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*Committee on Agriculture and Rural Development*

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## **DRAFT REPORT**

the CAP towards 2020: meeting the food, natural resources and territorial  
challenges of the future  
(2011/XXXX(INI))

Committee on Agriculture and Rural Development

Rapporteur: Albert Deß

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### **the CAP towards 2020: meeting the food, natural resources and territorial challenges of the future (2011/XXXX(INI))**

*The European Parliament,*

- having regard to the Communication from the Commission, ‘The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future’ (COM(2010)0672),
- whereas decisions are taken concerning the Common Agricultural Policy by means of the ordinary legislative procedure pursuant to Title III, Article 294, and particularly Article 43(2), of the Treaty on the Functioning of the European Union,
- having regard to the Health Check of the Common Agricultural Policy,
- having regard to Regulation (EC) No 1290/2005 on the financing of the common agricultural policy<sup>1</sup>,
- having regard to Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)<sup>2</sup>,
- having regard to Council Decisions 2006/144/EC<sup>3</sup> and 2009/61/EC on Community strategic guidelines for rural development<sup>4</sup>,
- having regard to Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets<sup>5</sup>,
- having regard to Regulation (EC) No 73/2009 establishing common rules for direct support schemes for farmers<sup>6</sup>,
- having regard to the Commission Communication entitled ‘The CAP towards 2020’ (COM(2010)0672),
- having regard to its resolution of 8 July 2010 on the future of the Common Agricultural Policy after 2013<sup>7</sup>,
- having regard to its resolution of x March 2011 on EU agriculture and international trade<sup>8</sup>,

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<sup>1</sup> OJ L 209, 11.8.2005.

<sup>2</sup> OJ L 277, 21.10.2005.

<sup>3</sup> OJ L 55, 25.2.2006.

<sup>4</sup> OJ L 30, 31.1.2009.

<sup>5</sup> OJ L 299, 16.11.2007.

<sup>6</sup> OJ L 30, 31.1.2009 and OJ L 43, 18.2.2010.

<sup>7</sup> Texts adopted, P7\_TA(2010)0286.

<sup>8</sup> References to be inserted after vote in plenary.

- having regard to its resolution of x March 2011 on the EU protein deficit: what solution for a long-standing problem<sup>9</sup>,
  - having regard to its resolution of x April 2011 on the role of women in agriculture and rural areas<sup>10</sup>,
  - having regard to its resolution of 18 January 2011 on recognition of agriculture as a strategic sector in the context of food security<sup>11</sup>,
  - having regard to its resolution of 7 September 2010 on fair revenues for farmers: a better functioning food supply chain in Europe<sup>12</sup>,
  - having regard to its resolution of 16 June 2010 on EU 2020<sup>13</sup>,
  - having regard to its Resolution of 18 May 2010 on simplification of the CAP<sup>14</sup>,
  - having regard to its resolution of 5 May 2010 on agriculture in areas with natural handicaps: a special health check<sup>15</sup>,
  - having regard to its resolution of 5 March 2010 on EU agriculture and climate change<sup>16</sup>,
  - having regard to its resolution of 25 March 2010 on agricultural product quality policy: what strategy to follow?<sup>17</sup>,
  - having regard to its resolution of 29 March 2007 on the integration of the new Member States into the CAP<sup>18</sup>,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development and the opinions of the Committee on Budgets and the Committee on the Environment, Public Health and Food Safety (A7-0000/2011),
- A. whereas a sustainable, productive and competitive European agriculture makes a significant contribution to the EU 2020 Strategy and to meeting new political challenges such as security of supply of food, energy and industrial raw materials, climate change, the environment and biodiversity, health and demographic change in the EU and whereas in this context the situation brought about by the Lisbon Treaty must be taken into account,

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<sup>9</sup> References to be inserted after vote in plenary.

<sup>10</sup> References to be inserted after vote in plenary.

<sup>11</sup> Texts adopted, P7\_TA(2011)0006.

<sup>12</sup> Texts adopted, P7\_TA(2010)0302.

<sup>13</sup> Texts adopted, P7\_TA(2010)0223.

<sup>14</sup> Texts adopted, P7\_TA(2010)0172.

<sup>15</sup> Texts adopted, P7\_TA(2010)0132.

<sup>16</sup> Texts adopted, P7\_TA(2010)0131.

<sup>17</sup> Texts adopted, P7\_TA(2010)0088.

<sup>18</sup> OJ C 27 E, 31.1.2008, p. 240.

- B. whereas food security remains a central challenge for agriculture not only in the EU but globally, in particular in developing countries, as the world population is predicted to grow from 7 to 9 billion by 2050 and demand for food is projected to double by the same year according to the FAO,
- C. whereas the CAP reform of 2003 and the Health Check of the Common Agricultural Policy of 2008 have substantially increased the transparency and efficiency of the CAP and farmers' own responsibility and market orientation; whereas this process must be continued and, as a counterpart, the administration of the CAP must be significantly further simplified in order to reduce the burden on farmers and administrations,
- D. whereas the European Parliament upholds the concept of multifunctional, broad-based agriculture spread throughout Europe and whereas in its resolution of 8 July 2010 on the future of the CAP after 2013 it already laid the foundations for sustainable agriculture,
- E. whereas because of the specific challenges, agriculture requires targeted measures which, in the context of enlargement, also take account of the specific situation in the EU-27,
- F. whereas the European Union must still have sufficient instruments to be prepared for market and supply crises and market and price fluctuations in the agricultural sector in the future;
- G. whereas the incorporation of general objectives into the CAP, particularly relating to consumer protection, environmental protection, climate protection, animal welfare and regional cohesion, is in principle to be welcomed but this must not jeopardise the competitiveness of European farmers,
- H. whereas at a time of rapid upheaval in agricultural markets and numerous new priority challenges (e.g. EU 2020), farmers urgently need reliability, particularly regarding the financial framework, and the European Parliament has already called for the appropriations allocated to agriculture in the 2013 budget to be maintained at least at the same level in the next financial planning period,
- I. whereas the share of CAP expenditure in the EU budget has steadily decreased from nearly 75% in 1985 to a projected 39.3% in 2013, whereas the CAP, despite being one of the longest-standing policies of the EU and the only one which has been communitised, accounts for less than 5% of the EU's GDP, while public expenditure accounts for some 50% of GDP,
- J. whereas the European Parliament has often expressed its opposition to a renationalisation of the CAP and an increase in cofinancing, which could detract from fair competition on the EU internal market, and therefore advocates that direct payments be wholly financed by the EU budget,
- K. whereas a two-pillar CAP should be retained,
- L. whereas there should not be any differentiation in the treatment of farmers according to size of holding and legal form for the purpose of direct payments, although the possibility of introducing a basic allowance for small farmers should not be excluded,

- M. whereas effective measures should be taken to ensure a fair and equitable distribution of profits in the food chain,
- N. whereas the per capita real income of farmers has fallen dramatically in the past two years and, as a result of this constant decline, it has now fallen below the level it had attained nearly 15 years ago at the beginning of the reform process,
- O. whereas, because the world economy is becoming integrated more rapidly, trade systems are as rule being liberalised more by multilateral negotiations (the Doha Round) and whereas in relation to imports from third countries environmental, animal welfare, plant protection and consumer protection standards need to be raised to EU level and minimum employment standards should be complied with,
- P. whereas rural development is an important instrument of the CAP and whereas the new programmes should be geared even more strongly to the priority objectives of rural development and of farmers (employment, the agricultural environment, water, climate change, innovation and education),
1. Welcomes the communication from the Commission concerning a reform of agricultural policy; calls, however, for the principles set out below to be incorporated in the legislative proposals;
  2. Rejects an isolated debate on the total budget for the first pillar and the allocation to the Member States for the period ending in 2020 and calls for the allocation of funding to the first and second pillars of the CAP to be viewed in their totality;
  3. Calls for the EU agricultural budget in the next financing period to be maintained at least at the same level as the 2013 agricultural budget; stresses that the extent of the new tasks of the CAP is based primarily on the financial allocation in the multiannual financial framework;
  4. Calls for the concept of sustainable and competitive agriculture to be retained, which preserves the special character of the individual sectors and production locations, with the task of providing the people with safe and healthy food in sufficient quantities and at appropriate prices, and providing raw materials for a strong European processing industry; calls moreover for the EU to play an important role in international animal welfare and plant protection provisions, which should be applied to all imports from third countries (external quality protection);
  5. Considers that simplification should already be built into the basic approach to the future CAP and that clear legal bases are needed, which must be submitted at an early stage and lend themselves to uniform interpretation;

### ***Direct payments***

6. Notes that decoupled direct payments help to produce public goods which either cannot be produced by means of the market or can only be so produced at disproportionately high cost, as well as helping to stabilise farm incomes and protect farmers better against risks of market and price fluctuations;

7. Considers therefore that direct payments will remain essential in view of inevitable market fluctuations to guarantee a basic income and compensate for work which is not sufficiently rewarded by the market in a context of very stringent environmental, animal welfare and employment standards in Europe;
8. Calls for a strong, well funded, first pillar to remain in existence;
9. Calls for a fair distribution of CAP funding for the first and second pillars both among Member States and among farmers within a Member State; rejects major disparities in the distribution of these funds among Member States; considers that preserving the diversity of farming and of its production locations in the EU is a central objective and therefore advocates taking account of the specific conditions in the Member States; accordingly rejects a uniform flat-rate direct payment for the whole of the EU;
10. Advocates therefore a single farm payment system which effects a certain redistribution in the interests of just distribution of direct payment funds in the EU as a whole; proposes that each Member State should receive at least two thirds of the EU average direct payments; advocates the earliest possible implementation;
11. In the case of direct farm payments, advocates moving away from historical and individual reference values and calls for a transition to a uniform area-based regional or national premium for decoupled payments in the next financing period; recognises, however, that the situations in the individual Member States are very disparate, requiring special measures per region;
12. Considers that Member States which currently apply the simplified Single Area Payment Scheme (SAPS) should switch to the single farm payment system with entitlements; calls for support in making the conversion;
13. Stresses the need for an adequate basic allowance for small farmers, which Member States can optionally determine in those Member States where these farms help to stabilise rural development; calls for these Member States to decide, in accordance with subsidiarity, what percentage of the direct payments to be incorporated in the new subsidy system should be made available to their small farmers; stresses, however, that this must not hamper the necessary structural change;
14. Calls for a further simplification of the direct payment system, for example simplified transfer rules for payment entitlements in the event of non-activation, merging of minimum payment entitlements, simplification of the rules governing the national reserve and changes to gear them more to young farmers or reduce them, depending on the transition to the regional/national single area payment, abolition of handwritten cattle registries, an effective and unbureaucratic monitoring system for both pillars and uniform penalties; considers that administrative systems which can be proven to be operating well should be looked upon favourably in the light of the scale of monitoring prescribed;
15. Considers that decoupling has essentially proved its worth, given the increased effect on income and greater autonomy in decision-making on the part of farmers and the associated simplification of the CAP, and calls for this also, in general, to apply to suckler cow and sheep premiums; recognises, however, that in certain sectors and regions such as

mountain regions, where there are no alternatives to relatively labour-intensive livestock farming, there may be considerable economic and environmental drawbacks which cannot be reconciled with the aims of the Treaty; acknowledges, therefore, that production-based premiums might be defensible within a narrowly defined framework for a limited period even after 2013;

16. Calls – without casting any doubt on the results of the 2008 Health Check of the CAP – for appropriations under Article 68 of Regulation (EC) No 73/2009 primarily to be allocated for measures to promote territorial coherence and boost key sectors (e.g. the dairy and sheep sectors and suckler cows), for area-based environmental measures (e.g. organic farming) which to date have not been included in the second pillar; considers that the budget for Article 68 could – subject to contrary results of an impact assessment – cover up to 10% of direct payments;
17. Observes that, for historical reasons, farms in the European Union have a very diverse structure as regards size, employment arrangements and legal form; is aware that direct payments are moving away from a historical basis to area-based payments and that the provision of public goods is independent of farm size; rejects, therefore, measures which discriminate against particular types of farm;
18. Calls on the Commission to submit by 30 June 2016 a report setting out comprehensively how livestock farming in Europe can be safeguarded in the long term with regard to multifunctionality and regional aspects (such as mountain areas, Nordic regions and extremely remote areas) and also dealing with the question of how far the aims of the CAP can be realised in a more efficient, targeted way by means of decoupled, indirect support, e.g. premiums for extensive grassland or pasture land;
19. Considers that direct payments should be made only to active farmers; realises that, under the system of decoupled direct payments, each farmer who uses farmland for production or who tends it in order to maintain GAEC should receive direct payments; calls on the Commission therefore to devise a definition of ‘active farmer’ which the Member States can administer without additional administrative effort, while it should be ensured that traditional farming activities (full-time and various degrees of part-time) are classified as active farming;

#### ***Resource protection and environmental policy component***

20. Considers that better resource protection is an element in sustainable farming, which should involve separate support for environmental measures going beyond the requirements of Cross Compliance (CC), which already entail many environmental measures, and being geared to multiannual applications, as a result of which greater environmental benefits can be attained;
21. Considers that resource protection should be directly linked to the granting of direct payments in order to attain these environmental objectives to the maximum without the need to introduce new, bureaucratic environmental conditions into the first pillar; considers that a flat-rate income payment, as envisaged in a top-up model in the first pillar, must cover costs and income losses;



22. Considers therefore that any environmental advantages can be attained more effectively and directly by means of second-pillar measures adopted by the Member States, which should ideally build on existing agrienvironmental measures or should supplement measures which take into account climatic and geographical differences in the Member States; observes that resource protection programmes should be pursued everywhere by means of a priority catalogue of area-based measures in the second pillar which are subject to basic requirements, particularly in the fields of climate, environment and innovation (Annex I), and are 100% EU-financed; regards the greening of direct payments in the first pillar as lying in the fact that any recipient of direct payments in the EU must implement at least two priority area-based resource protection programmes in order to be eligible for the complete farm payment; believes that the administration involved in these measures can be minimised by managing them in accordance with the system of the existing agrienvironmental programmes, thus avoiding duplication of monitoring and additional application and administration procedures;
23. Calls for the resources allocated to greening to be reserved for recipients of direct payments and only disbursed in connection with greening;
24. Regards this model as making a substantial contribution to the simplification of the direct payments system and to the attainment of new compulsory environmental objectives; observes that, under this model, there is no need to step up the current rate of monitoring and the current monitoring capacities, as existing checks can be used, and that checks in the second pillar can be combined in the basic and regeneration programme; considers also that no new systems of payments or penalties need be introduced;
25. Realises that resources from the first pillar (as for a top-up model) should be used to pay for this environmental component; believes, however, that Member States where direct payments lie below the EU average should be given the option of making the payment by means of cofinancing from the first pillar or instead by means of financing entirely from the second pillar; observes that the Member States must notify the Commission of their decision on the financing by 31 July 2013; notes that individual Member States' modulation resources should be used;
26. Advocates compensation for natural disadvantages in the second pillar and rejects a complementary payment in the first pillar on account of the additional administrative work involved;

### ***Cross compliance and simplification***

27. Considers that direct payments are no longer justified without cross compliance (CC) and therefore that the CC system should apply to all recipients of direct payments<sup>19</sup>;
28. Calls, in view of the greater concentration of direct payments on resource protection and environmental measures, for a substantial reduction of the scope of CC; calls on the

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<sup>19</sup> Could imagine that greening, which on the one hand also seeks to bring about simplification while at the same time avoiding the need for a transfer of funds, could conceivably also be achieved by means of a reoriented ecoperformance system which would take over the basic programmes from the 2nd pillar, such as those dealing with the environment and animal welfare, replacing the existing Cross Compliance System.

Commission to make significant progress in simplifying and harmonising rules on monitoring;

29. Considers that CC should be restricted to monitoring for compliance with fundamental and recognised standards and standards closely related to farming, which lend themselves to systematic monitoring;
30. Calls for an end to disproportionate burdens imposed on livestock farming by CC, and particularly for a critical review of certain hygiene and animal marking standards;
31. Could envisage a modest adaptation of the requirements to maintain GAEC with regard to altered environmental and production conditions (climate change, biomass), if the introduction of the new requirements in a comparable way throughout Europe were guaranteed;

### ***Market instruments and safety net***

32. Considers that the general market orientation of the CAP should be maintained and that the general structure of market management instruments should likewise be retained;
33. Considers that the health check approach should be pursued further, as these existing market instruments have also demonstrated their value as a safety net; takes the view that these market measures, and in particular intervention, should only be used as a safety net in case of price crises and potential market disruption;
34. Considers that, in view of the anticipated environmental and climate dangers and the risk of epidemics and considerable price fluctuations on agricultural markets, additional risk prevention is of vital importance, particularly at individual farm level;
35. Recalls that market-orientated production and direct payments are at the heart of any insurance against risk, and that it is farmers who are responsible for risk prevention; supports the Member States, in this context, in making national risk insurance instruments available to farmers;
36. Considers that a multi-stage safety net comprising private storage, public intervention, market disruption instruments and an emergency clause would confer the greatest possible benefit; calls for private storage and public intervention to be permitted for specific sectors where market disruptions are of limited duration; calls furthermore for a market disruption instrument and an emergency clause to be established for all sectors in common, making it possible for the Commission, under certain circumstances, in the event of crises to take action over a limited period which goes beyond the existing instruments;
37. Considers that the use of these instruments which have been described should be triggered only by a political assessment by the EU legislature;
38. Considers that, in view of the completely different conditions which exist in the individual sectors, differentiated sectoral solutions are preferable to across-the-board approaches;

39. Continues to support the Commission's proposal to lower the intervention thresholds for market crops to zero, maintaining a – possibly reduced – intervention threshold only in the case of wheat;
40. Considers that private-sector insurance schemes, such as multi-hazard insurance, must be developed in view of increasing risks; is aware of the fact that, without public contributions to the financing (from the EU and Member States), this would be difficult; supports the adoption of an EU-wide and WTO-compliant environment to ensure that no distortions of competition occur among Member States; rejects, however, the introduction of EU-wide insurance systems;
41. Considers rather that these measures should be promoted optionally, by decision of the Member State, in the first pillar (now Article 69) within the existing financing ceiling of the Member State concerned and that Member States should be allowed, initially, on the basis of national and regional needs, to use up to 2% of direct payments for risk management, stabilisation and prevention measures; considers that, in justified cases, Member States should be allowed to make additional resources available from national funds;
42. Calls on the Commission to examine the extent to which producer groups or sectoral associations can be extended to all production sectors and incorporated into the risk prevention schemes;
43. Takes the view, therefore, that the Commission should devise common rules on support from Member States for risk management systems, possibly by creating common rules in the common market organisation, in order to keep to a minimum any distortion of competition and trade; calls, furthermore, on the Commission to notify all measures to introduce risk management and to submit an appropriate impact assessment with the legislative proposal;
44. Acknowledges that in the WTO negotiations the EU has offered to abolish export refunds, albeit with the proviso that other trading partners (particularly the USA, Canada, Australia and New Zealand) also bring their export support into line with WTO rules; calls for the EU likewise to formulate a system for export credits which complies with WTO rules;
45. Advocates that the 2006 sugar market reform be extended to 2020 in its existing form in order to develop a system for the subsequent period which can operate without quotas;
46. Calls on the Commission to investigate whether the current arrangement whereby the wine market organisation ban on planting is to expire should be maintained, in view of anticipated market trends;
47. Observes that speculation in agricultural commodities should be combated; advocates a worldwide notification system for agricultural stocks; observes that consideration should be given to maintaining stocks of vital agricultural commodities;

### ***Rural development***

48. Is aware of the importance of the second pillar, in view of its environmental,

modernisation and structural improvement achievements, but also for attaining political objectives, which should also benefit farmers; calls therefore for second-pillar measures to be better suited to their objectives, so that the effectiveness of growth, employment and climate measures and measures for the benefit of rural areas can be increased; considers that, in this context, particular attention should be devoted to assisting young farmers;

49. Advocates therefore introducing targeted measures, to be decided by the Member States in the second pillar, to attain priority objectives of the EU (2020 Strategy); observes that these measures should be applied in addition to the basic programmes for greening of direct payments in the first pillar and that a reduced national cofinancing rate of 25% should apply;
50. Advocates in this connection that the compensatory allowance for disadvantaged areas be retained in the second pillar; considers that it should be ascertained what cofinancing rate appears to be appropriate; calls on the Commission to retain the existing criteria for demarcation of disadvantaged areas;
51. Stresses at the same time, however, that rural structures differ widely in the Member States and therefore require different measures; calls therefore for flexibility to allow the Member States to adopt voluntary measures, the cofinancing rate for which should be based on the rates current at the time;
52. Advocates that, in the case of measures which are of particular importance to Member States, an optional increase of 25% in national financing in the second pillar (top-up) should be possible;
53. Calls for abrupt changes in the allocation of appropriations in the second pillar to be avoided, as Member States require certainty to enable them to plan and continuity of financing;
54. Advocates that it should not be compulsory for national cofinancing to come from public funds; considers that at least 10 percentage points of any national cofinancing should come from public funds;
55. Calls for simplification and a review of the cross-compliance rules for the second pillar, considers simplification of the current indicator system to be necessary and takes a critical view of the introduction of quantitative targets;
56. Welcomes greater coordination at EU level of EU funds; advocates, however, that the funds be preserved as politically autonomous instruments;

### *Miscellaneous*

57. Observes that there is a need for action with regard to national tax law applicable to farms in order to distribute the tax burden more evenly over a period of years;
58. Instructs its President to forward this resolution to the Council and the Commission.

**Possible outlines of an approach to ecologically sounder farming**

**ANNEX I**

**ANNEX II**

**first pillar**

**second pillar**

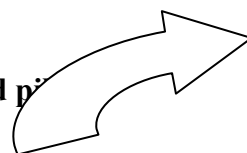
**Direct payments**

for:

- = More ecological approach due to direct link to priority resource protection programmes in the 2nd pillar
- = Maintenance of production locations
- = Food security
- = Cross Compliance

**Priority resource protection programmes**

- = Direct link to direct payments (DPs) due to compulsory participation in 2 priority programmes (no further obligation for award of DPs) – simple administrative monitoring by means of confirmation of participation
- = Non-participation results in corresponding withdrawal of DPs
- = Monitoring as in 2<sup>nd</sup> pillar



**Possible list of measures for priority resource protection programmes**

**Themes**

- = Reducing erosion
- = Pastureland in a natural state
- = Ecological habitat strips, incl. landscape elements, strips along water's edge
- = Preserving biodiversity
- = Compulsory crop rotation
- = Perennial green fodder
- = CO<sub>2</sub> binding
- = Organic farming
- = Climate change measures
- = Promoting investment in new 'green' technologies
- = Innovation

**Basic programmes (at least 2)**

- = Each MS must offer at least 2 basic programmes
- = Reimbursement based on costs incurred and compensation for loss of income
- = Basic requirements must go beyond cross-compliance, but extra funds may be allocated under further 2nd-pillar agri-environmental programmes