4. In April 2009, the European Commission presented a Green Paper on the Reform of the Common Fisheries Policy.³ The Green Paper outlines a vision for European fisheries by 2020. According to this vision, fish stocks have recovered and fisheries are sustainable and attractive. Furthermore, the European Commission identifies five structural failings of the current CFP:

- a deep-rooted problem of fleet overcapacity;
- imprecise policy objectives resulting in insufficient guidance for decisions and implementation;
- a decision-making system that encourages a short-term focus;
- a framework that does not give sufficient responsibility to the industry;
- a lack of political will to ensure compliance, and poor compliance by the industry.

5. The above analysis refers primarily to the situation in the member states of the European Union, but the same problems and structural failings on a general level also apply to Council of Europe member states.

6. In the course of 2010, the European Commission held a wide public consultation and published the main findings in the Commission Staff Working Document SEC(2010)428.

7. It is the general consensus among stakeholders that the issue of sustainable fisheries in the European seas, such as the North Atlantic, the Baltic Sea, the Black Sea, the Irish Sea, the North Sea and the Mediterranean and other maritime areas bordering Europe, needs to be tackled and measures taken to ensure healthy marine ecosystems and sustainable fisheries. However, the economic burden-sharing of “setting things right” should take into account the principle of past liability for overfishing and depletion of fishing stocks, since not all member states bear the same level of responsibility.

1.2. Overview of some fisheries in European waters and the North Atlantic

8. The natural conditions for fish production in European waters are excellent. The European continental shelf is wide in many places and many of the semi-enclosed seas provide for high productivity. Although overfishing has reduced the size of most commercial fish stocks, there are many stocks that still exhibit high productivity. For instance the herring stock in the Gulf of Bothnia in the northernmost part of the Baltic Sea is currently exploited at the globally agreed target level of maximum sustainable yield and the stock is characterised by large year classes and all age groups.

3. European Commission, COM(2009)163 final, 22 April 2010.

9. Cod stocks hold the record of being able to reproduce at high rates, but are also recognised as being vulnerable to excessive fishing. The cod stock in the Baltic Sea showed a remarkable increase in the 1980s followed by a long decreasing trend. The increase and subsequent decrease were not only caused by overfishing, but also by adverse environmental conditions. Management through a long-term plan has now delivered results in the form of larger year classes and an increasing stock. Similarly the cod stock in the North Sea is the subject of a management plan, but the recovery aimed for as a response to management measures has not yet materialised.

10. Over 54% of the Mediterranean fish stocks which have been analysed by scientists are found to be overfished. To remedy this situation, the European Union adopted in 2006 the "Mediterranean Regulation",⁴ which aims to improve fisheries management in order to achieve sustainable fisheries, protect the fragile marine environment and restore fish stocks to healthy levels. It applies to European Union member states around the Mediterranean. To allow member states time to prepare for the implementation of this regulation, a long transition period of three years was agreed for a number of its provisions. Since 1 June 2010, the regulation is fully in force and must be implemented by the member states concerned. However, so far those member states have largely failed to take all the necessary measures to ensure full implementation.

11. Some stocks are still on an alarmingly decreasing trend, such as the extremely valuable and important stock of bluefin tuna. This stock forms the backbone of many fisheries in the Mediterranean. Although recent decisions have reduced the applicable quotas, the stock is at a very worrying level and researchers have proposed serious measures, such as a ban on exports of the species through its inclusion on CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) lists. It is indeed in the interest of all Europeans, and especially the stakeholders, to protect the species and enable a recovery of the stock that can guarantee its sustainable use by future generations. Despite the will shown by some European states during the CITES conference recently held in Doha (Qatar), the northern bluefin tuna has not been registered as a species prohibited in international trade (Appendix 1 to the CITES), or even strictly controlled (Appendix 2 to the CITES). The debate on two threatened species of sharks – the porbeagle and the hammerhead – also ended negatively.

12. Mediterranean fisheries cannot be managed by the Mediterranean Regulation or by the European Union alone. The involvement of all sea-facing countries is crucial and the European Union is very active within multilateral organisations such as the General Fisheries Commission for the Mediterranean (GFCM) and the International Commission for the Conservation of Atlantic Tuna (ICCAT), so as to improve scientific knowledge and create above all a level playing field with the overarching aim of promoting sustainability.

13. Fisheries in Norway are on some essential issues regulated differently from how they are regulated in the European Union. Norway has prohibited discarding of fish and requires all fish to be landed. It also operates a system of closures based on evidence of exploratory fisheries. This allows for detection of aggregations of juvenile fish or situations of unwanted catch composition where there is reason for temporarily prohibiting fishing.

14. Fisheries management in the United States and Canada has as its common feature a decentralised and regionalised approach. Decisions are delegated to the regional level whereby top-down control and micro-management by the central authorities is substantially reduced. One assessment of the implementation of the Food and Agriculture Organization (FAO) Code of Conduct for Responsible Fisheries has also ranked the United States as one of the best performers.

1.3. Best practices for developing sustainable fisheries

15. Fortunately, there are many examples of best practices that can be implemented to change the generally unsatisfactory state of European fisheries. These practices also address the five structural failings identified by the European Commission.

16. The management of fisheries in Europe would benefit from a decentralisation that would reduce top-down controls in this large continent with diverse fisheries conditions. Devolving management to regional level would provide for decisions that target the situations in each maritime region. It would similarly increase the possibilities for co-management and incentives for compliance by the industry. Some essential parts of the policy, such as the overarching objectives and principles (setting of the primary objectives of management, rules for capacity reduction, financing, etc.) would still be determined centrally at the highest level.

4. Council Regulation (EC) No. 1967/2006 of 21 December 2006.

17. Introducing a regional approach would enable the creation of innovative solutions that would promote responsible behaviour by fishermen, decrease bycatches and harmful ecosystem effects, allow for better scientific information and advice, provide for sustainability and ultimately enhance economic performance of the industry. Certain smaller European Union member states and accession countries would require special financial assistance to build capacity – both at different levels of administration and among stakeholders – in order to achieve those ambitious goals.

18. The following recommendations are based on best practices as recorded and implemented in both Europe and other continents and countries:

1.4. Recommendations for achieving sustainability in European fisheries

19. It is important to strengthen the process of building sustainable fisheries in Europe. Fisheries form an important element of the European economy and identity and the future of the sector has to be secured, both in economic and social terms. The primary objective should be to attain ecological sustainability of marine living resources. This would create the basis for maximising wealth generated by the sector and long-term employment viability for local communities.

20. Achieving sustainable fisheries at pan-European level inevitably implies a reduction of fishing, both as catch levels and as fishing effort deployed at sea. This will in the short term negatively affect both employment within fisheries and the supply of fishery products. Accepting this reality is a first and necessary step for the process of building a sustainable future for the fisheries sector.

21. Reducing fishing may be achieved by the reduction of both inputs and outputs. On the input side, the possibilities for concrete measures are targeted reductions of overcapacity of fishing fleets, where appropriate combined with reductions of fishing effort. The output side involves establishing fishing opportunities based on the state of the relevant fish stocks and the objectives for their recovery and development.

22. Fish stocks should primarily be regulated by long-term management plans. The objectives of such plans should be to recover fish stocks and ultimately reach maximum sustainable yields. The time frame for objectives to be met should be set depending on the state of the relevant fish stocks. It is therefore crucial to establish – where this has not yet been the case – an accurate scientific database and regularly monitor the level of fish stocks, enabling the authorities to take the appropriate management decisions. Where possible the 2015 deadline should be respected as outlined in 2002 at the World Summit on Sustainable Development in Johannesburg. The ecological sustainability would hence serve as the priority objective and first rule for fisheries management.

23. Measures should be urgently implemented for eliminating the practise of discarding fish. They should be optimally designed at regional level and on a case-by-case basis. Discards should primarily be avoided with the use of more selective fishing gear and practices. As a general rule, all caught fish or other aquatic organisms that cannot successfully be released uninjured and alive would have to be landed and counted against quotas. This would serve as an incentive for responsible behaviour at sea by fishermen. Where catches include undersized fish or catches above quotas or otherwise illegal catches, such fish would be forfeited to the state. The information on catch composition would be used by the scientific community for a better understanding of the impact of fisheries and by authorities for designing targeted management measures to avoid bycatches or unwanted catch compositions.

24. It is necessary to develop a regional approach to fisheries management, as outlined by the European Commission in its Green Paper. This would ensure that decisions on fisheries were prepared and taken closer to the stakeholders and the member states of the region. Thereby one could take account of the specificities of the marine regions (for example the Baltic Sea, the Black Sea, the North Sea and the Mediterranean) and of the fisheries conducted in the area. The Integrated Maritime Policy and the Marine Strategy Framework Directive of the European Union have as their fundamental basis a regional approach, which now also needs to be formulated into the Common Fisheries Policy.

25. Decision-making at the highest political level in the institutions of the European Union should in the future focus on principles and objectives of the fisheries policy. This is in line with other European Union policies and the principle of subsidiarity. Decisions on management and implementation would be made at the regional or, where appropriate, member state level. Decisions at regional level are likely to find the best solutions for the development of sustainable fisheries and for avoiding unnecessary harmonisation of rules. This would increase the legitimacy of the policy and have a positive effect on compliance by the operators of

the industry. As rules would be prepared closer to and in collaboration with the industry, the outcome of agreed rules would better match the anticipated and sought after impact and minimise the risk of creating incentives for destructive behaviour.

26. There is a long-standing tradition of regional fisheries management in many sea areas. There is hence a readiness in the regions to assume responsibility for regional management. A regional approach is also supported by the structure of Regional Advisory Councils of the European Union and would thereby increase consultation of stakeholders and compliance by the industry. Attention should be paid, however, to avoiding duplication and overlaps between different levels of regional consultation in order to use resources efficiently.

27. Public financial measures should be specifically designed for the reduction of active fishing capacity. The financing for capacity reduction would be a one-off significant measure open for applications until the end of 2013, with the exception of accession countries such as Croatia which should be granted a longer time frame. After this date financing of capacity reduction would come to an end. Instead public financing for modernising and renewal of fishing vessels would be made possible. As a condition for such financing the beneficiary would be required to reduce active fishing capacity from the same fisheries and to a much larger amount than the financed new capacity.

28. Implementing such a two-edged structural policy for the fishing fleets would allow for a large reduction of overall active fishing capacity and a simultaneous modernisation of fishing vessels within the targeted fisheries. It would also cushion the socio-economic consequences of capacity reduction and would improve working conditions, safety and hygiene on board fishing vessels. A one-off financing for capacity reduction would encourage vessel owners to take decisive steps, instead of deferring difficult decisions for as long as the option for a scrapping premium is available. Particular attention should be paid to the accession countries which cannot benefit from the same level of European Union funding for the sector, but which must bring their fishing sector up to equal standards prior to accession.

29. Rights-based management instruments such as Individual Transferable Quotas (ITQ) may offer possibilities for reducing overcapacity and for increasing productivity and profitability. Rights-based management on a case-by-case basis should be given preference; such instruments are best applied at the level of member states.

30. The consideration of a differentiated regime for small-scale coastal fisheries. Small-scale coastal fisheries should be supported. Such fisheries often target local fish stocks that are not regulated at the European level and their impact on fish stocks is generally small. These fisheries are important for the coastal regions as they provide job opportunities in sparsely populated areas with few other employment possibilities. These basic features of small-scale coastal fisheries need to be taken into account when reforming the CFP, especially in the designing of accommodating rules for financial assistance and management of fishing capacity.

31. Considerable international efforts have been made to curb illegal, unreported and unregulated fisheries. Within the European Union these measures comprise a whole new set of regulations in order to achieve the effective enforcement of rules and to identify and eliminate imports of fisheries products of illegal, unreported or unregulated origin. These achievements are to be welcomed and the focus should now be on their effective implementation and the development of a culture of compliance within the fisheries sector.

32. The above policy guidelines for achieving sustainable fisheries in Europe should be made part of the reform of the CFP and of national fisheries policies in Council of Europe member states. The policy guidelines can be summarised as follows:

- make a determined effort to shift to sustainable fisheries aimed at ecological sustainability, and accept the short-term consequential realities;
- manage fish stocks with long-term plans and with the primary objective of reaching maximum sustainable yield, preferably by 2015;
- eliminate discards by innovative gear design and fishing practices and the requirement to land all catches and count them against quotas;
- introduce incentives that encourage responsible behaviour at sea by fishermen;
- design a two-edged fishing fleet policy consisting of a one-off temporary fleet overcapacity reduction scheme and a subsequent fleet renewal scheme requiring large reductions of active fishing vessels;
- apply rights-based management where appropriate and at member state level;
- introduce favourable provisions for small-scale coastal fisheries;

- focus on the implementation of agreed control mechanisms for the elimination of illegal, unreported and unregulated fisheries and for the development of a culture of compliance;
- as an absolute priority, manage fisheries at the regional level, restrict European level decisions to overarching principles and objectives.

2. Section B: The European Union's Common Agricultural Policy after 2013: towards a sustainable and equitable European agriculture?

2.1. Introduction

33. Considering that access to safe and nutritious food is a basic human right, this important issue should be addressed and policy guidance provided to the member states, especially given the current political context of the ongoing reform of the European Union's Agricultural Policy (CAP) and its possible impact on non-European Union member states of the Council of Europe and beyond.

34. Food security has become a growing political issue worldwide. The challenge will be to produce and supply enough safe and nutritious food in a sustainable way for a growing global population, which is projected to reach 9 billion people by 2050. According to the FAO, the demand for food is projected to increase by 40% by 2030 and by 70% by 2050. On a *per capita* basis, food production in the least developed countries is already struggling to keep up with rapid population growth. Moreover, the OECD and the FAO have forecast that growth in global agri-food trade will be twice as fast as total expected growth in world trade over the next three decades.

35. Due to globalisation and past market orientation towards intensive agricultural production and monocultures, self-sufficiency in food production has become extremely rare. Most countries today rely on both import and export markets to feed their population and the supply chain consequently becomes very sensitive to both economic and environmental crises. Biodiversity loss and climate change will inevitably pose additional severe risks for food security and the agriculture sector.

36. The European Union, as one of the world's affluent regions, shoulders responsibility to provide timely answers to address these concerns first within Europe, but also in relation to its neighbours and worldwide, making sure that its agricultural and trade policies do not jeopardise food security in developing countries.

2.2. Overview of the European Union Common Agricultural Policy

37. The CAP, which came into being with the Treaty of Rome, is one of the oldest and one of the key European Union policies. Today it accounts for approximately 40% of the European Union budget after having reached 75% in the 1980s. Its impact in terms of agriculture, food security and safety (the availability of food supplies and the quality of the food products offered to consumers), spatial planning and rural development, protection of the environment and of biodiversity, combating and adapting to climate change, and also international trade and economic and human development, involves an external dimension that is very hard to distinguish from the internal one. This fully justifies the attention paid to this subject by the Council of Europe and all of its member states, since it means that decisions taken by the European Union regarding the CAP necessarily matter to them. In this connection, it would doubtless be informative to assess with greater precision the effects of the CAP on Council of Europe member states either recently acceded to the European Union or those that are not members of the European Union and to hear their views on European Union action in these matters.

38. Over the past decades, the European Union Common Agricultural Policy has been criticised for its high cost, incentives to overproduce, for its distorting impact on food prices on world markets, but above all for inducing intensive farming practice harmful to Europe's environment (pollution of soil, water and air; fragmentation of habitats and loss of wildlife; high energy consumption with high greenhouse gas emissions). Moreover, 85% of CAP direct payments go to just 18% of farmers, with the largest farms in the old European Union member states (EU-15) benefiting the most. Wider structural change in the past has led to the loss of labour-intensive farms, replaced by resource-intensive farms, with considerable impacts on the environment and rural vitality.

39. The CAP therefore had to gradually evolve towards a broadening of its objectives and a redefinition of policy approaches and was given fresh impetus by the major reform of 1992. Since that date a virtually continuous reform process has taken place, and today the CAP is again the focus of discussions as the financial discipline mechanism – in force until 2013 – is coming to an end. The "health check" of the Common Agricultural Policy carried out in 2008 revealed the gap between the CAP's substance and economic reality,

and discussions on the policy after 2013 started in 2010. The European Commission, through its new Commissioner for Agriculture and Rural Development, Dacian Cioloş, officially launched the debate in April 2010 via a consultation of the principal stakeholders and of civil society and published the Communication “The CAP towards 2020”⁵ in November 2010. The Commission intends to announce the legislative proposals in mid-2011. This therefore seems to be a particularly appropriate time for the Parliamentary Assembly to resume specific discussions on the CAP, along the lines of those that led to the 2005 report on the costs of the Common Agricultural Policy, prepared by the Committee on the Environment, Agriculture and Local and Regional Affairs.⁶

40. Under the Treaty of Lisbon, which came into force on 1 December 2009, the European Union will have to adopt the proposed reform by ordinary legislative procedure, the so-called codecision procedure, and, since agriculture has clearly become an area of shared competence between the Union and its member states, the reform will have to comply with the principle of subsidiarity. The European Parliament's increased budgetary powers could also have implications for the policymaking process leading to the emergence of the post-2013 CAP. These factors linked to the institutional reform of the European Union are a further reason to pay attention to the issue, inasmuch as they may have an impact in terms of both the substance of the policies applied and the democratic nature of the decision-making process.

41. The economic, social and environmental challenges faced today by all countries worldwide – and in particular European democracies – are exacerbated by the current economic and financial crisis. Agriculture is concerned in a number of respects, and it is common knowledge that the farming sector has been particularly hard hit by this crisis. In particular, the milk crisis and its repercussions on farming highlight the problems being encountered by the sector in the present context and the key importance of the related decisions taken in the area of the CAP. The post-2013 CAP will have to propose solutions compatible with the objectives of sustainability and equity which make it possible both to respond to the current challenges and to safeguard the future of agriculture in Europe and at world level.

2.3. The budgetary and institutional aspects of CAP reform for the post-2013 period – a milestone in the history of European agriculture

2.3.1. Debate on the CAP's significance among European Union policies

42. The CAP is frequently criticised for its apparently high costs. On average, it accounts for €51.8 billion of expenditure, representing 41.9% of the European Union budget for the 2007-2013 period.⁷ These figures bear witness to the considerable importance attached to this policy among European Union policies as a whole. As noted, for example, in the report of the Committee on the Environment, Agriculture and Local and Regional Affairs referred to above, the cost of the CAP is far from insignificant. However, this observation can to some extent be tempered by the following comments:

- the European Union budget itself is not very high as compared to the member states' national budgets;⁸
- since it peaked in the mid-1980s the proportion of the budget spent on the CAP has been constantly decreasing. This relative reduction has been made possible by the successive CAP reforms' focus on support for farmers rather than on support for production;
- expenditure on the CAP has been capped for the period 2007-2013,⁹ with the result that the inclusion of the farming sectors of the 12 new member states has taken place at constant cost. This has however resulted in a very distorting situation between old and new European Union member states, whereby total direct payments received in the new European Union member states (EU-12) represents only 12.14% compared to 87.86% of the total payments received by the old European Union member states (EU-15);¹⁰

5. “The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future”, COM(2010)672 final.

6. [Resolution 1470 \(2005\)](#) and [Doc. 10649](#) (rapporteur: Mr Paul Flynn).

7. Average CAP expenditure for the 2007-2013 period, decreasing from 53.8 billion in 2007 to 49.9 billion in 2013, Source: “The CAP in figures”, data from the European Parliament web site: http://circa.europa.eu/irc/opocefact_sheets/info/data/policies/agriculture/article_7217_en.htm.

8. Total European Union budget for 2010 is €141.5 billion, representing 1.20% of Community gross national income (GNI).

9. Total of €362.8 billion for the 2007-2013 financial period, representing 41.9% of the total European Union budget.

10. Source: “The CAP in figures in the 2007-2013 financial framework”, data from the European Parliament web site, http://circa.europa.eu/irc/opocefact_sheets/info/data/policies/agriculture/article_7217_en.htm.

- the CAP is principally financed from European Union funds and constitutes only a fairly small direct drain on the states' national budgets.

43. Certain member states which joined the European Union after the adoption of this strong Common Agricultural Policy have never been in favour of it, either because they consider that the effort it entails is excessive compared with the benefits they derive from it – the position of the United Kingdom in this matter is well known (as is former Prime Minister Margaret Thatcher's statement "I want my money back!"), and it succeeded in negotiating a rebate on its contribution to the CAP budget – or because they believe that the proportion of the budget spent on the CAP has a detrimental effect on the capacity to fund other policies at European Union level (or for both reasons combined). The European Union member states' attachment to the CAP, their views on it and, hence, the positions they defend regarding the post-2013 period vary considerably, to the point where a compromise may seem difficult to attain. From a strictly budgetary standpoint, while some countries would like the discussions concerning the 2014-2020 period to result in a genuine withdrawal of the Union from this sector through a drastic reduction in its CAP-related spending, which might lead to a renationalisation of agricultural policy, others hope that the member states will reach agreement on maintaining expenditure at the current level, failing an increase, so as to preserve a strong Common Agricultural Policy.

44. The battle over the CAP budget is already under way among these various parties and is being heavily influenced by the current serious economic crisis in Europe. Alongside the cohesion funds, the CAP is among the sectors in which the 27 member states wish to scale down the Commission's proposals. The Council of Ministers came out in favour of cutting the latter by €841 million, which is hard to reconcile with the ambitions of the Europe 2020 economic strategy. However, such an outcome cannot be taken for granted, and the European Parliament, vested with new budgetary powers by the Treaty of Lisbon, could well disrupt the governments' plans.

45. In November 2010, the European Commission issued a Communication on the future of the CAP and the Fifth report on economic, social and territorial cohesion. Both documents mark the beginning of consultation processes on two important European Union expenditures which will continue until spring 2011 and which will enable the European Commission to prepare, by summer 2011, legislative proposals for reform in both areas concerning the next funding period 2014-2020.

2.3.2. A reform adopted under a radically modified procedure: democratisation of the CAP

46. Previous reforms of the CAP all gave rise to heated debate among the ministers within the Council of the European Union. These reforms were mainly decided behind closed doors without any decision-making role for the Parliament, which was merely asked to give its opinion.¹¹ The Treaty of Lisbon, which recently entered into force, changes this situation since it includes agriculture among the policy decisions to be taken by the co-decision procedure. On 8 July 2010, the European Parliament adopted a resolution on the future of the Common Agricultural Policy setting out its position and expectations regarding the debate under way. Armed with their new decision-making powers, the MEPs intend to bring their full weight to bear in the discussions. The resolution underlines the need for a strong, fairer, greener and more sustainable CAP to meet the food security, agricultural, environmental, energy and rural development challenges of the 21st century. The European Parliament also now has greater powers with regard to budgetary decisions concerning the CAP since a distinction is no longer drawn between obligatory and non-obligatory expenditure. Until now, the Council had the last say regarding obligatory expenditure, which principally concerned agricultural spending.

47. This development, tending towards a broader democratisation of agricultural policy decisions at European level, can but be welcomed. This is because, setting aside certain of its aspects which may seem to involve relatively technical questions, the issue concerns all citizens of the European Union, whether the farmers, who are directly affected, or other European citizens whose food supply and, in part, taxation also closely depend on the agricultural policy decided in Brussels. Although they are not always very well aware of the fact, European citizens are therefore affected by the CAP measures in their capacity as farming professionals, consumers or taxpayers.

11. As a result of the BSE crisis, an exception had however already been established under Article 132 of the Treaty of Amsterdam in the case of decisions having a potential impact on health matters.

2.4. The post-2013 CAP's objectives and instruments in the face of the challenges of the 21st century: status quo, evolution or revolution?

48. Since the CAP was first established, its objectives, which are set out in the constituent treaties, have been supplemented with new concerns. Yet the wording of the treaty is unchanged. Article 39 of the Treaty on the Functioning of the European Union reiterates the terms of Article 33 of the Treaty of Rome and sets the following objectives for the CAP: increasing agricultural productivity, ensuring a fair standard of living for the agricultural community, stabilising markets, assuring the availability of supplies and, lastly, ensuring that supplies reach consumers at reasonable prices. However, at least two additional concerns emerged in the 1990s and have gradually grown in importance: protection of the environment and rural development. Today, more than ever before, the pursuit of these objectives must entail a debate on how they can be reconciled with one another by enhancing their consistency. This means that efforts to increase agricultural productivity must take due account of the other objectives being pursued.

2.4.1. An efficient, balanced agricultural and food economy

49. In the past, concern to balance the agricultural economy led, *inter alia*, to the introduction of production quotas for a number of products that had become prey to overproduction triggered by the direct production support methods, through price guarantees and export subsidies, which had so far prevailed. The gradual dismantling of these quota schemes in recent years has brought to light, through the ensuing crises in the sectors concerned, the uncertainties inherent in allowing prices to be determined by market mechanisms alone. Bringing production more into line with the market is indeed a legitimate, appropriate goal, but it is inconceivable without putting in place the necessary safety mechanisms. The recent crisis in the milk sector, which necessitated the use of intervention techniques to avoid the collapse of a large number of farms, is the most telling example. The soaring prices of agricultural commodities such as cereals, which in certain particularly vulnerable regions of the world led to the events now known as hunger riots, and in general their extreme price volatility – including the surge in the price of wheat during the summer of 2010, linked both to reduced forecasts of the harvest and of trade volumes and to the speculation surrounding grain production – also show the need for specific regulation of the agricultural economy and for the use of exceptional instruments to that end. Although the causes of the specific volatility of agricultural commodity prices can be identified with a fair degree of precision – principally uncertain weather conditions, plant diseases and pests and the opening up of the markets combined with financial speculation – the responses to be adopted are far from being a matter of unanimity. The discussions focus on the technical means available, or which could soon become available, the appropriateness of having recourse to them, and also certain political or economic, or more fundamentally political economy, choices. Mention need but be made here of the debates concerning genetically modified organisms, use of chemical intrants or market deregulation and the reduction of customs tariffs to give some idea of the extent of the disagreements which may lead to deadlocks or irrational decisions.

50. At all events it would seem quite impossible to guarantee both a fair remuneration for farmers and reasonable prices for consumers without tackling head-on the imbalance typifying commercial relations between agricultural producers, on one hand, and food processing and distributing companies, on the other. The market influence of the latter, which seem subject to no real limits on their consolidation and concentration, results in a number of practices that are harmful to both farmers and consumers as well as for the equilibrium of agricultural production and agricultural commodity markets as a whole. Promoting short food supply chains, in particular direct farm-to-consumer selling, and also taking into consideration non-market trade mechanisms, as suggested by many unions and NGOs and also by MEP José Bové in his draft report for the Committee on Agriculture and Rural Development on "Fair revenues for farmers: a better functioning food supply chain in Europe",¹² having regard to a Commission Communication on the same subject,¹³ will not solve all the problems but are unquestionably among the avenues to be explored. To this end, regulations regarding food safety and hygiene must be made more flexible where appropriate in order to accommodate needs of short food chains. In addition, there is a need to make prices more transparent at all stages of the distribution and processing of agricultural products and foodstuffs.

51. It is also important to defend the specificity of the farming sector in future negotiation rounds at the World Trade Organization, since, in view of their special role in feeding the population and guaranteeing security of supply at regional level, agricultural products cannot be treated as mere commercial goods, like industrial products in general. This is a matter of securing recognition at the international level of the necessity for each major region of the world to be able to assure the bulk of the production needed to cover the food

12. European Parliament, Committee on Agriculture and Rural Development, document 2009/2237 (INI).

13. "Communication on a better functioning food supply chain in Europe", COM(2009)591, European Commission.

requirements of its inhabitants and to produce food closest to the consumer. Avoiding a competitiveness race in terms of the prices of basic food commodities can be seen to be essential to the preservation of a degree of equilibrium in the production of agricultural and food products in all of the world's regions. It is also necessary to enable the most disadvantaged areas to develop the local production of foodstuffs that can satisfy their own needs. Although Ricardo's theory of comparative advantage is still generally valid, too great a specialisation of agricultural production (monocultures) in practice has disastrous consequences, creating situations of economic dependence with regard to what are vital products in the true sense. From a European standpoint, it would be advisable to decrease the current dependence on the large cereals and protein crops producer countries, particularly in North and South America, by extending the livestock sector, and especially by returning to more grass-based feed for ruminants since grassland resources in Europe are underutilised.

2.4.2. A more environmentally friendly agriculture

52. As already mentioned, protection of the environment is now part and parcel of the Common Agricultural Policy. Owing to specialisation and concentration of farms in the past a growing share of European agriculture tended to become focused on single-crop farming and intensive livestock breeding, which was seriously detrimental to the preservation of biodiversity and of a variety of productions. Moreover, the growth in European agricultural productivity was obtained only at the price of intensive use of chemical entrants (fertilisers, weed killers and pesticides) and of excessive irrigation, both of which largely contributed to soil, surface water and underground water pollution to a critical degree from the standpoint of the health safety of agricultural products and of water for human consumption. In addition, soil depletion and the emerging resistance caused by the heavy use of weed killers and pesticides led to a vicious circle, making it necessary to use larger and larger quantities of these chemicals and of fertilisers.

53. When it became clear that continuing in this direction would cause serious harm to the environment and ultimately make Europe's land completely fallow, measures were taken to contain the use of intrants by setting maximum quantity limits and encouraging practices such as mixed crop farming and crop rotation. In view of this growing awareness of the degradation of the environment caused by the type of farming carried out so far, the 1999 CAP reform introduced a mechanism sanctioning the most harmful practices through a system of cross-compliance. To encourage farmers to comply more fully with environmental laws it was decided that non-respect for these laws would result in a reduction in direct support payments and even, in certain cases, their complete withdrawal. At the time of the 2003 reform this cross-compliance system was reinforced, going beyond protection of the environment in the strict sense of the term. Eighteen standards were adopted in the form of Community directives, with the aim of protecting the environment, such as the "Birds", "Nitrates" and "Habitats" Directives, or of guaranteeing food safety with regard to animal and vegetable products, animal welfare and safe farming practices. Although these reforms were an undoubted improvement – despite the implementation difficulties encountered on account of the reluctance of many farmers, who had long become accustomed to working without such constraints, and also the bad will displayed by many states, which delayed transposing these directives into domestic law, improperly transposed them or failed to apply the ensuing regulations – it would now be desirable to do even more to foster protection of the environment in the agricultural sector by further supplementing this negative approach involving sanctions with a positive approach involving incentive payments for farmers who go beyond mere compliance with legal and regulatory requirements and adopt farming techniques constituting good environmental practice. Such agri-environmental payments under the second pillar of CAP offer the advantage of fostering use of the most environmentally friendly farming practices, such as those used in organic agriculture and in High Nature Value (HNV) farming. However, they currently seem underused or inappropriately used by many European Union member states. According to the European Environmental Agency (EEA),¹⁴ there is enormous divergence across European Union member states in the level of CAP expenditure per hectare of farmland (Pillar 1) and under the agri-environment and Less Favoured Area scheme measures (Pillar 2). Several European Union member states are located at the very bottom of the expenditure axis, including the European Union member states with a high proportion of High Nature Value farmland.

54. Furthermore, the environmental challenges are today exacerbated by the need for European agriculture to adapt to and participate in combating climate change through both mitigation and adaptation measures. Agriculture is particularly concerned by this problem. Some sectors of agriculture account for a not inconsiderable share of greenhouse gas emissions. Mention can be made of livestock farming which is in the forefront of the sectors concerned, as a result, in particular, of the significant quantities of methane emitted by cattle during rumination and by animal manure. Apart from methane production, livestock farming also emits

14. "Distribution and targeting of the CAP budget from a biodiversity perspective", European Environment Agency (EEA), Technical report No. 12/2009, chapter 6.4.

large quantities of carbon dioxide. The Intergovernmental Panel on Climate Change (IPCC) estimates that the meat industry as a whole accounts globally for 18% of all anthropic greenhouse gas emissions. It is however essential not to fall into the trap of blanket stigmatisation and to reconsider our dietary habits (consume less meat) on the one hand and on the other hand to consider the means of fostering the best farming practices, that is to say those that consume the least energy and produce the least greenhouse gases, while nonetheless allowing a sufficient level of production. Moreover, farming suffers the adverse effects of climate change and of the increased frequency of extreme weather events, which in many cases make farming conditions more difficult and more uncertain. It has therefore become absolutely essential to adapt European agriculture and the surrounding economy – such as recourse to insurance mechanisms – to address this new situation. The Common Agricultural Policy has a key role to play in this respect and must encourage this adaptation process as far as possible. It should also be noted that crops conversely have a positive impact on the greenhouse gas emissions balance by capturing carbon dioxide from the air, naturally on condition that crops grown for food or for industry do not replace forests, which are far more efficient at carbon sequestration.

2.4.3. A policy guaranteeing safety, quality and diversity of agricultural products

55. Environmental issues go hand in hand with growing concern among European consumers and public authorities to ensure the safety and quality of food products derived from agriculture and agribusiness. The bovine spongiform encephalopathy epidemic and the avian influenza crisis confronted farmers and the authorities with their responsibilities in these fields. However, these particularly serious ad hoc events are in reality only the tip of the iceberg, and there is an increasing body of evidence of the links between diet and public health. It is therefore essential to focus on this aspect of the question and to broaden the scope of agricultural policy to include food-related issues. Consumer choices and habits can naturally not be left out of the equation, and it is for this reason that a public education and awareness-raising effort should be made, in particular with regard to young people.

56. The safety and quality of food products can also be ensured through existing standards in matters of control, traceability and labelling. In this area the European Union applies a "from farm to table" approach, entailing inspections and monitoring at all stages in the food chain, and a number of rules concerning the labelling of products offered for consumption. However, the entire set of regulations could usefully be reinforced so as to eliminate the remaining loopholes. Among other things, indicating the origin of products imported from countries that do not enforce standards equivalent to the European health, environment and labour standards would offer the advantage of allowing consumers to choose according to their personal preference, rather than solely on a price basis. Labelling requirements should, in addition to the current rule of labelling to all products containing GMOs, apply also to livestock products from animals reared on GMO feed and products derived from them, such as dairy products. With regard to the safety and quality of food products derived from agriculture and agribusiness, the highest levels of precaution and transparency must apply and no compromises can be accepted.

57. There must be a genuine quality policy for agricultural products. Guaranteeing the quality of agricultural products consists in both ensuring minimum quality standards for all products and promoting high-end quality products, notably through quality guarantee schemes such as the PDO (protected designation of origin), PGI (protected geographical indication) and TSG (traditional specialities guaranteed) schemes or the new "Euroleaf" logo for products derived from organic farming. The aim here is to meet consumer expectations as far as possible and to market high added-value products in Europe and beyond the Union's borders. This was the subject of a European Commission Communication on agricultural product quality policy, adopted on 28 May 2009.¹⁵ Following these strategic orientations, the Commission subsequently presented legislative proposals and guidelines in December 2010, the so-called "Quality package 2010";

- a new "Agriculture Product Quality Schemes Regulation",¹⁶ reinforcing the flagship scheme for protected designations of origin and geographical indications (PDOs and PGIs), overhauling the traditional specialities guaranteed scheme (TSGs), and laying down a new framework for the development of Optional Quality Terms, such as feeding method and production method;
- a new general base-line marketing standard¹⁷ for all agricultural products and a specific power to adopt place-of-farming and other sectoral rules for marketing product;

15. COM (2009) 234 final.

16. COM (2010) 733 final.

17. *Ibid.*

- new guidelines¹⁸ of best practices on voluntary certification schemes and on the labelling of products using PDO-PGI ingredients.

58. This ambitious policy should be endorsed, since it will help to ensure the profitability and competitiveness of European agricultural products and to preserve their authenticity and diversity. A further aim is to encourage the conclusion of agreements on reciprocal recognition of designations of origin between the Union and its trading partners, in particular European non-European Union member states, with a view to guaranteeing respect for these designations beyond the Union's borders.

2.4.4. An agricultural policy conducive to balanced rural development

59. Rural areas cover a majority of the European Union's territory (91%) and are home to more than half of its population (53%). The Union's territorial, economic and social cohesion objectives cannot be attained without an effective, sustainable rural development policy. There are clear links between the agricultural sector and rural development. Alongside its first pillar, relating to the market, the Common Agricultural Policy accordingly includes a second pillar concerning rural development policy. The aim of the latter policy is to preserve the European agricultural model and defend the principle of family farms. It is mainly geared to the concept of the multifunctionality of agriculture. This consists in defending the standpoint that, although producing agricultural goods is farming's primary role, this economic function goes hand in hand with other complementary functions, such as protecting the environment and natural resources, rural development, stewardship of the landscape and ensuring food quality and safety. This in fact entails focusing on farmers' production of public goods that are not directly linked to trade concerns but represent what are referred to as positive externalities.

60. Promoting these functions can today be seen to be of crucial importance in meeting the challenges that globalisation, pressure on resources, climate change and population ageing pose for 21st century Europe, all presently exacerbated by the economic and financial crisis. Rural development policy should therefore be supported and reinforced, in particular with a view to achieving the goal of the Europe 2020 strategy of turning the European Union into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. This strategy entails preserving the balance and interconnection between urban, peri-urban and rural areas, at both the local and regional level and the level of the states and the Union, and also between European regions themselves. Agriculture and the agricultural model here play a vital role in enabling unity, equilibrium and equity in diversity. Defending economic activity, employment and access to services in rural areas, especially those which are disadvantaged, such as islands or mountain areas, must be a priority so as to prevent rural depopulation and the desertification of entire regions and thereby foster a balanced distribution of Europe's population over the entire territory. Synergies must be established between different activity sectors in rural areas, and links with urban areas must be reinforced. To that end, there is unquestionably a need to develop the consistency of the first and second pillars of the CAP, and also between support systems under the second pillar and under the structural funds. Lastly, for reasons of equity it will be necessary to abandon the system of traditional criteria on which the first pillar payments are based, since its role of ensuring transition following the most recent admissions of new member states is no longer justified today.

61. In the final analysis, if the intention is that European agriculture should continue to make it possible to feed the population of Europe, without harming farmers in other parts of the world and while protecting the environment and preserving territorial cohesion, farmers must be permitted to make a living from the sale of their products, without ruling out support mechanisms as and when necessary. This will mean maintaining the status quo while at the same time innovating with regard to regulation of agricultural markets and food prices. It will be necessary to reconcile the objectives of the CAP and of the common trade policy, so as to avoid contradictions. However, direct support for farming activity and incomes will doubtless still be essential. As recommended by the European Union Committee of the Regions in its opinion "The future of the CAP after 2013", which it adopted at its 85th plenary session held on 9 and 10 June 2010, the aid allocation and distribution system could be as follows: the first level of aid would consist of single payments per hectare, subject to compliance with environmental requirements, while a second level of aid would reward good environmental practices that go further than the minimum requirements, and a third, with a regional development focus, would support farmers in disadvantaged areas, such as mountain regions, and all of these aids could be subject to regional adaptation under European Union supervision. To promote employment and greater social justice, it could also be interesting to subordinate or adapt these different levels of aid to the agricultural employment situation in different regions, and also to take account of the terms of employment and remuneration offered to agricultural workers on individual farms.

18. http://ec.europa.eu/agriculture/quality/policy/quality-package-2010/certification-guidelines_en.pdf.

2.4.5. Position of the European Parliament

62. In its Resolution¹⁹ adopted on 8 July 2010, the European Parliament stressed that the funds allocated to finance the CAP must be “at least maintained during the next financial period”. In addition, agriculture policy should not be “renationalised” and direct payments to farmers should be fully funded from the European Union budget to avoid any co-financing by governments that could erode fair competition within the single market. MEPs also consider that a European Union-funded top-up payment should be made available to reward farmers for reducing carbon emissions and increasing soil sequestration, on a per unit of production basis.

63. “A fair distribution of CAP payments, fair to farmers in both new and old European Union member states should be the guiding principle of the CAP reform”. The Resolution calls for more objective criteria, partly to reduce disparities in direct payments, considering the current “hectare based system inappropriate”, and partly to reflect regional diversity. The European Parliament holds that the level of direct payments should be maintained.

64. The high standards of food safety, environment, social legislation and animal welfare that farmers in the European Union must meet should be rewarded. Therefore, imports from third countries should meet the same criteria with due respect for World Trade Organization rules. Traceability should be improved to allow consumers to make informed choices. Food quality policy is also crucial to improve the sector’s competitiveness. Geographical indications of origin need to be strengthened and enforced using protection and promotion instruments, allowing the European Union to keep leadership in this area on the world markets.

65. To ensure fair revenues to the farming community, the European Parliament proposes strengthening producers’ bargaining power in the food supply chain vis-à-vis retailers and other players, in addition to improving price transparency. MEPs also call for a “safety mechanism” to respond to market developments and extreme price volatility backed by instruments specifically designed to increase price stability. New measures are also proposed, such as harvest risk insurance policy to cope with extreme climate conditions.

66. To counter the abandonment of land, to promote green growth and rural development must remain a central aim of the future CAP and the current two-pillar structure should be maintained. With the view to attracting young farmers, MEPs propose setting up favourable loans for investment to meet high start-up costs and overcome current difficulties in accessing credit.

67. This position aligns the European Parliament with the position of European Union member states that oppose a radical reform of the CAP.

2.4.6. Position of the non-governmental sector (NGOs)

68. As part of the consultation process launched by the European Commission, among the studies submitted by NGOs, five farming and environmental NGOs²⁰ have published joint proposals for a transformation of the CAP²¹ to help farmers rise to the challenge of sustainable farming. These NGOs consider that the CAP requires radical change to justify 40% of the European Union budget and to ensure, *inter alia*, that environmental benefits which are needed are actually delivered. They consider that the current CAP provides most of the funding to a very small number of large or resource intensive farms, and “all too often to those engaging in unsustainable practices”.

69. A radical reform is needed – both in the objectives of the CAP and in its delivery mechanisms – with adequate financing allocated to measures that can deliver the policy’s revised objectives. Reshaping the CAP to meet modern policy objectives would inevitably entail a considerable redistribution of funding between beneficiaries.

70. The non-governmental grouping proposes the following environment-related objectives for the post-2013 period:

- to create the environmental conditions to sustain long-term agricultural production through the protection of ecosystems and their services (soil, air and water) and the sustainable use of natural resources;

19. P7_TA-PROV(2010)0286 and reference document INI/2009/2236, report of George Lyon for the Committee on Agriculture and Rural Development.

20. Birdlife International; European Environmental Bureau; European Forum on Nature Conservation and Pastoralism; International Federation of Organic Agriculture Movements – EU Group; World Wide Fund for Nature.

21. “Proposal for a new EU Common Agricultural Policy”, December 2009.

- to accelerate the transition towards resource-efficient farming that is less dependent on fossil inputs and more resilient in the face of climate change and other external pressures;
- to promote conditions for the production of safe, healthy and high quality food;
- to maintain and enhance (wild) farmland biodiversity by halting and reversing declines;
- to maintain (domesticated) agricultural biodiversity;
- to contribute to achieving “good status” in European freshwater systems and adjacent coastal waters;
- to contribute to climate change adaptation and mitigation;
- to support the maintenance of landscapes and rural heritage rich in aesthetic, cultural and historical value;
- to contribute to the rural vitality of areas highly dependent on agriculture and where this is important to support the viability of those farming systems which underpin the delivery of public goods;
- to promote enhanced animal welfare;
- to support sustainable food systems which better connect producers and consumers.

71. According to NGOs, a radical transition is needed toward sustainable farming practices that can provide long term optimal yields, while using natural resources efficiently. Such practices need to be sensitive to biodiversity and ecosystem functionality and result in production of high quality, safe and healthy products. The transition needs to incorporate the general principles of integrated production. These principles include a variety of complementary strategies such as using robust and well-adapted plant varieties, caring for healthy plants and soil, management of nutrient cycles, reduction of greenhouse gas emissions, maximising carbon storage and a significant reduction in the use and dependency on chemical inputs (fertilisers and pesticides). While some measures should be legally binding, others could be incentive-driven through public funding.

72. Payments should therefore shift from subsidy entitlements towards agreements underpinning payments for public goods in a transparent and accountable way. The NGOs propose a range of tools for supporting good practice, including a basic flat-rate payment, based on robust commitments, for farmers to deliver beyond the mandatory baseline, and higher payments for systems delivering higher benefits such as organic farming and high nature value farming. Targeted agri-environment payments should address more specific issues and protect valuable habitats and species. NGOs also propose a range of public investments in sustainable farming and local communities to help build a knowledge-based, resource efficient and viable farming sector.

2.4.7. European Commission communication

73. Following the extensive public debate, the European Commission issued its Communication “The CAP towards 2020: Meeting food, natural resources and territorial challenges of the future”²² in November 2010. The Communication outlines three main objectives for the future CAP:

Objective 1: Viable food production:

- to contribute to farm incomes given that price and income volatility and natural risks are more significant than in other economic sectors;
- to improve competitiveness of the agricultural sector and to enhance “value share in the food chain”;
- to compensate for production difficulties in areas with specific natural constraints and to avoid land abandonment.

Objective 2: Sustainable management of natural resources and climate action:

- to guarantee sustainable production practices and secure the enhanced provision of environmental public goods;
- to foster green growth through innovation (new technologies, new products, changing production processes, responding to new patterns of demand in the context of emerging bioeconomy);
- to pursue climate change mitigation and adaptation actions.

22. COM(2010)672 final.

Objective 3: Balanced territorial development:

- to support rural employment and maintain social fabric of rural areas;
- to allow for structural diversity in the farming systems, improve conditions in small farms, and develop local markets (contribute to attractiveness and identity of rural regions).

2.5. Impact of the CAP on the new European Union member states and accession countries

74. The 2004 and 2007 successive enlargements of the European Union increased the overall agricultural area by around 40%, the number of farms by 140%, and the number of agricultural workers by 100%,²³ thereby boosting its production potential and making agriculture more important. In the new European Union member states, agriculture plays an important role in the national economy and in rural life. Data at the time of the enlargement has shown that 22% of the total area is dedicated to agriculture in the new European Union member states, while in EU-15 it is only 4%. The share of the agricultural workers in the total working population in the new European Union member states is 13%, while in EU-15 it is only 1.6%. The share of agriculture in the GDP is 2.8% and 1.6% respectively. In certain rural areas of the new European Union member states agriculture is the only source of income.

75. However, the average agricultural production level in the new European Union member states is far below the EU-15 average. Farming is characterised by a high proportion of small, semi-subsistent, part-time holdings with low level of production technology and of invested capital. The number of co-operatives and producer organisations is inadequate and farmers do not have ownership in the food processing business. But, on the other hand, subsistence and semi-subsistence agriculture are of great social, cultural and environmental importance.

76. The accession of the twelve new European Union member states increased the number of European consumers by 55%.²⁴ EU-15 exporters increased their market share in the new member states, especially as regards processed goods. The membership provided better conditions for the EU-15 investors in the agri-food sector as well.

77. In terms of European Union expenditure, the 12 accession countries received SAPARD²⁵ assistance from 2000 until their accession in 2004 with a yearly budget limited to €520 million, representing slightly above 1% of the European Agricultural Guarantee and Guidance Fund (EAGGF). In the 2004-2006 period the 10 new European Union member states received about 5-8% of the EAGGF allocations. By the end of the 2007-2013 financial period, the share of direct payments and rural development of EU-12 is expected to rise to only 19% of the total CAP budget, while corresponding to nearly 30% of the utilised agricultural area and more than 50% of agricultural workforce.

78. The Act of Accession introduced a long phasing-in period of nine years (2004-2013), with a very low starting level for the direct CAP payments in the new European Union member states (25% of the level applicable in the old European Union member states EU-15), while at the same time the new member states (EU-12) had to shoulder high social and economic costs in order to adapt to and integrate the CAP rules. Consequently, the situation resulted in distorted competition within the Single Market to the detriment of farmers in the new European Union member states. In other words, the different levels of direct payments between the EU-12 and EU-15 have not ensured a level playing field, and in several new European Union member states the producers lost ground even on their domestic markets. Moreover, the new member states (EU-12) were forced to apply complementary national direct payments (CNDP “top-ups”), which can be considered as a form of co-financing and which has led to serious political and economic difficulties among EU-12 countries. Due to budgetary constraints and contrary to the general objectives and principles of the CAP – and also contrary to the practice in EU-15 – the majority of EU-12 was forced to regroup part of their Community rural development allocations (under pillar 2) for CNDP purposes.

79. It is therefore crucial – in political, economic and social terms – to address the issue of equity between European Union member states for the next CAP funding period 2014-2020.

23. See Appendix and “The CAP in figures”, European Parliament: http://circa.europa.eu/irc/opoce/fact_sheets/info/data/policies/agriculture/article_7217_en.htm.

24. Approximately 177 million inhabitants, EUROSTAT table, provisional value for 2010.

25. European Union Special Accession Programme for Agriculture and Rural Development.

2.6. Conclusions

80. It is the rapporteur's opinion that the forthcoming CAP reform for EU-27 has to bring more general and simpler rules to adapt to extremely diverse agricultural circumstances in the enlarged European Union, to achieve also better equity between member states and redress the current wide disparities in direct payments. Moreover, the CAP has to respond without delay to the new challenges of the 21st century and the rapporteur therefore warmly welcomes the Commission's Communication issued in November 2010 which outlines the three main objectives for the CAP reform: viable food production; sustainable management of natural resources and climate action; and balanced territorial development.

81. In terms of viable food production, the rapporteur underlines the need for every nation to strive to produce its own basic food and be self-sustained, and to produce food "closest to the consumer", promoting short food supply chains in order to cut down on excessive transport, distribution and retail costs in addition to cutting down on greenhouse gas emissions due to transport. The rapporteur also welcomes the Commission proposals in the "Quality package 2010" which reinforce schemes for protected designations of origin and geographical indications (PDOs and PGIs) and provide Guidelines of best practices on voluntary certification schemes, which would enable consumers to make better informed choices.

82. Concerning sustainable management of natural resources and climate action, the rapporteur highlights the position of environmental NGOs that a radical transition is needed toward sustainable farming practices that can provide long-term optimal yields, while using natural resources efficiently. Such practices need to be sensitive to biodiversity and ecosystem functionality and result in production of high quality, safe and healthy products. The rapporteur emphasises the need to provide adequate support to organic farming and high nature value farming in addition to agri-environmental measures which would apply more generally across the farming spectrum. In addition to applying the principles of integrated production mentioned previously, it is necessary to preserve genetic diversity and ancient breeds; and it would seem crucial to extend the livestock sector and re-establish the link between growing crops and animal breeding in order to radically reduce the use of synthetic fertilisers.

83. With regard to a balanced territorial development, the rapporteur agrees with the opinion of the Committee of the Regions that rural development policy should be reinforced, in particular with a view to achieving the goal of the Europe 2020 strategy of turning the European Union into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. Agriculture – one that applies a more sustainable agricultural model – should play a vital role in enabling unity, equilibrium and equity in diversity across the European continent, and a vital role in averting land abandonment and depopulation in rural areas. Synergies must be established between different activity sectors in rural areas, and links with urban areas must be reinforced. To that end, there is unquestionably a need to develop the consistency of the first and second pillars of the CAP, and also between support systems under the second pillar and under the European Union structural funds.

84. Finally, in the context of international relations and growing global concern for food security, and in accordance with the Declaration of the World Summit on Food Security,²⁶ the rapporteur pleads that the European Union policies – notably agriculture, trade and development policies – contribute to increase sustainable agricultural production and productivity in the developing countries, help those countries invest in mitigation and adaptation policies to increase resilience to climate change, with particular attention to small agricultural producers and vulnerable populations.

26. FAO, Rome, 16-18 November 2009.

Appendix – The CAP in figures

Table I: The CAP in the 2007-2013 financial framework

Commitment appropriations (€ million at 2004 constant prices)	2007	2008	2009	2010	2011	2012	2013	TOTAL 2007-2013
A. TOTAL multiannual commitment appropriations EU-27, of which:	120 702 (100%)	121 473 (100%)	122 564 (100%)	122 952 (100%)	124 007 (100%)	125 527 (100%)	127 091 (100%)	864 316 (100%)
1. agriculture – policy on markets and direct aid, of which:	43 120 (35.7)	42 697	42 279	41 864	41 453	41 047	40 645 (32%)	293 105 (33.9%)
EU-15	39 928 (33%)	38 710	37 723	36 735	35 775	34 828	33 826 (26.6%)	257 525 (29.7%)
EU-12 (new members)	3 192	3 987	4 556	5 129	5 678	6 219	6 819	35 580 (4.1%)
2. agriculture – rural DEVELOPMENT, of which:	10 710 (8.8%)	10 447	10 185	9 955	9 717	9 483	9 253 (7.3%)	69 750 (8%)
EU-15	—	—	—	—	—	—	—	36 740 (4.2%)
EU-12 (new members)	—	—	—	—	—	—	—	33 010 (3.8%)
B. TOTAL AGRICULTURE (1 + 2)	53 830 (44.5%)	53 144 (43.7%)	52 464 (42.8%)	51 819 (42.1%)	51 170 (41.2%)	50 530 (40.2%)	49 898 (39.3%)	362 855 (41.9%)
TOTAL multiannual commitment appropriations (A) as a Percentage of GNP (EU-27)	1.10%	1.08%	1.07%	1.04%	1.03%	1.02%	1.01%	1.048%
TOTAL commitment appropriations for AGRICULTURE (B) as a percentage of GNP (EU-27)	0.49%	0.47%	0.46%	0.43%	0.42%	0.41%	0.39%	0.44%

Sources: Prepared on the basis of the following documents: European Commission, Working Document of the Commission Services: Indicative breakdown of expenditure within individual headings and sub-headings, after the trilogue of 4 April 2006 (Fiche No 94 Rev1, 11 April 2006); Interinstitutional Agreement on budgetary discipline and sound financial management (OJ L 139, 14 June 2006, Annex I); and Council Decision 2006/493/EC laying down the amount of Community support for rural development (OJ L 195, 15 July 2006).

Table II: Basic figures of Community agriculture

	Utilised Agricultural Area (UAA) (1 000 ha)	Number of farms (1 000 farms)	UAA per farm (ha)	Employment in the sector (agriculture, forestry, hunting, fishing) (1 000 people)	Production of the sector of agricultural activity (€ million)	Share of agriculture of GDP/GVA (%)	UAA classed as less-favoured area (%)
	2006	2005	2005	2006	2006	2006	2000–2003
BE	1 382	52	26.9	83	6 827	0.7	20.4

	Utilised Agricultural Area (UAA) (1 000 ha)	Number of farms (1 000 farms)	UAA per farm (ha)	Employment in the sector (agriculture, forestry, hunting, fishing) (1 000 people)	Production of the sector of agricultural activity (€ million)	Share of agriculture of GDP/GVA (%)	UAA classed as less-favoured area (%)
BG	5 190	535	5.1	252	3 471	6.2	—
CZ	3 566	42	84.2	182	3 567	0.8	50.4
DK	2 699	48	53.6	87	8 133	1.1	1.1
DE	16 951	390	43.7	844	40 070	0.6	49.6
EE	762	28	29.9	32	542	1.7	39.8
EL	3 254	834	4.8	533	10 470	3.1	82.7
ES	25 359	1 079	23	944	37 327	2.3	81.3
FR	29 538	567	48.6	977	60 645	1.4	44
IE	4 307	133	31.8	117	5 498	0.9	52.8
IT	14 710	1 729	7.4	982	43 076	1.7	51
CY	169	45	3.4	15	618	2.3	90.5
LV	1 856	129	13.2	122	851	1.9	72.7
LT	2 791	253	11	187	1 612	2.3	43.7
LU	129	2	52.7	4	244	0.3	100
HU	5 809	715	6	188	6 001	2.5	19.2
MT	10	11	0.9	3	127	1.2	100
NL	1 899	82	23.9	259	22 110	1.7	11.1
AT	3 240	171	19.1	217	5 699	1.0	75.3
PL	15 957	2 477	6	2 304	16 173	2.4	51.2
PT	3 767	324	11.4	604	6 767	1.8	86.7
RO	14 117	4 256	3.3	2 843	14 365	7.2	—
SI	491	77	6.3	92	1 064	1.5	73.9
SK	1 939	69	27.4	101	1 770	1.1	50.2
FI	2 301	71	32.1	114	3 756	0.5	100
SE	3 150	76	42.1	98	4 382	0.4	52.1
UK	16 761	287	55.4	382	21 558	0.4	47.1
EU-15	145 404	5 843	21.4	6 244	276 562	1.1	57.4
EU-25	162 796	9 688	16	9 468	308 888	1.2	55.1
EU-27	182 103	14 479	11.9	12 564	326 725	1.2	—

Sources: European Commission, "Agriculture in the European Union – Statistical and economic information – 2007"; European Commission, "Rural development in the European Union – Statistical and economic information – Report 2007", November 2007.

Table III: Basic agro-environmental indicators

Country / Group of countries	(a) Imports (€ million)	% of 3	(b) Exports (€ million)	% of 3	Balance (b – a)
1. Total (2 + 3)	278 806	—	285 835	—	7 029
2. Intra-EU	211 068	—	213 570	—	2 502
3. Extra-EU	67 738	100	72 265	100	4 527
Candidate countries (2006) ²⁷	4 633	6.8	4 331	6.0	– 302
Switzerland	2 417	3.6	4 683	6.5	2 266
Norway	372	0.5	2 142	3	1 770

27. Romania, Bulgaria, Croatia, Turkey.

Country / Group of countries	(a) Imports (€ million)	% of 3	(b) Exports (€ million)	% of 3	Balance (b – a)
Russia	607	0.9	6 641	9.2	6 034
Mediterranean Basin ²⁸	7 235	10.7	8 396	11.6	1 161
Gulf Arab States ²⁹	249	0.4	3 255	4.5	3 006
India	1 396	2.1	348	0.5	– 1 048
China	2 862	4.2	1 375	1.9	– 1 487
Japan	138	0.2	4 083	5.7	3 945
ASEAN ³⁰	5 565	8.2	2 529	3.5	– 3 036
NAFTA ³¹	8 407	12.4	17 503	24.2	9 096
United States of America	6 496	9.6	14 624	20.2	8 128
Mercosur ³²	14 552	21.5	805	1.1	– 13 747
Brazil	9 129	13.5	630	0.9	– 8 499
Argentina	4 830	7.1	107	0.1	– 4 723
ACP (Lomé Convention)	8 905	13.1	5 048	7	– 3 857
Australia	1 821	2.7	1 438	2	– 383
New Zealand	2 203	3.3	196	0.3	– 2 007

Source: European Commission, "Agriculture in the European Union – Statistical and economic information, 2007".

28. Morocco, Algeria, Tunisia, Turkey, Egypt, Israel, Lebanon, Syria, Libya, Jordan, West Bank and Gaza Strip, Canaries, Ceuta, Melilla, Albania, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, "The former Yugoslav Republic of Macedonia".

29. Saudi Arabia, Kuwait, Bahrain, Oman, Qatar, United Arab Emirates.

30. Myanmar, Thailand, Laos, Vietnam, Indonesia, Malaysia, Brunei, Singapore, Philippines and Cambodia.

31. Signatory countries to the North American Free Trade Agreement (NAFTA).

32. Brazil, Paraguay, Uruguay and Argentina.