

**INTERPARLIAMENTARY COMMITTEE MEETING
EUROPEAN PARLIAMENT - NATIONAL PARLIAMENTS**

The CAP Reform



State of Play in National Parliaments



**Monday
25 June 2012
15.00 - 18.30**

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The views expressed in this brochure do not represent the official opinion of the European Parliament nor of any national Parliament, nor of any of their bodies nor of any Member State government. These opinions fall under the professional responsibility of the authors, and of the Directorate for Relations with national Parliaments. This brochure is dedicated to Members of national Parliaments and of the European Parliament participating in the ICM on "The CAP Reform" who may wish to contribute to a lively discussion. We kindly thank national Parliaments and their representatives for their support in making this publication possible.

Preface

Dear Members of national Parliaments,
Dear Colleagues,
Dear participants of the Interparliamentary Committee Meeting on "The CAP Reform",

As a long established Community policy, the Common Agricultural Policy (CAP) represents an important share of the EU budget. Following the entry into force of the Lisbon Treaty, and for the first time in the history of the CAP, the European Parliament exerts full co-decision powers with the Council over this reform and can therefore lend its democratic legitimation to this policy.

The CAP needs to match the diverse realities for agricultural activity throughout the European Union. This diversity results in various approaches to the debate. I therefore welcome the pilot project "Communicating national Parliaments' EU Policies" launched by the Directorate for Relations with national Parliaments on the occasion of the Interparliamentary Committee Meeting on "The CAP Reform". This pilot project aims at providing an overview on national Parliaments' positions as expressed in debates and resolutions on the European Commission's reform proposals. To this end, the booklet in front of you contains a table indicating the topics debated in national Parliaments as well as detailed information on the parliamentary debates and decisions in the summaries per parliamentary chamber.

I hope this synthesis will contribute to a lively discussion during the Interparliamentary Committee Meeting and further improve the legislative dialogue between the European Parliament and national Parliaments.

I wish you fruitful debates.



Othmar Karas
Vice-President of the European Parliament
responsible for Relations with national Parliaments

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Indicative Table of Topics Discussed

Table: The CAP Reform - Overview on topics discussed in parliamentary chambers

Please find in the left column the topics under discussion in connection with the CAP reform. The black box signifies that more information on this topic can be found in the attached summaries per parliamentary chamber.

Topics discussed:	Parliamentary Chamber													
	BE	BG	CZ1	CZ2	DK	DE1	DE2	EE	IE	ES	FR1	FR2	IT2	HU
direct payments	■	■		■	■	■	■	■	■	■	■	■	■	
- capping		■	■	■	■	■		■				■		
- convergence		■						■	■		■			
decoupling		■				■	■		■					
modulation	■			■	■	■		■				■		
greening	■	■	■	■	■	■	■	■	■			■	■	■
- ecological focus areas				■	■	■	■	■	■				■	
- crop diversification				■		■	■	■	■				■	
- permanent pastures						■	■		■				■	
active farmers				■		■	■	■	■				■	
small farmers	■	■	■			■	■		■	■				
young farmers		■			■		■			■				■
EAFRD co-financing rates							■					■		
transition regions							■							
less favoured areas		■				■	■	■	■		■	■		
types of eligible investments		■											■	
indicators for allocation of funds							■	■		■			■	
risk management measures	■	■						■			■	■	■	■
producer organisations		■					■			■		■		
production quota (sugar, milk ...)							■							■
competition		■	■		■		■	■		■				
export subsidies					■		■							
safeguard measures												■		
crisis intervention	■									■	■	■		■
cross compliance					■	■	■	■						
administrative simplification	■		■		■		■	■	■			■	■	■

	Parliamentary Chamber													
Topics discussed:	CY	LV	LT	LU	PL1	PL2	PT	RO1	RO2	SK	FI	SE	UK1	UK2
direct payments	■	■	■	■	■	■	■	■	■	■	■	■	■	■
- capping														
- convergence	■		■	■		■	■	■	■	■	■	■		
decoupling							■			■	■	■		
modulation	■								■			■		■
greening	■			■		■			■	■	■	■	■	■
- ecological focus areas				■						■			■	
- crop diversification											■		■	
- permanent pastures													■	
active farmers				■		■				■	■	■		
small farmers	■								■	■	■	■		
young farmers						■			■	■		■		
EAFRD co-financing rates		■												■
transition regions														
less favoured areas		■							■		■	■		
types of eligible investments							■							■
indicators for allocation of funds			■								■			
risk management measures	■		■							■	■	■		■
producer organisations	■					■				■	■	■		
production quota (sugar, milk ...)			■	■		■			■	■	■	■		■
competition		■	■			■		■				■	■	
export subsidies												■	■	
safeguard measures												■		
crisis intervention						■				■	■	■		
cross compliance	■									■	■	■		■
administrative simplification	■		■			■		■		■	■	■		

BE	= Flemish Parliament
BG	= Bulgarian National Assembly
CZ1	= Czech Chamber of Deputies
CZ2	= Czech Senate
DK	= Danish Folketing
DE1	= German Federal Diet (Bundestag)
DE2	= German Federal Council (Bundesrat)
EE	= Estonian Riigikogu
IE	= Houses of the Oireachtas
ES	= Spanish Cortes
FR1	= French National Assembly
FR2	= French Senate
IT2	= Italian Senate
HU	= Hungarian National Assembly
CY	= Cyprus' House of Representatives
LV	= Latvian Saeima
LT	= Lithuanian Seimas
LU	= Chamber of Deputies of Luxembourg
MT	= Maltese House of Representatives
PL1	= Polish Sejm
PL2	= Polish Senate
PT	= Portuguese Assembly of the Republic
RO1	= Romanian Chamber of Deputies
RO2	= Romanian Senate
SK	= Slovak National Council
FI	= Finnish Eduskunta
SV	= Swedish Riksdag
UK1	= UK House of Commons
UK2	= UK House of Lords

Other Parliamentary Chambers

In Belgium, the subjects under discussion are first and foremost a regional competence.

The Hellenic Parliament has been dissolved due to parliamentary elections on 17 June. The newly elected Parliament will convene on 28 June 2012.

In Ireland (Oireachtas) as well as in Spain (Cortes), EU Affairs are dealt with jointly by both chambers.

The Italian Chamber of Deputies will conclude the scrutiny process following the ICM with the adoption of a final document and opinion respectively by the Agriculture and European Affairs committees.

There is currently nothing available that can reflect the position of the Dutch House on the CAP.

In Austria, the discussion is in its early stages and therefore no detailed overview can be given at this point.

The recently elected Slovenian Parliament has not yet taken a position on the issues in question.

Belgium - Flemish Parliament

The discussion concerning the reform of the CAP in the committee of the Flemish Parliament responsible for agriculture, started in the spring of 2010 and following a hearing with the Flemish agricultural and environmental organisations and a discussion with the Flemish prime minister (competent for agriculture), resulted in a resolution adopted by the committee and the plenary meeting of the Flemish Parliament in November 2010. This resolution was supported by all parties, except the green party who abstained.

The Flemish Parliament requested the Flemish Government to point out, at European level, the challenges that the European and Flemish agricultural and horticultural sectors are facing, such as increased price volatility, increasing market power concentration within the agri-food chain, climate change, the decline of biodiversity, the increasing paucity of natural resources, the growing global food demand and the increased pressure on rural areas as a result of urbanisation. At the same time, the Government was requested to highlight during its discussions at European level that the agricultural and horticultural sectors are not only expected to assure the production of food but also to meet a number of social expectations, such as the protection and restoration of biodiversity, landscape management, the maintenance of rural areas, the preservation of natural resources and providing other public services of a social and recreational nature, which may constitute a source of income and which should be better exploited by the CAP. Additional resources to support agricultural and horticultural techniques or systems that achieve results in terms of providing these public services were important for its realisation.

Based on these key conclusions, the CAP needs to strengthen its role as a driver for transition to a sustainable European agriculture and food model, according to the Flemish Parliament. It emphasised that the CAP has to be capable of reconciling economic, environmental and social objectives; that the CAP must also support the farmer as a manufacturer of sufficient, safe, high-quality and affordable food and as a manager of a production environment which should be maintained in a sustainable manner when the market does not succeed

in doing this, or only in an insufficient manner so that the CAP contributes to a liveable income for farmers and growers, provided the preliminary conditions in terms of sustainability are sufficiently complied with.

The Flemish Parliament put an emphasis on a forward-looking CAP focussing on investments in innovation for sustainable agriculture and quality. It was keen to ensure that the CAP budget and the Flemish share in it are maintained and that the resources are used in a targeted and efficient manner.

The Flemish Parliament pointed out that **direct income support** continues to be justified but that a gradual evolution, away from a system based on historic references towards a more targeted and area-oriented system, which provides for an equitable distribution based on objective criteria, is inevitable. Therefore, a sufficiently long transition period is needed and the specificity of the Flemish (sub) sectors had to be taken into account.

Furthermore, the Flemish Parliament wants the Government to insist on measures aimed at stimulating an optimal **generational change** in the agricultural sector and on **administrative simplification** in the application of grants for income support in relation to the preliminary conditions. In parallel to this it advocated the elimination of less relevant preliminary conditions in terms of **sustainability** as well as inconsistencies.

The Government should insist upon an in-depth review and, where necessary, on amendments and on the clarification of existing preliminary conditions in the frame of the basic quality of nature and the environment (cf. the 18 European Directives), more specifically in rural areas for the purpose of adjustment and the development of a control system for **compliance**.

The Flemish Parliament holds the view that **market instruments** continue to be necessary in order to operate in a flexible manner as a safety net in times of crisis and high price volatility. Based on the success of the CMO for vegetable and fruit in Flanders and the manner in which organisations of manufacturers are involved in this sector, it supported a review of how the agricultural sector can play a role in terms of price, supply and **risk**

management, among others through manufacturers' organisations; initiatives to facilitate and promote cooperation and transparency within the chains and to improve the link between the consumer and the manufacturer.

Higher demands applied in Europe in terms of food safety, animal welfare and the environment are seen as a competitive disadvantage in the international market. Clear international agreements need to be made in terms of global food security and sustainable agriculture. The CAP should also consider measures that ensure a more level playing field, without them having a negative impact on the sustainable development of agriculture in other regions, particularly in developing countries. The EU should concentrate on finding alternative sources of protein to make European agriculture less dependent on protein imports.

The Government should argue in favour of sufficient flexibility for Member States and regions in terms of policy choices and the allocation of resources, both **between Pillar I and Pillar II**, and within Pillar II so that each region can develop a tailored policy.

Draft resolution of the Flemish Parliament by Ms Tinne Rombouts, Ms Els Robeyns and Ms Tine Eerlingen, and Messrs Jos De Meyer, John Crombez, Mark Demesmaeker and Jan Verfaillie on the future EU agricultural policy beyond 2013, Text adopted by the plenary session, filed on 24 November 2010.

Bulgarian - National Assembly

The Bulgarian Parliament, via the Agriculture and Forests Committee and the Committee on European Affairs and Oversight of the European Funds, examined the European Commission legislative package on the reform of the Common Agricultural Policy of the European Union during the period 2014-2020. The position adopted on 14 December 2011 can be summarised as follows.

As regards **direct payments**, the National Assembly welcomes maintaining them and ensuring a steady level of financing of the CAP, and calls for the achievement of a fair distribution of support in the form of direct payments among the EU Member States so as to avoid distortion of **competition**. A more ambitious approach needed to be applied, ensuring a faster and more substantial closure of the gap between the levels of direct payments of the different Member States. An opportunity for payments for Bulgaria and Romania

The second stage of the discussion was initiated by the proposals for the regulation presented by the European Commission on 12 October 2011. On 29 February 2012 a discussion was held with the study department of the Ministry of Agriculture and Fisheries concerning two studies on the impact of the CAP reform proposals: 'Greening of the CAP' and 'Effects of the redistribution of direct payments inside Flanders/Belgium'. One month later, on 28 March 2012, the discussion continued with the prime minister on the state of affairs of the CAP reform and the Flemish points of interest. Finally a hearing with the Flemish Strategic Advisory Council for Agriculture and Fisheries on the advice of the council concerning the proposals for the regulation presented by the European Commission was organised on 30 May 2012. So far, the **greening** of the CAP (and in relation to the regulation for **small farmers**) and the redistribution of the **direct payments** between Member States and inside Belgium have been the topics which the committee has debated the most. A new draft resolution can be expected soon. PM

reaching the full extent of their national ceilings as early as 2014 instead of 2016 would mark substantial progress towards achievement of **convergence**.

The two Committees responsible acknowledge the need to introduce a **greening component**, and realize the need to ensure greater flexibility at Member State level in determining the relationship between the components of the **direct payment** schemes, without rigidly fixed rates, considering the different environmental and natural conditions in the different regions of the EU. The separate components of the direct payments should be independent from one another.

The National Assembly would like to maintain **coupled payments**. Considering the specific farm structure in Bulgaria, it insists that the 10% of the national ceilings for direct payments, up to which the new Member States will be allowed to use these funds for coupled support, be increased to

20%. It proposes that the unabsorbed resources under the direct payment schemes which do not provide for a fixed or mandatory rate be retained in Pillar I and be used for support of intensive farming and animal husbandry through coupled payments, in addition to the threshold of the national ceiling for direct payments envisaged for the new Member States.

The National Assembly generally supports the proposal to introduce **capping of direct payments**, but believes that the decision on the level of the cap, as well as the proposed threshold for direct payments, should be reconsidered and their level should be set on the basis of a thorough comparative analysis of the farm structure in all Member States because this structure varies widely from one region to another in order to avoid discriminations. Again, there should be a possibility to use unspent moneys to support intensive farming and animal husbandry. Provisions should be made for a mechanism ensuring possibilities to aid **new farmers**.

As far as **market management instruments** are concerned, the Committees held the view that the common structure of market management instruments must be kept as a "**safety net**" in the sector. The rules for application of safeguard measures should be more flexible and more quickly implementable. Broadening of opportunities to apply **special intervention measures** to address market disturbances and loss of consumer confidence is supported.

All tangibly working instruments contributing to market orientation and improving **competitiveness** should be kept. The **market measure** providing support to **producer groups** in the fruit and vegetable sector must be continued. It is seen as important to keep the measures for support of traditional Bulgarian sectors, such as wine and beekeeping. The measures intended to improve the functioning of the supply chain of food products should be of a horizontal nature and should extend to all main agricultural sectors, thereby giving Member States sufficient flexibility. Concerning **rural development**, the Bulgarian Parliament supports the proposed mission of the EAFRD to contribute to the Europe 2020 strategy by promoting sustainable rural development throughout the Union in a complementary manner to the other instruments of CAP, the Cohesion Policy

and the Common Fishery Policy. The Fund should contribute to an EU agricultural sector which is more balanced in territorial and environmental terms, more resilient to climate change and more innovative. While the National Assembly welcomes the inclusion of the EAFRD in a Common Strategic Framework with other EU Funds with shared management and with a reinforced, outcome-orientated approach, it expressed time reservations about the proposed **ex-ante conditionalities**. It would be appropriate to limit the analysis and evaluation of the *ex-ante* conditionalities only to the partnership contracts procedures to reduce the administrative difficulties. The Committees speak out against the establishment of a "**performance reserve**", as proposed by the Commission. In their view such a procedure would lead to significantly complicate the implementation process. They also refuse a direct link between the implementation of the programmes and specific quantitatively measurable targets during the programming period.

On the other hand, they welcome the proposal to develop thematic sub-programmes within the framework of **rural development** programmes, aimed to address specific needs identified, in particular in relation to **young farmers, small farms, mountain areas and short supply chains** and a more flexible approach under these programmes.

The National Assembly endorses the conditions envisaged in respect of the measures in the area of agro-ecology and climate as well as the **decoupling** of the support for bio-farming into a separate measure.

The National Assembly supports the possibility for encompassing all types of physical investments by a single measure aimed at supporting all types of agriculture and enhancing farm viability. Regarding the **types of eligible investments under Pillar II**, it insists on giving consideration to the potential for extending the scope of eligible investments in livestock farming and in relation to forests.

The National Assembly supports the idea to provide income stabilisation support and to manage the **risk** of economic losses, but expressed reservations regarding the implementing provisions for such support.

PM

Czech Republic - Chamber of deputies

The Czech Chamber of Deputies approves the framework position of the Czech Government concerning the draft Proposals for Regulations on the CAP for the period 2014 to 2020. These are the main points of the Czech position:

The Chamber agrees with the Government to endorse the objectives for the future CAP after 2013, as defined by the Commission and supports that the future of the CAP has to lead to greater **market orientation and competitiveness** of the agricultural sector, which will contribute to reducing dependence on public funds, including the EU budget. It also agrees with the preservation of the CAP as a common policy and supports maintaining the current **two-pillar structure**.

The Chamber of Deputies supports the Government in striving to create fair competition for farmers from all Member States in the internal market and especially to strengthen steps to increase the competitiveness of European agriculture while it fundamentally disagrees with **capping of direct payments**, particularly with regard to their administrative burden.

The common position of the Czech Government and Chamber of Deputies does not consider the proposal to adjust the direct payments to be based on payment claims, as a step towards **simplification** of the CAP, but rather supports extending existing applications such as the **Single Area Payment Scheme regime** due to of its simplicity and ease of administration.

Furthermore, they believe that greening measures (**greening**) should be based on motivation and should therefore be of a more voluntary nature.

A specific need is seen for the simplification of aid to **small farmers**, which will be supported, provided that the decision on such aid will be the responsibility of the Member State and will be voluntary.

In contrast to that the Czech Government supported by the Chamber of Deputies disagrees with the termination of the common market organisation for **sugar** and seeks an extension of the current common market organisation for sugar by 2020.

The Czech Government generally supports the proposed concept of **partnership agreements** with the Commission and in terms of conditionality, will support only those conditions that qualify as direct links to **rural development** policy and will support macroeconomic conditionality in the form in which they are proposed by the Commission.

On the other hand it considers the Commission's proposal for the introduction of the **performance reserve** to allocate resources of the European Agricultural Fund for Rural Development as problematic.

The Czech Chamber of Deputies and the Government disagree with the proposed reduction of **pre-financing** from the European Agricultural Fund for Rural Development, and instead propose to increase it to 10% in 3 instalments, or maintain the existing system. LB

For further information, please refer to: 179th resolution, Committee on European Affairs, 19 January 2012,

<http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110280/czpos.do>

Czech Republic - Senate

The main points of the plenary resolution of the Czech Senate on 14 March 2012 concerning the new shape of the CAP after 2013, could be summarised along the following lines.

The Senate regards the proposed reform as a good contribution to the discussion on the final form of the CAP after 2013, notwithstanding the fact that the

Commission insufficiently took into consideration the comments of the Member States expressed on the Communication on the CAP towards 2020 when drafting the proposals.

The Senators were of the opinion that even after 2013 the **area payment scheme** should be utilized as the easier, more transparent and less demanding scheme

than the one based on payment entitlements. At the same time, they oppose the **capping of direct payments** even if it should be allowed to take into account the comprehensive wage costs. In case that capping should be preserved, the Senate recommends to increase the ceiling per farm by 100 000 EUR in comparison with the current proposal. Any capping should always apply to individual farms regardless of any potential interconnectedness of assets between farms.

The Czech Senate regards the possibility of transferring financial means between pillars of the CAP on the basis of a Member State's decision ("**modulation**") as a more effective instrument than the proposed capping of the direct payments.

While the Senators generally support the idea to define the meaning of "**active farmers**" they consider, however, the definition of active farmer by the proportion of direct payments to total receipts from non-agricultural activities to be complicated, particularly from the perspective of the feasibility of controls.

The Senate supports the provision of payments for **areas with natural constraints** only to **active farmers** and requests fully funding them from the European Agriculture Fund for **Rural Development** (EAFRD).

In their resolution, the Senators took a critical stand on **greening** for the following three reasons:

Firstly, this measure imposes additional **requirements** in the area of

environmental protection on European farmers, and thus decreases their competitiveness, especially in comparison with farmers from third countries;

Secondly, the Senate regards the imposition of absolutely equal requirements on all European farmers as disproportionate;

Finally, the Senate finds the proposed compulsory agricultural practices in greening – to cultivate at least **three different crops** on arable land and to have at least 7 % of farmland as **ecological focus area** – to be unfeasible for many farms, e.g. farms which are located on cultivation of permanent crops (orchards, vineyards, hop-fields) or cultivation of vegetables.

The Czech Senate considers it necessary to remove unfair and exploiting practices across the food chain and to protect farmers against **imports** from third countries with verifiably lower standards in the area of environmental protection e.g. in the form of ecological taxation of such imports.

The measures to support **rural development** which emphasize the role of innovation, technological development, cooperation and elimination of bureaucracy were assessed positively. Also positively evaluated is the abandonment of the **concept of axes** with the opportunity to choose priorities and measures according to the needs of a Member State, which will lead to a greater efficiency of the rural development programme. LB

For further information, please see: 548th resolution of the Senate, 14th March 2012:

<http://www.senat.cz/xqw/xervlet/pssenat/htmlhled?action=doc&value=63993>

Denmark - Folketing

The Danish Parliament has not yet adopted a formal position on the Common Agricultural Policy reform proposals. Its European Affairs Committee, Finance Committee and Committee for Food, Agriculture and Fish have, however, addressed the issue of the future of the CAP in connection with the discussion on the upcoming Multiannual Financial Framework (MFF) for 2014-2020 and issued a common statement dated January 2011.

At the time, a majority of Liberals, Social Democrats, Socialist People's Party, Conservatives and Social Liberals placed

great emphasis on an increased **market orientation** and a liberalisation of the CAP with a view to the dismantling of **agricultural subsidies** in the long run for all 27 Member States. The Common Agricultural Policy should be outlined to reflect its sustainability in relation to nature, the environment and towards animal welfare. There was no contradiction between a long-term goal of supporting settlement of farmers and a greater focus on sustainability in existing aid to farmers. (This position was confirmed in an opinion

on the MFF supported by the same majority on 30 November 2011.)

In addition, this majority believed that the EU's **agricultural subsidies** in the period 2014-2020 should focus more deeply on addressing new challenges and should help to underpin the EU's 2020 strategy. They therefore believed that more resources should be moved to the development of new technology in agriculture, environmental and nature conservation, climate action, ecology and improved food quality. This could *inter alia* be done by requiring increasing **modulation** and multiple degrees of freedom on what countries need to spend the money.

Following the submission of the reform proposals by the European Commission in October 2011, the *Folketing's* Committee on Food, Agriculture and Fisheries, called in the Danish minister before each meeting of the Agricultural and Fisheries Council for extensive consultations on the basis of detailed reports prepared by the ministry, including descriptions of the Commission proposals, the government's position and the ongoing negotiations in the Council. Usually these regular committee meetings, on an almost monthly basis, are closed to the public but the European Affairs Committee in its meetings on 14 October 2011, 16 March and 11 May 2012 discussed the CAP reform publicly. Initial reactions could be summarised as follows.

According to Bjarne Laustsen (Socialdemokratiet/Social Democratic Party - S&D) all the parliamentary parties still seem to agree in principle that agricultural **subsidies** should be abolished within the EU but they refused to waive them unilaterally in Denmark, which was confirmed by Nicholaj Villumsen (Enhedslisten/Unity List - the Red-Green Alliance). On the other hand, Henrik Høegh (Venstre/The Liberal Party - ALDE) described the proposed reductions in payments as completely unrealistic.

The concept of **capping** was subject to critical questions. Erling Bonnesen (Venstre/Liberal Party - ALDE) addressed in particular, the aspect of equal treatment of smaller and bigger farmers and asked for clarification concerning the greater proportionality of controls and sanctions for breaches of **cross compliance** while Pia Adelsteen (Dansk Folkeparti/Danish People's Party - EFD) expressed concern

regarding the relation between "**green initiatives**" and **direct payments**. In contrast to that, the Minister for Food, Agriculture and Fisheries, Mette Gjerskov, did not want to denounce any elements, such as the proposal to take into consideration the level of wages paid to farm workers straight away.

Reactions to the environmental aspects of the Commission proposal were mixed. On the one hand, Jens Joel (Socialdemokratiet/Social Democratic Party - S&D) welcomed a larger proportion of funds being spent on **environmental and climate objectives** and several members like Bjarne Laustsen (Socialdemokratiet) and Nicholaj Villumsen (Enhedslisten) supported the government's approach to support "**greening**", which according to the minister, would be a good deal in the long term for promoting growth, employment and exports. On the other hand, Henrik Høegh (Venstre) criticised the fact that the proposal for "**greening**" appeared too **bureaucratic** and that the **crop rotation** requirements would not work; Merete Riisager (Liberal Alliance) was concerned about the envisaged **transfers** of agricultural subsidies to environmental initiatives.

Henrik Høegh (Venstre) also suggested that the requirements for **environmental focus areas** should not be met by the individual farmer, but at regional or country level, as in some locations this would be a waste of good farmland while in others more than the average 7% could become an environmental focus area.

According to Nicholaj Villumsen (Enhedslisten), the CAP should not affect developing countries negatively but **export subsidies**, especially for sugar and dairy products, would undermine the production of those products in developing countries. Erling Bonnesen (Venstre) believed the reform should serve to simplify the CAP. This was confirmed by Minister Mette Gjerskov who said that the Presidency will emphasize **simplification** on the Council agenda. She explained that as the same rules were applied everywhere throughout the European Union, even though they were not appropriate everywhere there was too much bureaucracy, e.g. provisions for **capping** which in principle could be excellent. EA

Letter from Folketing's European Affairs Committee, the Finance Committee and the Food, Agriculture and Fisheries Committee issued an opinion to the SURE-Committee of the European Parliament on the MFF 2014-2020 and the CAP,

28.01.2011 <http://euo.dk/upload/application/pdf/b6ebf294/almdel2010b204.pdf> and European Affairs Committee and Finance Committee, 30.11.2011 <http://www.euo.dk/upload/application/pdf/33ccef60/201103982.pdf> ; Folketing, Public minutes of the European Affairs Committee meeting on 14.10.11 (<http://euo.dk/upload/application/pdf/52e54b60/11127.pdf>) and 16.03.12 (<http://euo.dk/upload/application/pdf/52e54b60/11443.pdf>). Minutes of 11.05.2012 not yet available.

Germany - Bundestag (Federal Diet)

On 26 January 2012 the German *Bundestag* discussed the Reform of the CAP in a plenary debate based on three draft resolutions submitted by the opposition parties which were rejected by the government majority.

For the governing coalition parties Ms Stauche (CDU/CSU - EPP) rejected the idea of **capping direct payments**. She spoke out in favour of retaining the two-pillar-system of the CAP with a strong and financially well-equipped first pillar and a clear separation of the measures of the first and second pillars. Agro-environmental measures should be funded from the second pillar of the CAP. The **decoupling** of direct payments from production as already introduced in Germany should be implemented in all EU Member States. Furthermore, the federal government should champion against the introduction of **degressive payments**. Ms Happach-Kasan (FDP - ALDE) supported her coalition partner in the **rejection of capping** and mentioned that views among parliamentarians were widely differing as far as "**greening**" is concerned. She deplored the fact that all discussions on the future of the CAP suffered from the fact that nobody knew exactly how much money would be available.

The social-democratic party group (S&D) in its draft resolution 17/2479 dated 29 March 2011 insisted upon the fact that the goal of the reform had to be a strong European Common Agricultural Policy after 2013 and the continuation of the development of the current two-pillar model. All government transfer payments to European farmers ought to be qualified in the future and only specified **socially required services** should be paid. The previous system of rewards for compliance with statutory obligations ("**cross compliance**") had to be taken for granted and replaced by a system of real rewards for specific services. These services shall be provided primarily in the areas of climate protection, the conservation of biodiversity and soil fertility as well as environmental and consumer

protection and animal welfare. They have to comply with fair world-trading conditions. The desired social benefits should be described in detail in an EU-wide catalogue and the remuneration should be aligned to the achievement of predetermined targets. According to the SPD, the agricultural export subsidies and other trade-distorting domestic support shall expire definitively, irrespective of the outcome of current negotiations with the World Trade Organisation (WTO). During the debate the SPD speakers pointed out that the first pillar can only be regarded as a system for a changeover for a limited period. In particular the possibility to transfer money from the first to the **second pillar** (Art. 14) and the use of money in the first pillar for the support of **disadvantaged regions** should not be ruled out without further consideration (Art. 34). In addition to its previous draft resolution the SPD group submitted another one specifically addressing the question of "**greening**" (printed paper 17/6299) in which it asks the Federal Government to support, in particular, the designation of a "greening component" for the **direct payments** as part of the future CAP and to submit promptly a "greening" concept for the first pillar, which meets the criteria: simple, universal, annual as well as including agro-environmental measures. This proposal was rejected by the government parties.

The parliamentary group of "The Left" argued in its draft resolution of 28 January 2012 that the agricultural budget should be maintained at the same level as 2013, taking into consideration inflationary adjustments. To ensure this the federal government should withdraw its limitation of the German share of EU budget contributions. Instead of the standard **direct payments** calculated per hectare **social and environmental services** (including the payment of statutory minimum wages) which are not remunerated by the market but should be paid for in the future. **Capping,**

degression and modulation should be rejected. The proposals for the "**greening**" of direct payments should be encouraged where they prevent the conversion of permanent grassland, where they limit regional livestock densities (two units per hectare), and where they support a GMO-free agriculture. The Left supports the establishment of **ecological focus areas** (5-10 % of operating arable land). The term "**active farmer**" shall be defined so that agricultural subsidies are linked to locally anchored, active land management in the primary or secondary occupation. The acquisition of farms and agricultural land by non-investors should be opposed. The **second pillar** of the CAP must be appropriately reinforced. It has to meet the political challenges of social justice, an income above subsistence level, climate change, biodiversity and vibrant rural areas. During the debate the Left group's speaker added that his group also supported the principle of "**public money for public goods**" and made clear that payments per hectare had to be linked to the delivery of public services. They should go to **active farmers** and not become an extra bonus for speculation. He supported the idea of **crop-diversification**.

The Green group (Greens/EFA) upheld the idea that "**public money for public goods**" should become the principle of all farm payments. Any funding should be tied to the provision of social services in the areas of climate and environmental

protection, animal welfare, the conservation of biodiversity, consumer protection, food security and jobs. Incentives that are damaging to these objectives must be stopped. The implementation of the "**greening**" as proposed by the EU Commission has to be a mandatory requirement for the receipt of direct payments. The measures to be taken in order to qualify for **direct payments** should primarily consist of the compliance with a minimum of three crop rotations with protein crops; the maintenance of permanent grassland; grazing; the designation of ecological compensation areas for especially environmentally friendly farming methods; the area-based livestock breeding; and the elimination of the use of genetically modified organisms. Other components included in the direct payments shall be **compensation** to farmers in **disadvantaged areas** as well as compensation for husbandry requirements in "**Natura 2000**" sites. Direct payments should be concentrated on **active farmers** and a **capping** on direct payments should be introduced taking into account the number of employees employed. For **small farmers** special support rules shall be created. Insisting on "**greening**" as a main element of the reform of direct payments, the Greens confirmed their readiness to support rural development and ecological achievements, during the plenary debate in January 2012.

EA

The full text of the Bundestag debate on 26.01.2012 (in German) can be found here:

<http://dip21.bundestag.de/dip21/btp/17/17155.pdf> (155th sitting, item 10., p. 18599B ff.). The draft resolution (in German) can be found under: <http://drucksachen.bundestag.de/drucksachen/index.php> using the relevant document numbers for the search: 17/5299 (for the draft resolutions 17/2479 [SPD] and 17/4542 [Greens]) and 17/8913 (for the draft resolution 17/8378 [The Left]) and 17/7413 (for the draft resolution 17/6299 [SPD on "greening"]).

Germany - Bundesrat (Federal Council)

In a resolution adopted on 16 December 2011 the German *Bundesrat* expressed its support for the fundamental objectives of the proposed reform of the CAP, but thought they had to be further improved. The principle has to be: public money for public and socially desirable services. It regards **a strong EU agricultural budget** is necessary after 2013 but rejected any financial commitments before the negotiations on the Multiannual Financial Framework 2014-2020 are concluded. However, it calls for maintaining the current budget at least, for both, the **first and**

second pillar. The Federal Council emphasizes that decisions on the content of the CAP can only be made after the available financial envelope is known, including the redistribution of direct payments between Member States and their potential redistributive effects in the second pillar and the resources for Member States in other EU funds. The Federal Council requests that the proposed alignment of payments for Member States by 2019 will not lead to an added burden imposed on Germany as a net contributor.

According to the *Bundesrat*, the proposals for the reform of the CAP increase the administrative burden so that the positive approach to **administrative simplification** will be more than compensated. In terms of simplification, the *Bundesrat* points out that "**cross compliance**" (CC) requirements need to focus on core areas of agriculture, have to be eased and have to be consistent with "**greening**".

The breakdown of **direct payments** in up to six separate installments is seen as problematic. Payments for **less-favoured areas**, for **young farmers** and **small farmers** should be optionally granted under the respective national ceilings. Because of their market and trade-distorting nature, **coupled payments** should be reduced to a minimum over time, EU-wide. Direct payments should become more closely linked to specific environmental services.

The Federal Council supports the following ecological requirements for the receipt of direct payments ("**greening**"): at least three main crops, none of which may predominate; a tripartite **crop rotation** and **ecological focus areas** (except for farms smaller than 15 ha and those with more than half of their area in permanent pasture). The conversion of **permanent pasture** areas should be excluded in principle. The Federal Council considers the Commission proposal to define "**active farmers**" inappropriate. Areas with no direct agricultural use, such as airports or golf courses, should be generally excluded from aid everywhere. It also requests that small and medium-sized farms should be compensated for their losses due to the modulation which will cease to exist.

The Federal Council supports an increase in **market orientation** and ideas to **strengthen producers** within the food chain, but rejects a full deregulation of the markets; especially the abolition of the **sugar quota** system which ought to be implemented within a reasonable time frame and with a phasing-out. In line with international obligations and commitments **export subsidies** should be discontinued. As concerns **rural development**, the *Bundesrat* supports a further development of the funding spectrum and rejects the proposed reduction of payments in the second pillar between 2013 and 2020. The Federal Council deems that a standardisation of procedures for planning and implementing programs across funds is necessary, especially towards: uniform **financing rates** from the EAFRD; EU Structural Funds and the categorisation of **transition regions**. The formation of a performance reserve is rejected as well as the ex-ante conditionalities provided for in the EAFRD. Compensation payments for **less favored areas** should be maintained as an effective instrument in the second pillar. Incentives for agri-environmental measures should be put in place again and promoting of environmental protection and conservation measures should be possible in the second pillar. The *Bundesrat* doubts that the proposed differentiation of **co-financing** rates corresponds to the requirements of the Europe 2020 strategy. For actions with high European added value (e.g. Natura 2000 and Water Framework Directive) it calls for significantly increased EU funding as well as the permission of private co-financing. EA

The full text of the Bundesrat resolution 632/11 (B) is available under:

[http://www.bundesrat.de/cln_117/SharedDocs/Drucksachen/2011/0601-700/632-11_28B_29.templateId=raw,property=publicationFile.pdf/632-11\(B\).pdf](http://www.bundesrat.de/cln_117/SharedDocs/Drucksachen/2011/0601-700/632-11_28B_29.templateId=raw,property=publicationFile.pdf/632-11(B).pdf).

The debate on 16.12.2011 can be found under:

http://www.bundesrat.de/cln_117/nn_2037780/SharedDocs/Downloads/DE/Plenarprotokolle/2011/Plenarprotokoll-891.templateId=raw,property=publicationFile.pdf/Plenarprotokoll-891.pdf (891st sitting, item 31, p. 617 ff.)

Estonian - Riigikogu

The European Union Affairs Committee of the Estonian Parliament (*Riigikogu*) has discussed the legal proposals for the CAP on four occasions between 11 November 2011 and 16 March 2012 in committee sessions closed to the public. It sent its

opinion on the matter to the government based on opinions of the specialised committees, the Rural Affairs Committee and the Environment Committee which discussed the matter in several joint

sessions between 8 November 2011 and 2 February 2012.

The *Riigikogu* supports the position of the government which can be summarized as follows.

The CAP should be kept **competitive**. Therefore, an excessive State support in the agricultural sector should not be envisaged because it would weaken the CAP and contradict the principle of better functioning of the Internal Market.

In the discussions on the future of the CAP, the most important issue for Estonia is to give a new content to **direct payments** (**first pillar** of the CAP) and decouple them from historical production volumes. The existing system of direct payments distorts the competition in the EU and it should be replaced by a system that values agricultural production equally in the entire EU.

Estonia thinks that the **direct payments** should as much as possible be connected with meeting the goals of the **Europe 2020 strategy** and further welcomes the linking of payments to the implementation of ways of agricultural production preserving **climate** and **environment**, however the peculiarities of the Member States should be taken into account when making decisions. Estonia supports the adding of the component of environmental friendliness to the first pillar of the CAP ("**greening**"), however this should not endanger the implementation of the **environmental subsidies** of the **rural development policy**.

Estonia wishes that the **direct payments** would as soon as possible be equalised between the Member States. However equalizing of direct payments cannot take place at the expense of the means for **rural development** as that would endanger the investments necessary for development and the financing of structural changes.

Estonia supports the objective of the Commission to adjust the **direct payments** to the level that forms at least 90% of the EU average without increasing the general volume of direct payments, but the speed suggested in the Commission's proposal is not sufficient and would not guarantee equal **competition** conditions during the next budgetary period.

Estonia supports the introduction of an upper ceiling to direct payments per farmer ("**capping**"), but simplicity of application and effective functioning of the system should be ensured. Estonia wants the

direct payments system to be reformed so that it will be like the **single area payments system** in order to reduce distortion of the competition and administrative burden inside the EU.

Estonia wishes that **full amounts** for **direct payments** would be paid only to **active farmers**. An active or real agricultural producer should be defined through **real and active land use**. Payments to **active farmers** should be based on the level of public goods they produce to society on their agricultural land, and on their contribution to food security, at the same time observing all relevant environmental, plant health, animal welfare, etc. standards established in the EU. Farmers whose activity is limited only to keeping the agricultural land in good agricultural order should receive reduced payments. The rate of payment per one hectare of agricultural land should not significantly exceed the average expenses that the activity carried out on agricultural land requires.

In the regions where agricultural production is economically less favourable because of natural handicaps, continuation of payments of **subsidies** connected with obligation to produce should be allowed within determined limits.

The **relationship** between the **first** (direct payments) and the **second pillar** (rural development measures), of the CAP in the EU as a whole should change in favour of the **second pillar**. With regard to this one, Estonia wishes that when the **rural development funds** of the CAP are distributed between the Member States, the content of the policy would be considered and, among other things low density of population would be taken into account because in sparsely populated regions the provision of services and infrastructure is significantly more expensive than in densely populated regions.

In **rural development policy**, Estonia welcomes the new definition of **less favoured areas (LFA)** that is based on objective environmental criteria. The application of the criterion of handicaps caused by natural conditions has to be based on common and comparable indicators established at the EU level.

Estonia supports the preservation and updating of the existing main **market regulation measures**. These measures should not influence the production decisions of farmers and therefore they

should be uniformly implemented. **Market regulation measures** that directly influence the market should be implemented only in the case of extreme **price fluctuation** and for all main agricultural products produced in the European Union.

As the great challenge of agricultural production is to achieve **sustainable food supply** through the competitive agricultural

sector and by ensuring **biological diversity**, more attention should be paid to the use of new technologies than before and less attention should be paid to **income subsidies**. **Research and development** have therefore an important role in increasing the **effectiveness of production** and reducing the burden on the environment. FBO

The CAP reform was discussed by the *Riigikogu's* European Union Affairs Committee on 11 and 28 November 2011, 20 January 2012 and 16 March 2012 as well by its Rural Affairs Committee and Environmental Committee on 8 and 22 November 2011, 6 December 2011 and 2 February 2012. The protocols of the meetings can be found here:

<http://www.riigikogu.ee/index.php?id=169315>

Ireland - Houses of the Oireachtas

The Oireachtas Joint Committee on Communications, Natural Resources and Agriculture has considered the European Commission's proposals regarding the Reform of the Common Agricultural Policy for the period 2014 to 2020. It has also had public hearings on the issue with the EU Commissioner for Agriculture and Rural Development; Irish Department of Agriculture, Food and the Marine Officials; Irish MEPs Marian Harkin, Mairéad McGuinness and Phil Prendergast; and farmers associations.

On 6 June 2012, the Committee has adopted a contribution on the Reform of the Common Agricultural Policy, 2014 - 2020, which is summarised here.

The Committee supports the three objectives given by the EU Commission:

- viable food production in the EU,
- sustainable management of natural resources and climate action, and
- balanced rural development,

and believes that it needs to be based on the historic family farm structure.

Committee members underline that the future **funding of CAP** for the period 2014 to 2020 will be determined by decisions made regarding the Multi Annual Financial Framework (MFF). Reductions in the MFF budget would have adverse effects on allocations for agriculture through the CAP. It is imperative that an early decision is reached on the MFF budget to dispel the current uncertainty regarding the future CAP budget.

The Committee believes the retention of at least the existing levels of budgetary expenditure on CAP is a prerequisite to achieving the objectives that have been set out for the CAP in the 2014 to 2020 period.

In that context, Ireland will need to retain at the very least its existing share of the CAP if it can deliver on the ambitious targets set out in the Proposals.

The Committee accepts that there is broad agreement that there would be a move towards **convergence** of **direct payments**. It contends, however, that this should be done in a more gradual or phased way than is envisaged in the current Proposals – both between and within Member States.

Committee members emphasise that Ireland's historic production model is outdated as a means of entitlement assessment. But the current proposal seeks to move to a flat rate at a pace that would have severe negative consequences for Ireland. While an estimated 76,000 Irish farmers would gain 86% on their current payments based on the proposed Commission criteria, 57,000 would lose 33%. Indications are that more productive farmers would lose out, which is in complete contravention of the spirit of the CAP.

It is proposed, therefore, that there should be a "limit" on losses to any farmer in the redistribution of funds by using the approximation approach where all payments move towards, but not fully, to the average. A key principle would be that it only applies when lands are in production. This is in effect the same model as the "pragmatic approach" adopted by the Commission in the current CAP. The approximation approach is a model that would promote equity, create a level playing field and protect **small farmers**, particularly those farming in **areas of natural constraint**.

Finally, it is envisaged that National Allocation Proposals will be based on past performance and objective criteria. While this sounds good in theory, the identification of objective criteria that fits all Member States is very problematic. This underlines the need for greater flexibility/autonomy for Member States to make decisions that reflect local conditions. A key principle is that entitlements would activate only when land is in production.

Committee Members express serious concerns that the **greening** of direct payments proposals as they stand will create significant additional bureaucracy. This does not accord with the **simplification** of the CAP, another key priority. In that context, the Committee proposes that the green payments should be part of the direct payment rather than "**decoupled**" as a way of reducing the administrative burden.

As the CAP is already a "greened" programme the proposal to allocate a full 30% of the national envelope for greening measures may be misguided and needs to be examined further, Committee members argue. Furthermore, greening measures should recognise Member States such as Ireland that have consistently operated a greening regime, giving them greater flexibility in the way payments are made. Farmers should be able to choose from a menu of **greening options** as a way of overcoming the current limitations of the Proposal that seeks to impose a 'one size fits all' solution.

The Committee's opinion, and one shared by the main stakeholders, is that an "**active farmer**" is one who is engaged in productive work and who may be involved in reinvesting in their business or creating employment, also recognising part time farmers. One suggestion would be that there be an "exclusion lot" as opposed to "qualifying criteria".

The definition and future direction of **areas of natural constraint** (disadvantaged areas) needs careful consideration. Ireland has specific concerns over the criteria proposed to identify such areas and has put forward an additional "wet soil" criteria reflecting this country's distinctive wet climate.

The Committee supports measures encouraging **young farmers** to remain in the industry or to become new entrants must be actively encouraged, such as the proposed measure of a top-up payment of

25% for young farmers, but urges greater flexibility to ensure Ireland can fully access the support that is already provided in the CAP proposals (up to 2% of Pillar 1). The Committee fully supports the proposed "Young Farmer Installation Package", as well as a single payment national reserve that prioritises young farmers. In this regard, the Committee suggests that consideration is given to introducing a 'rolling' reference year where the previous year is the reference year in a 3 year cycle and payments are not made if farming activity ceases.

It should be mandatory on Member States to implement all **young farmer** measures, such as this, that are ultimately agreed under the Rural Development Programme. The proposed co-funding of 80% at EU level and 20% at national level is also a positive proposal. The Committee fully supports the measure regarding partnerships, share farming and joint arrangements. In particular, this measure should assist young farmers who have no family farm to inherit and older farmers who have no successor.

The Committee sees a need to develop proposals to encourage older farmers to retire and thereby pass on their farms to a new generation, for instance an **early retirement scheme** for EU farmers, as administered by Ireland in recent years.

Committee members consider it fundamentally important that the **Rural Development Programme (Pillar 2)** is adequately funded as a means of building on from the notable achievements in previous Programmes. In Ireland, Rural Development Programmes have played pivotal roles in regenerating rural communities and promoting environmental sustainability.

Significant funds are needed to set up companies under the Rural Development Programme that can have the potential to trade internationally and create sustainable employment. Imposing a €200,000 limit on grant aid could mitigate against a company achieving its full potential. The Committee believes this limit should be increased very significantly and a more flexible approach taken to co-funding.

In defining "**rural areas**", the Committee supports the definition used for rural areas for the Leader Programme for 2007-2013 and believes that the same definition should stay in place for the next Leader Programme for 2014-2020. There should be a mechanism to **transfer funds from**

Pillar 1 to Pillar 2 if that is where the funding is needed most. Again, this demonstrates the need for greater flexibility to reflect local conditions in the Member States. The proposal to bring LEADER groups under the aegis of Irish Local Authorities is not supported by the Committee as such a move would undermine their independence and spirit of community development and innovation. The **determination of a fixed reference/base year** (2014) is a serious issue of concern. This creates major distortions in the Irish land leasing market, with active farmers renting land being affected the worst. Ireland has specific and unique difficulties in that the leasing arrangements are much shorter than in many other Member States. In this regard, the Committee suggests that consideration is again given to introducing a "rolling"

reference year where the previous year is the reference year in a 3 year cycle. The Committee believes consideration should be given to the establishment of a statutory monitoring agency with the powers to implement market control mechanisms if necessary. There is a real danger in milk production, for instance, that the absence of a 'floor' on milk prices could have serious consequences for otherwise viable farming businesses.

The Committee views the **simplification of CAP** as the single most important issue that should be taken into account at all stages of the negotiations. The Committee suggests that all CAP Proposals are "simplification proofed" before final agreement is reached. MA

Links to the transcripts on the Oireachtas website for the following meetings: Reform of the Common Agricultural Policy: Discussion with EU Commissioner Dacian Cioloș 19th of January 2012: <http://debates.oireachtas.ie/AGJ/2012/01/19/00003.asp>; Reform of Common Agricultural Policy: Discussion with Officials from the Department of Agriculture Food and the Marine and Irish MEP's 1st of May 2012: <http://debates.oireachtas.ie/AGJ/2012/05/01/00004.asp>; Reform of the Common Agricultural Policy: Discussion with the Irish Farmers Association 3rd of May 2012: <http://debates.oireachtas.ie/AGJ/2012/05/03/00005.asp>; Reform of the Common Agricultural Policy: Discussion with the Irish Cattle and Sheep Farmer's Association (ICSA) 8th of May 2012: <http://debates.oireachtas.ie/AGJ/2012/05/08/00003.asp>; Reform of Common Agricultural Policy: Discussion with ICMSA and Macra na Feirme 15th of May 2012: <http://debates.oireachtas.ie/AGJ/2012/05/15/00003.asp>.

Spain - Cortes

The main points of the Resolution on the Reform of the PAC, approved by the Spanish Cortes (Joint Committee for EU Affairs), in its session of 14 June 2011 can be summarised as follows.

The present CAP **budget** should not be reduced nor should elements of renationalisation or co-financing be introduced in the first pillar. The Cortes calls upon the government to defend that Spain continues receiving, as a minimum, the amounts that it is receiving at the moment from the EAGF and EAFRD.

The Mixed Committee for EU Affairs would like to avoid the scenario that the resulting CAP model has application mechanisms that can create a significant redistribution within the Spanish State as this could result in growing tensions between the different agricultural and cattle productions and between the different Spanish regions.

The Spanish Cortes claims that possible losses of **financial support** in certain cultures or certain cattle productions that could endanger their viability should be

avoided. In this case it would be necessary to achieve the introduction of sufficient mechanisms of national and regional flexibility for the application of the CAP and the distribution of **agricultural aids** during the negotiations on the reform.

The Government is asked to support the introduction of effective measures in order to reinforce the weight of the **producers** in the food chain within the reformed CAP; including the necessary modifications of the Proposal for a Regulation in order to take into account the **singularity and specificity** of the agricultural sector by introducing relevant exceptions.

The Cortes asks to promote the inclusion of specific support schemes in the reformed CAP in order to improve enterprise capacity and the **competitiveness** of farmers, especially the owners of **small farms**.

Effective mechanisms for the **regulation of markets** should be established in the new CAP. This could be financed from the EC budget at 100%, in order to constitute a true stabilisation and **safety net** for prices

in extreme situations of the market, and would be tailored to providing an answer adapted to the problems of price volatility or other food **crises**.

As far as EU trade agreements with third countries are concerned, the Mixed Committee for EU Affairs also asks for the inclusion of clauses that guarantee that the **import** of cattle and agricultural products coming from these countries and which are commercialized in the EU, respect the same norms of food safety as established for EU

products. The Cortes aims at channelling **rural development funds** primarily towards improving the effectiveness, competitiveness and productivity of the EU farms and of the agro-alimentary industry. Finally, the Cortes' Mixed Committee for EU Affairs pleads for incentives for the incorporation of **women** in the labour market. At the same time their access, and the access of **young farmers** to the ownership of the agricultural properties, should be promoted. LB

For further reference: Boletín Oficial de las Cortes Generales, IX Legislatura, Serie A: Actividades Parlamentarias, 29 de junio de 2011, Núm. 448:

http://www.senado.es/legis9/publicaciones/pdf/cortes/bocq/CG_A448.PDF

France - Assemblée Nationale (National Assembly)

Even before the submission of the detailed Commission proposals for the reform of the Common Agricultural Policy, the French National Assembly of the 13th legislative period (2007-2012), on 3 August 2011, had endorsed the resolution on the CAP drafted by its Committee for European Affairs and adopted by its Committee for Economic Affairs on 13 July 2011. It reflects a broad consensus across party lines on agricultural matters.

As concerns the financial aspects, the French National Assembly emphasises that the CAP must be provided, within the multi-annual financial framework for the period 2014-2020, with budgetary means on a par with the challenges ahead. A discussion must also be launched on the means to relax the rigidities of European budgetary rules and on the allocation of the annual agricultural financial surpluses.

It favours a **fair distribution of aids between Member States**, taking account of the differences between economic situations and the sustainability of the financial position of Member States in the European budget.

The French National Assembly supports the idea of re-balancing the levels of support between the various regions. This includes phasing out the system of "historic references" and **capping of support**, provided that a degression mechanism with objective criteria, such as employment, is introduced.

As far as the agricultural priorities of the **second pillar** are concerned, the French National Assembly would like it to meet the need to encourage the development of diversified agricultures, especially by

supporting short circuits and quality approaches. As regards combating **crises** in agriculture, the European Union would benefit from extending article 186 of Council Regulation (EC) 1234/2007 establishing a common organisation of agricultural markets, to productions as a whole. This markets' disturbance clause provides for cases of acute difficulties in agricultural branches. Its extension would give the European Union appropriate means to take **emergency measures** in the event of a crisis.

A few areas also deserve special attention. Firstly, a **mountain policy** should be implemented. It could be based on a synergy of support instruments for **less favoured areas** (LFAs), installation, and modernisation. Such a policy should highlight the assets of these territories, especially through quality and origin labels. Secondly, the wine sector should be included in the field of CAP negotiations. The planting rights system should be laid down as a permanent CAP rule.

Thirdly, the CAP needs to continue supporting an active agricultural policy in **outermost regions**, such as the Antilles. The CAP should take their peculiarities into consideration in order that they can develop more easily. The programme of specific options for isolation and insularity (POSEI) should be strengthened and renewed.

Finally, the out-going French National Assembly of the 13th legislative period (2007-2012) insisted on the maintenance of a sufficient level of funding for the foods distribution programme for the destitute in the European Union. EA

The full text of the French National Assembly resolution is available in French, English and German at the end of a report of this European Affairs Committee: <http://www.assemblee-nationale.fr/13/europe/rap-info/i3610.asp> .

The oversight on the debate at the French National Assembly, including minutes of the Committee for Economic Affairs are to be found at:

http://www.assemblee-nationale.fr/13/dossiers/avenir_PAC.asp#avenir_PAC_ri

France - Senate

On 16 November 2010 in a report to the French Senate, four Senators, two Socialists and two from the UMP, laid out the position on "Restoring the Meaningfulness of the CAP" on behalf of the Joint Working Group on the reform of the CAP, between the Committee for European Affairs and the Committee for the Economy, Sustainable Development and Spatial Planning. The main idea contained in their report can be summarised as follows.

The Senators believe that **convergence** of the levels of **direct support** between Member States cannot be avoided but that it should occur as a gradual process. According to the report, this could be organised around the idea of a scale of aid that includes a basic aid common to all Member States and a supplementary aid that would take into account the average income in the particular country and the ratio between the farming income and the average national income. Furthermore, the Senators claim that this convergence has to take into account the level of the financial contribution of Member States to the Union's budget.

Moreover, the report advocates the abolition of national systems of historical references used to calculate the amount of direct aid and the examination of the opportunities of setting a **ceiling on direct aid** while establishing a connection with the level of employment in the farm or the agricultural activity. However, Member States should be given some flexibility for allocating aids, even though without adversely affecting **competition** between Member States.

The Senators speak out in favour of market regulation. In their opinion, the implementation of interventions on the market must be speeded up and must not simply be limited to acting as a **safety net** with low intervention prices. According to the report these interventions have to be capable of preventing **crises**.

For international trade relations, they stipulate that if an EU preference for agricultural products cannot be maintained, then international trade in agricultural products must abide by the principle of reciprocity. Likewise, the sanitary and environmental requirements the European Union imposes on its own production has to be applied by the countries exporting to Europe as well. They also demand the establishment of a common **export** platform.

The report for the Senate expressed support for **insurance mechanisms** for unforeseeable climate and health-related events; new tax rules; the support of **producer organisation**, so that producers could form groupings; and the consideration of a budgetary tool in the form of a supplementary aid granted to producers who operate through a professional organisation.

The report acknowledges that environmental issues have become of crucial importance to European society and that the CAP has to encourage a positive contribution of agriculture to the state of the environment and other "public goods". The report compares two options: either intensifying cross-compliance through the "**greening**" of direct aid under the first pillar – the Commission's option or introducing a "true territorial and environmental strategy", separated from direct aid measures, which is depicted in the report as the heart of a rural development policy focusing on the territories.

In institutional terms, the Senators support the maintenance of the **two pillars** of the CAP, though with a reformulated content. The Senate Working Group proposes a policy mix with a first pillar devoted to agriculture and food and a second pillar oriented towards the territories and the environment.

It asks for simple instruments serving the farmers, compensatory aids, **intervention mechanisms** and measures supporting

the **competitiveness** of the agricultural sector within the **first pillar** and claims that environmental **cross-compliance** has to be **simplified**. At the same time, **modulation** – the gradual transfer of the first pillar to the second pillar – should be eliminated.

Concerning the **second pillar**, the Senate Working Group came to the conclusion that the current guidelines focussing on selected topics were lacking in ambition and coherence. In their point of view the second pillar would have to focus on the territories (including aids in mountain regions and disadvantaged areas) and the environment. First of all, a renewed rural policy in the framework of the CAP should work in conjunction with farmers, i.e. provide support for changes in the farming profession so that producers are

encouraged to increase added value and encourage local relationships between producers and consumers or people who counsel and advise on matters relating to food.

The second focus of a territorial policy should concern the environment since rural areas were in a better position to implement specific measures, such as measures to fight climate change, biodiversity promotion, protection of water quality, anticipation of difficulties in water supply, etc. The various measures under the second pillar could be funded in a way similar to that used for structural funds, with variable rates of co-financing as per objective. The highest rates would be designed to encourage expenditure on the particular environmental area. EA

For further information: Rapports d'information et avis de la commission des Affaires européennes. Report n° 102 (2010-2011) – only in French version – and a summary document – in English, French and German versions – are available on the Internet at the following address: <http://www.senat.fr/europe/rap.html>

Italy - Camera dei Deputati (Chamber of Deputies)

The scrutiny of proposals in the field of the Common Agricultural Policy (CAP) by the competent parliamentary committees of the Chamber of Deputies had been preceded by a wide range of debates on the CAP reform post 2013. In particular, there were hearings of the successive Ministers for Agriculture and Forestry (29 September, 26 October 2011 and 14 December 2011), of the European Commissioner for Agriculture and Rural Development, Dacian Cioloş (18 November 2011) and of the Chairman of the AGRI Committee of the EP and its Italian Members (24 November 2011).

Currently, the Agriculture Committee and the Policies of the EU Committee are

scrutinising, under article 127 of the Rules of Procedure of the House, the CAP reform package (COM (2011) 625- COM (2011) 628) and have already held hearings with the representatives of the institutions, with stakeholders and associations of the agricultural sector. Possibly, the scrutiny process will soon be concluded following the Interparliamentary Committee Meeting with the adoption of a final document and opinion respectively by the Agriculture and European Affairs committees. LA

Italy - Senato della Repubblica (Senate)

Following the submission of the European Commission's proposals on the Common Agricultural Policy reform package, the Committee on Agriculture and Food of the Italian Senate adopted a resolution on 18 April 2012 asking for a strengthening of this package. The Chamber argues that a clear separation between the **first and the second pillar** is necessary in order to simplify procedures concerning the decoupled **direct payments**. It is necessary to establish standardized access

requirements at European level to avoid political wrangling.

Concerning the **distribution of European agricultural finances**, the Italian Senate considers that it is necessary to reflect not only upon a surface parameter but to define other parameters, such as the added value, the cost of living etc.

The Italian Senate argues that the new reform package will **reduce the CAP budget** by 12% by 2020. The chamber requests for a **gradual transition** thereby

avoiding problems related to any unexpected reduction of transfer payments to the producer. In this field the reform should provide for some flexibility in establishing a new payment system to avoid risk.

Concerning the direct payment, the **minimum payment threshold**, valid for all Member States, must be increased allowing for more **simplification** of procedures.

It is indispensable that the system of "right of payment" be improved. It is also important to ensure equal opportunity of access to all farmers through more flexibility, especially for the procedure of a first time payment.

On the proposed **greening** of the first pillar; whilst the Italian Senate can in principle agree with the introduction of "greening measures", several concerns have been expressed about possible imbalances that these instruments could create between farmers. The Italian Senate insists on the need to make this instrument less bureaucratic and easier to implement. It regards the financial portion (equal to 30% of the direct payment) devoted to this instrument as being excessive and should be reduced. It holds the same position vis-à-vis the financial portion (7%) of the direct payment for "**the ecological focus areas**". In this field the Italian Senate believes that the extension of the **eligible crop typology** through the insertion of permanent crops, such as viticulture and olive-growing, is necessary.

In fact, several scientific publications and studies have proved that these crops have beneficial effects for the environment.

The Italian Senate expresses concern about the definition of the label "**active farmer**" which requires further clarification, and prefers the definition of "professional farmer", which is clear and is used in Italian legislation.

On the proposal for a regulation on the **single Common Market Organisation**, the Italian Senate believes that measures be implemented, regarding **risk management**. Agricultural markets are characterized by uncertainty and instability. In this field, the Senate believes that these tools must be part of the **second pillar** to avoid any reductions in the amount of the direct payment. Furthermore, it deems essential that efforts are undertaken to improve relationships within the agro- food chain.

Finally, concerning the **second pillar** of the CAP, the Italian Senate does not agree with the proposal that the surface should become the main **parameter for the allocation of resources** for rural development. On the basis of CAP goals (competition between agricultural firms, environmental respect etc.), it argues that there are more **appropriate indicators**, such as the number of companies, the rural population, soil erosion, the number of agricultural operators, amongst others.

LC/LA

Resolution of the 9th Permanent Committee (Agriculture)", adopted on 18 April 2012:

<http://www.senato.it/service/PDF/PDFServer/DF/280695.pdf>

Hungary - Országgyűlés (National Assembly)

The position of the Hungarian Parliament (*Országgyűlés*), as represented by the delegation of the Committee on Agriculture to the present ICM meeting, can be summarized as follows.

The European Commission's proposal for the comprehensive reform of the CAP is welcome because of its overall aim at strengthening it and making it more effective. However, there are some aspects which should be emphasized, in particular: the budget allocated to the CAP, the link between environmental policy and agriculture, support for **young farmers**, reference prices regarding **intervention measures**, the wine industry, the **sugar**

quota system, the relocation of regulations for fruit and vegetable producers into the second pillar, the tools for **rural development**.

To begin with the budget, and in particular the **first pillar** part of it, the Committee does not agree with the initial proposal of diminishing it, as it would contradict the aim of strengthening the agricultural policy (the current available sources, i.e. 330 bn EUR for the first pillar, at 2011 prices, are reduced by 15%).

With regard to linking environmental policy with agriculture, the Committee supports some of the additional **environmental elements** of the reform proposal. However,

the new rules should not pose additional **administrative** and **budgetary burdens** on Member States and farmers. In addition, the Committee supports the proposals that organic farms will be able to receive funds for "**green**" operation automatically, as they are already operating according to the strictest environmental regulations.

Coming to the support for **young farmers**, the Committee advocates the lifting of the limit of eligibility for the additional support from 25 ha to 100 ha.

With regard to reference prices for **intervention measures**, the Committee believes that they should be adjusted to current market price trends since the decade-old reference prices do not correspond with the current market trends and therefore are unable to trigger the **intervention mechanisms** and manage **crisis situations**. However, the Committee welcomes the elimination of smaller **support measures** for the sake of **simplification**, although this loss should be compensated in some way for farmers. The strengthening of **emergency measures** and the **maintenance reserves** pooled for **agricultural crises** are also welcome.

Regarding the wine industry, the Committee does not support the elimination of the system of wine replanting rights in the way suggested by the Commission. The current system, instead, effectively

contributes to the preservation of the supply side of the European wine market. Similarly, the Committee does not support the elimination of the **sugar quota** system because this would expose the Member States to the hectic price fluctuations of the global market. Instead, the quota system should be preserved until 2020 in order to maintain the stability of European sugar production and the safety of supplies of current market demands.

With regard to the relocation of regulations for fruit and vegetable producers into the **second pillar** of the CAP, this would not be acceptable as it would imply the elimination of investment support of these producers and the reduction of **market regulatory tools** for this sector.

Concerning the tools for **rural development**, the Committee welcomes their preservation and, in some cases, even their expansion, but this requires adequate funding to be effective. In this respect, harmonization between the several EU funds, e.g. EAFRD, EMFF, ESF, is strictly necessary for providing the effective answer to agricultural challenges. However, certain issues should be addressed in this respect as the introduction of several new elements such as the performance reserve, may contribute to the **administrative burden** of Member States and beneficiaries.

FBO

For further reference, please see:

http://www.parlament.hu/internet/plsql/ogy_biz.keret_frissit?p_szerv=116&p_kcl=39&p_biz=A343&p_nyelv=HU

Cyprus - House of Representatives

The House Standing Committee on Agriculture and Natural Resources examined the legislative package of the European Commission for the Reform of the Common Agricultural Policy of the European Union in a number of meetings.

Following a broad discussion on the subject, the Committee adopted the following opinion, dated 31 May 2012, which is to be sent to the European Institutions on behalf of the House of Representatives of the Republic of Cyprus in the framework of the political dialogue:

- Broadly welcomes the Commission proposals on the Reform of the Common Agricultural Policy and the basic principles on which they are based i.e. the **convergence** and the contribution on the EU 2020

strategy, the promotion of innovation and green growth, the just allocation of funds on the basis of objective criteria, the acknowledgment of farmer's role in the production of public goods and their efforts against climate change, the improvement of competitiveness of all types of European agriculture and the support of small farmers.

- Stresses the need for further **simplification**, flexibility and

decrease of administrative burden.

- Stresses the need that these proposals should take into consideration the particularities of each Member State.

Regarding direct payments

- Welcomes, in principal, the proposal for the redistribution of resources for **direct payments**.
- Considers it imperative to find a way to avoid the reduction of the financial envelope of small new member states, such as Cyprus, which are affected by structural problems due to size and distance from other markets as well as climate change.
- Supports the introduction of multilevel direct payments and **greening**, but stresses the need for significant simplification of the management and control system and the need to ensure the **compliance with environmental commitments** with the minimum
- cost for the farmers and the national authorities.
- Supports that farmers who receive small amounts, be excluded from the "**greening**" commitments.
- Welcomes the efforts of the Commission to address the problems and concerns of small farmers and to take into account their important environmental, economic and social role. Emphasizes that small Member States should be able to administer more than 10% of their financial envelopes to small farmers.
- Welcomes the Commission's proposal that allows Member States to transfer funds between the pillars of CAP ("**modulation**") but underlines the need to grant more flexibility to Member States.

Regarding Rural Development

- Agrees with the three basic objectives and priorities set out by the Commission.
- Expresses concerns regarding the introduction of complex ex ante

conditionalities, the fulfillment of which may cause delay.

- Strongly believes that the principle of proportionality should prevail in all issues related to **simplification**, in the case of small and very small Member States of the Union.

Regarding the Single Common Market Organisation (CMO)

- Welcomes the proposal for a single **Common Market Organisation** and the new measures proposed, such as the introduction of contractual farming, further support to **producers' organisations** and associations, measures to increase the bargaining power of farmers and improving the marketing standards system.
- Supports the provision that allows the Commission to take **emergency measures** in all sectors in order to address serious market disturbances using financing from the new crisis management fund, placed outside the Multiannual Financial Framework.

Regarding the financing of the Common Agricultural Policy (CAP)

- Welcomes the proposal for the financing, management and monitoring of the CAP and considers that there are a number of new and positive elements, such as the clarification and further specification of the **cross compliance** provisions and requirements.
- Believes that there is a scope for the European Commission to pursue further **simplification** of the system and for including in the basic regulation clear provisions to reduce the cost of administration of the Paying Agencies. ADM

Latvia - Saeima

On 22 February 2012, while meeting with Sandra Kalniete and James Nicholson, Members of the European Parliament's Agriculture Committee, and discussing how to reform the Common Agricultural Policy of the European Union (EU), Members of the Saeima stressed the need to find a more equitable way of distributing EU's agricultural funds starting in 2014.

"At all policy levels, Latvia will fight for its interests with regard to the next multiannual financial framework by stressing that the EU's agricultural **direct payments** should be equal. Our demands are based on the founding principle of the European Union, that of ensuring fair **competition** among the Member States," pointed out Zanda Kalniņa-Lukaševica,

Chairperson of the European Affairs Committee of the Saeima.

As an immediate reaction to the Commission proposal for the next multiannual financial framework, the Parliament of Latvia already adopted two statements on 14 July 2011: the Statement on an "Equitable Common Agricultural Policy of the European Union after 2013" and the "Statement on the EU Budget's Financing for Reducing Social and Economic Disparities after 2013". In the statements, the Saeima calls on the European Union to develop an equitable common agricultural policy so that farmers from all the Member States receive the same **direct area payments**, as well as to maintain the existing level of cohesion funding in order not to jeopardise implementation of successfully launched investment programmes.

The Saeima reminded all the relevant parties that since 2004, Latvian farmers have been receiving the lowest **direct payments** in the EU, and that this fact significantly reduced their **competitiveness** in the single market of the EU. The statement related to the agricultural policy emphasised that, unfortunately, the method of calculating direct payments proposed by the European Commission does not ensure fair competition between Latvian farmers and those of other Member States.

Therefore, the Saeima called on all the relevant parties to "adjust the distribution of the direct payments defined by the Communication of the Commission 'A Budget for Europe 2020' (June 29, 2011) in such a way to avoid substantial differences between the highest and lowest level of direct payments in European Union".

In the Declaration on the Cohesion Policy of the European Union after 2013, MPs referred to the Treaty on the Functioning of the European Union, which provides that the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the **least favoured regions**.

The Saeima's position on **direct payments** was consolidated in its Declaration dated 2 December 2011 on an "Equitable Common Agricultural Policy of the European Union after 2013", in which Members of Parliament appealed for improving the system of direct payment distribution that treats Latvian farmers unfairly and unequally.

Finally, on 16 December 2011, the European Affairs Committee expressed the opinion that the Commission proposal is unacceptable for Latvia because it will not ensure achievement of the basic objectives of the Common Agricultural Policy – income stability and basic public benefits for society. In the view of the Committee, the proposal also disregards the basic principle stated in the Resolution of the European Parliament of 8 July 2010 that Common Agricultural Policy payments should be distributed fairly among farmers in all the EU Member States.

It also emphasised the need to establish a **direct payment** system of the Common Agricultural Policy that ensures truly equitable competition for all farmers in the European Union while pointing out that objective criteria should be set for defining a fair system of payment distribution.

The Committee underlined that the cost of agricultural production in different EU Member States is similar, and therefore it is impossible to tolerate further substantial differences in the amounts of direct payments allocated for farmers in different EU Member States also after 2013. Thus Members of the Committee suggested amending the proposal of the European Commission in such a way as to avoid substantial differences between the highest and lowest level of direct payments received by farmers of different EU Member States.

The Committee also stressed that it is necessary to provide adequate funding for both direct payments and **rural development** in order to promote sustainable agricultural and rural development in the entire European Union.

UH

Further information: "Members of the Saeima stress the need to reform EU's agricultural policy", press release, 22.02.2012: <http://saeima.lv/en/news/saeima-news/19407-members-of-the-saeima-stress-the-need-to-reform-eu-s-agricultural-policy>; "Saeima calls on EU to develop equitable agricultural policy and to maintain current level of cohesion funding", press release, 14.07.2011: <http://saeima.lv/en/news/saeima-news/18719-saeima-calls-on-eu-to-develop-equitable-agricultural-policy-and-to-maintain-current-level-of-cohesion>; documents: <http://saeima.lv/documents/7b0bd4840bff4d11684189f570fb538b483ccdb1> (CAP) ; <http://saeima.lv/documents/156d39a4177a875b441c778e0561c1d837b9bd1a> (Cohesion); "European Affairs Committee adopts declarations appealing for equitable Common Agricultural Policy and Cohesion Policy", Press release, 16.12.2011: <http://saeima.lv/en/news/saeima-news/19098-european-affairs-committee-adopts-declarations-appealing-for-equitable-common-agricultural-policy-an>. Reference to direct payments is also

made in the Joint Declaration of the Estonian, Latvian and Lithuanian Parliaments of 12 April 2012 on the Implementation of the Common Agricultural Policy of the European Union after 2013 (<http://www.riigikogu.ee/index.php?id=172864>).

Lithuanian - Seimas

The Lithuanian *Seimas* generally supports the position of the government, which can be summarised as follows.

Firstly, the *Seimas* is very concerned about the regulation establishing the **direct payments** to farmers. Indeed, it considers that the amount of payments for Lithuania is far too low, in comparison to other EU Member States, and the increase by 2020 too little. The proposed amount does not respect the one mentioned in the Treaty of Accession of the Republic of Lithuania to the EU. Thus, the *Seimas* thinks the measures are discriminatory for its farmers and asks the European Commission to establish a fair system of payment. Taking into account the different climatic conditions and economic and social environments of all the EU Member States, the Lithuanian government and the *Seimas* want to improve the treatment of farmers in the EU with equitable measures.

This position has been recently stated again in a joint declaration from the Estonian, Latvian and Lithuanian Parliaments' corresponding Agricultural Committees. The Baltic States call for a "CAP reform that guarantees equal competition conditions, fair treatment and observing of the solidarity principle to the agricultural producers of all Member States".

Concerning **rural development**, the *Seimas* considers it a priority, to stick to the established targets. This domain should not be included in the cohesion policy. Lithuania along with other countries, believes that there is a need to ensure that the common strategic framework, bringing the EAFRD into line with the structural funds, would be consistent with the objective of the simplification of the CAP. Moreover, the government stresses for

adequate support to the modernisation and restructuring of the agricultural sector in order to improve its competitiveness.

Concerning the **market management mechanisms**, the *Seimas* acknowledges the measures proposed by the Commission. The *Seimas* welcomes the creation of a **fund in case of market distortions, prices fluctuations or crises**, which will guarantee stability and generate the possibility to answer efficiently and quickly to potential crises and challenges.

Lithuania is one of the countries that does not agree with the Commission's intention to stick to the **abolition of the sugar quota** system for 2015. Indeed, Lithuania's government estimates that quotas, prices and market protection for sugar should remain until 2020, in order to strengthen the competitiveness of the sugar sector.

Concerning the **regulation on the financing, management and monitoring of the CAP**, Lithuania appreciates that the horizontal provisions of the policy are a single piece of legislation, however Lithuania stands for rationalization in terms of control and reduction of administrative burdens. Lithuania is sceptical about the reduction of the pre-financing of rural development from 7% to 4 %.

Lithuania does not agree with the management requirements because it is supplemented by two new Directives and one of them (Directive 2000/60/EC) is implemented through other legislation dominating both agriculture and environment.

Finally, the *Seimas* suggests several times that Lithuania should be assigned a priority category because of its agricultural situation. EC/LA

Resolution on discriminatory direct payments to Lithuanian farmers provided for by the European Commission during the financial framework for 2014-2020", *Seimas* of the Republic of Lithuania, 22 November 2011:

http://ec.europa.eu/dgs/secretariat_general/rerelations/rerelations_other/npo/docs/lithuania/2011/com2_0110398/com20110398_seimas_opinion_en.pdf;

"Resolution on the future of the Common Agricultural Policy of the European Union after 2013", *Seimas* of the Republic of Lithuania, 9 June 2011:

http://www.europarl.europa.eu/meetdocs/2009_2014/documents/agri/dv/ltseimas_/ltseimas_en.pdf.

"Joint declaration on the implementation of the Common Agricultural Policy of the European Union after 2013", The Rural Affairs Committee of the Riigikogu of the Republic of Estonia ; the Economic, Agricultural, Environmental and Regional Policy Committee of the Saeima of the Republic of Latvia ; the Committee on Rural Affairs of the *Seimas* of the Republic of Lithuania, 12 April 2012:

<http://www.riigikogu.ee/index.php?id=172864>

Luxembourg - Chambre de Députés

On 14 December 2012 the Luxembourg Chamber of Deputies adopted one reasoned opinion under the procedure foreseen in Protocol No. 2 as well as three political contributions on the Common Agricultural Policy reform package as proposed by the European Commission.

As regards the proposal for a regulation establishing rules for **direct payments** to farmers under support schemes within the framework of the common agricultural policy (COM 2011/625), the Luxembourg Parliament checked in its reasoned opinion the compliance with the principles of subsidiarity and proportionality. It confirmed the opinion of its responsible committee that, in its current form, the Proposal is not in compliance with the principle of proportionality as it aims to define precisely the notion of an "**active farmer**" creating an inconceivable supplementary administrative burden. Even without a precise definition in the existing EU-texts, Luxembourg has already achieved to exclude what might be considered as a misuse of public funds designed to maintain a productive, sustainable and diversified agriculture.

The main points stressed by the Committee of Agriculture, Viticulture and Rural Development are:

Concerning the planned "**greening**" of the first pillar of the CAP, the Committee for a series of reasons is opposed to proceed to a further "**greening**" of the CAP by integrating a new and specific payment at the first pillar of the CAP but pleads instead for introducing similar constraints into the corresponding programmes of the second pillar of the CAP. The integration of an "ecological payment" at the first pillar risks creating inconsistencies with existing environmental schemes in the second pillar. The progress of member states in greening their agriculture so far should be taken into account.

The criterion of reserving 7% of arable land as a surface of high ecological value (**ecological focus area**) is regarded as exaggerated. This criterion should also be more precisely defined in order to avoid an implementation of this measure, inconsistent with its spirit.

Concerning the planned **convergence** of direct payments, the Committee expresses

the view that the efforts already achieved in regionalizing **direct payments** made by Member States while implementing the mid-term review in 2005 have to be taken into account.

On the proposal for a regulation establishing a **common organisation of the** markets in agricultural products (Single CMO Regulation) (COM 2011/ 626), the Luxembourg Parliament pointed out that the end of the system of market regulation via production **quotas** in the dairy sector is confirmed by this proposed regulation.

Given the importance of the dairy sector in agriculture in Luxembourg (30% of the value of agricultural production), the Committee of Agriculture, Viticulture and Rural Development was particularly interested in the existence of any proposals to ensure that States members may assure a "soft landing" in the context of the abolition of **milk quotas** in 2015. The absence of such proposals is highly disappointing and the Committee considers that the proposed key has to be completed on this issue by introducing, for example, a gradual reduction in the supplementary levy and / or the abolition of the fat correction factor. In view of its wine sector, the Committee of Agriculture, Viticulture and Rural Development insists that the system of planting rights should be continued.

For the proposal for a regulation on support for **rural development** by the European Agricultural Fund for Rural Development (EAFRD) (COM (2011) 627), the Luxembourg Parliament checked in its reasoned opinion the compliance with the principles of subsidiarity and proportionality of the Proposal for a regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy. It shares the opinion of its responsible committee that, in its current form, the proposed Regulation of the European Parliament and Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) is, with regard to a number of points, in contradiction with Article 5 of the Treaty on the European Union.

It is mainly the planned joint approach with other EU funds which is criticized. The Committee on Agriculture, Viticulture and Rural Development stresses that the opportunity of this proposal should be used

to move towards a real proportionality between the efforts of planning, monitoring and evaluation and cost compared to the scale of the measures. UH

Scrutiny information available in IPEX at: <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110280/luchb.do>; <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110281/luchb.do> and <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110282/luchb.do>

Malta - House of Representatives

On 9 November 2011 our Standing Committee on Foreign and European Affairs (FEAC) declared to have found no subsidiarity breach in respect of:

- the proposal for a regulation establishing rules for **direct payments to farmers** under support schemes 2014-2020 [COM\(2011\)0625](#); 2011/0280(COD);
- the proposal for a regulation on **support for rural development** [COM\(2011\)0627](#); 2011/0282(COD);
- the proposal for a regulation on the **Single Common Market**

Organisation [COM\(2011\)0626](#); 2011/0281(COD); and

- the proposal for a regulation on the **financing, management and monitoring** of the CAP ([COM\(2011\)0628](#); 2011/0288(COD)).

These same four Commission documents are however still on the FEAC's agenda with regard to scrutiny of possible implications on a local level should they be implemented. The discussion is scheduled to commence during the first week of July 2012. PM

For further information: <http://www.parlament.mt/home>.

Austria - Nationalrat (National Council) & Bundesrat (Federal Council)

The reform of the EU's Common Agricultural Policy has been a recurring topic in the debates of the National Council's Committee for Agriculture and Forestry. The European Commission's legislative proposals were discussed by Committee members and the Austrian Minister for Agriculture and Forestry on 29 November 2011, 31 January 2012, 17 April 2012 and 30 May 2012.

Before the publication of the European Commission's legislative proposals, on 23 May 2011, the National Council had also organised an inquiry debate under the motto "The Common Agricultural Policy

after 2013 - opportunities and challenges for Austria." The event brought together the President of the National Council, the chair and members of its Committee for Agriculture and Forestry, the Austrian Minister for Agriculture and Forestry, Austrian Members of the European Parliament, representatives from farm associations, environmental NGOs and business and many other stakeholders.

In general, the discussion regarding the reform of the Common Agricultural Policy in the Austrian Parliament is in its early stages and therefore no detailed overview can be given at this point. MA

"Press releases summarising all four Committee debates are available at the website of the Committee for Agriculture and Forestry, http://www.parlament.gv.at/PAKT/VHG/XXIV/A-LF/A-LF_00001_00295/. A detailed transcription of the debate on 23 May 2011 is available at http://www.parlament.gv.at/PAKT/VHG/XXIV/III/III_00239/fname_222504.pdf, document III-239 der Beilagen XXIV. GP.

Poland - Sejm

The European Union Affairs Committee of the Polish Sejm, at its meeting on 12

January 2012, examined the whole Legislative package from the Commission

on the CAP Reform and decided to support the Polish government's position on this issue.

Moreover, the European Union Affairs Committee of the Polish Sejm,

- at its meeting on 9 December 2012, listened to and acknowledged the statement from the Polish Minister regarding legislative acts to be discussed at the following EU Council meeting on Agriculture on 15-16 December 2011. Furthermore, the Committee decided not to take position concerning the EC proposal on the support to rural development by European Agricultural Fund for Rural Development (EAFRD)" (COM (2011) 627 final),
- at its meeting of 20 January 2012, listened to and acknowledged the statement from the Polish Minister regarding legislative acts to be discussed at the following EU Council meeting on Agriculture on 23-24 January 2012.

Furthermore, the Committee decided not to submit comments concerning the EC proposal on the common organisation of agricultural products ("Single CMO Regulation organisation of markets ") (COM (2011) 626 final);

- at its meeting of 13 April 2012, listened to the statement from the Polish Minister concerning the position to be taken by the Polish Government at the following EU Council meeting on Agriculture on 26-27 April 2012 concerning the EC proposal on the "direct payments to farmers under the schemes under the common agricultural policy" (COM (2011) 625 final). However, during the debate following the statement concern was raised followed by the formal request whether COM(2011)625 complies with Articles 18. 39 and 40 of the Treaty of Lisbon. PM

[http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%2013%20pos.%20SUE%20w%20dniu%2012.01.2012.pdf/\\$file/Zapis%20ustale%C5%84%2013%20pos.%20SUE%20w%20dniu%2012.01.2012.pdf](http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%2013%20pos.%20SUE%20w%20dniu%2012.01.2012.pdf/$file/Zapis%20ustale%C5%84%2013%20pos.%20SUE%20w%20dniu%2012.01.2012.pdf)

Legislative Package includes the following Commission proposals: COM(2011)625-630 finals

[http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%203%20pos.%20SUE%20w%20dniu%209.12.2011.pdf/\\$file/Zapis%20ustale%C5%84%203%20pos.%20SUE%20w%20dniu%209.12.2011.pdf](http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%203%20pos.%20SUE%20w%20dniu%209.12.2011.pdf/$file/Zapis%20ustale%C5%84%203%20pos.%20SUE%20w%20dniu%209.12.2011.pdf)

[http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%2015%20pos.%20SUE%20w%20dniu%2020.01.2012.pdf/\\$file/Zapis%20ustale%C5%84%2015%20pos.%20SUE%20w%20dniu%2020.01.2012.pdf](http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%2015%20pos.%20SUE%20w%20dniu%2020.01.2012.pdf/$file/Zapis%20ustale%C5%84%2015%20pos.%20SUE%20w%20dniu%2020.01.2012.pdf)

[http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%2039%20pos.%20SUE%20w%20dniu%2013.04.2012.pdf/\\$file/Zapis%20ustale%C5%84%2039%20pos.%20SUE%20w%20dniu%2013.04.2012.pdf](http://orka.sejm.gov.pl/SUE7.nsf/Pliki-zal/Zapis%20ustale%C5%84%2039%20pos.%20SUE%20w%20dniu%2013.04.2012.pdf/$file/Zapis%20ustale%C5%84%2039%20pos.%20SUE%20w%20dniu%2013.04.2012.pdf)

Poland - Senate

In a resolution adopted on 16 February 2012 the Senate of the Republic of Poland called upon the Government of the Republic of Poland and the European Parliament to actively promote the simplification of the Common Agricultural Policy, as well as competitiveness and progress, and to introduce equal and non-discriminatory rules for the distribution of direct payments to farmers in EU Member States. In particular, it expressed its concern over the European Commission's legislative proposal in connection with the system of direct payments to farmers (COM (2011) 625). The proposed measures aim at maintaining the rules for the distribution of funds allocated for **direct payments** to farmers after 2013, which are unfair and discriminatory towards certain Member States, including Poland. Direct payments are to be distributed - not on the basis of

objective criteria identical for all Member States - but on the basis of the so-called historical references, determined by the levels of subsidies received by Member States in the past. The European Commission proposed only minor changes to the discriminatory distribution scheme, while maintaining, as a principle, the unfair historical criteria.

The retention of the unfair scheme of direct payments would infringe the principle of non-discrimination between EU citizens - in this case: farmers - on the grounds of nationality (Article 18 of the Treaty on the Functioning of the European Union), and moreover, it would violate the prohibition of discrimination between producers within the Union (Article 40 (2) of the Treaty). The Senate also underlines the fact that according to EU law, the differences between various agricultural regions, and

not between Member States, may be taken into consideration in developing the Common Agricultural Policy (Article 39 (2a) of the Treaty). This discrimination is seen a threat to the future of agriculture in the Member States, including Poland which would be affected by such discrimination. Therefore, the Senate of the Republic of Poland urges the Government to strongly oppose the European Commission's legislative proposal. The Senate calls upon the Government to take all possible political and legal measures aimed at:

- simplifying the Common Agricultural Policy;
- allocating resources to encourage competitiveness and progress; and
- providing a fair and non-discriminatory scheme of direct payments to farmers, based on equal rules for all Member States.

Equally, the Senate calls upon the European Parliament to provide a scheme of direct payments which is non-discriminatory to farmers on grounds of nationality.

During the on-going legislative scrutiny process, the European Union Affairs Committee has forwarded the whole legislative package on the Common Agricultural Policy, to the Committee for Agriculture and Rural Development to obtain the opinion of the sectoral committee. During the session of 8 May 2012, the European Union Affairs Committee was made aware of the Committee for Agriculture and Rural Development's position concerning the submitted proposals for regulations, and expressed its opinion on each of the proposals. The European Union Affairs Committee adopted identical opinions to those of the Committee for Agriculture and Rural Development in reference to all the proposals, apart from the joint proposal for "**Single Common Market Organisation** Regulation" (COM(2011)626). The European Union Affairs Committee supported that proposal, making, at the same time, comments similar to those of the Committee for Agriculture and Rural Development.

The Committee for Agriculture and Rural Development, during its sessions of 11 January and 24 April 2012, examined the proposals for regulations concerning

the legislative framework of the Common Agricultural Policy (CAP) in detail. In the course of the discussions, comments concerning particular acts were made. Ultimately, the Committee supported one out of the four proposals under discussion during the ICM, and did not take a position in relation to one of the proposals.

Firstly, as regards the proposal on **direct payments** to farmers, the proposed method of enhancing environmental performance by allocating 30% of the national envelopes for activities in that area ("**greening**") was negatively assessed. It was acknowledged that in spite of the additional requirements and the related administrative and economic costs, it is difficult to estimate the environmental added value of the proposed amendments. It was concluded that the majority of these kinds of objectives is already being carried out by adhering to the standards of best practices in agricultural culture compatible with environment protection, as well as to other elements of the **cross-compliance** principle. Moreover, in spite of attempts to reinforce environmental requirements, including those related to climate change, the negative global effect of "**greening**" of direct payments cannot be excluded, which may result in a possible transfer of agricultural production from the European Union to those regions which are more environmentally sensitive.

In the Committee's opinion, the proposal to turn 7% of the area into ecology focus areas poses a threat of non-compliance with the objectives of Directive 2009/28/EC, as far as the promotion of the use of energy from renewable sources and counteracting the changes in ways of using the agricultural areas is concerned. It was hi-lighted that in Poland, as in other EU Member States, most of the energy from renewable sources is generated from forest biomass. Due to limited resources of the latter, the achievement of ambitious EU objectives concerning renewable sources of energy requires a greater usage of biomass of agricultural origin. It was also stressed that the **reduction of the agricultural areas** in the situation of increased demand for agricultural resources would

mean an increased pressure on the changes in the way in which agricultural land is used, and might also lead to an increase in the importation of raw materials from third countries. The Committee did not support the proposal. Secondly, as concerns the proposed "Single Common Market Organisation Regulation" the Committee has come to the conclusion that changes in prices of production means and the current situation in agricultural markets, should result in making reference prices more realistic, which would ensure the appropriate level of support. It was underlined that operational programmes should take into account new mechanisms, precisely aimed at **crisis management** (for instance credit insurances), and that the intensity of EU financial aid, calculated on the basis of the production sold by the **producers' organisations** should be strengthened. It was suggested that the role and importance of agricultural producers in the food supply chain - resulting from the harmonisation and expansion of provisions regulating the recognition of producer organisations and their associations, to all sectors of the common organisation of the agricultural markets - should be expanded. In the Committee's opinion, the proposal for a regulation is a basis for further discussions on providing an effective, common organisation of the markets in a subsequent financial perspective but it requires amendments in many areas. In the case of this proposal, the Committee did not take a position. Thirdly, as regards the support for **rural development** by the European Agricultural Fund for Rural Development (EAFRD), the Committee is of the opinion that the proposal accurately identifies the

objectives and priorities of the development of rural areas in the EU. However, the lack of correlation between the proposed provisions and the regulation on the Common Strategy Framework evokes concern. It particularly refers to the identification of inter-relations between the priorities of development of the rural areas and the thematic objectives mentioned in the Regulation on the Common Strategy Framework. It was pointed out that within the priorities of development of rural areas, support for **competitiveness** of the sector of agricultural products processing and agricultural households, the improvement of living conditions and the development of **micro- and small enterprises** functioning in rural areas, was not sufficiently taken into account. The Committee did not support this proposal for a regulation.

Finally, the Committee for Agriculture and Rural Development supported the Proposal for a Regulation on the Financing, Management and Monitoring of the CAP. According to the Committee, the proposal provides for the restriction of the number of paying agencies and reinforcement of the role of the control body, which is to make the system more transparent and to reduce the burdens of both the national administration authorities and the European Commission services. It underlined a number of **simplifications** in the proposal. The Committee has negatively assessed the proposals which will lead to an increased burden for the Member States' budgets - in connection with the settlement of the unduly paid and unrecovered amounts - resulting from both verified irregularities and negligence. PM

Portugal - Assembleia da República (Assembly of the Republic)

The Written Opinions of the Portuguese *Assembleia da República* concerning the different Proposals for Regulations on the CAP Reform were officially sent to the European Parliament in the form of four contributions. The main conclusions of the

Written Opinions from the *Assembleia da República* are the following:

Direct payments

- In relation to **direct payments**, whether or not processed via a Single Payment Scheme, Portugal should

encourage the adoption of a faster pace of **convergence** between the various Member States through the reduction of the difference between the basic level of direct aids and 90% of the EU27 average, and also argue for greater flexibility in the **voluntary application of payments tied to production**.

- The direct payment regulation reveals a duality in the **convergence criteria** since it mandates a uniform unit value of the basic payment within a Member State after 2019 but makes no provision for any approximation between Member States over the same time horizon.
- The requirement for a **uniform unit payment** within a Member State should be concurrent with convergence between Member States, i.e. in the period post-2020.
- It should be added that the **financial convergence** of the CAP between Member States is limited, with Portugal continuing to receive a low funding total for the period 2014-2020 compared with the average of Member States. If there will be significant future changes to the proposal for the Multiannual Financial Framework (MFF) 2014-2020, those changes are not expected to alter the allocation of funds to countries such as Portugal.
- The Proposal for Regulation has limitations in terms of its **support for irrigation projects**, a key area for improving the productivity and competitiveness of Portuguese agriculture, and Portugal should build on the openness already shown by the European Commissioner for Agriculture at a hearing before the Committee of Agriculture and Sea to respond to this question.

Common Market Organisation (CMO)

- The European Commission should ensure a faster pace of convergence between **direct aids** to farmers in the various Member States through the reduction in the difference between the basic level of direct aids and 90% of the EU27 average.
- The European Commission should encourage **flexibility** in the voluntary application of payments tied to production in order to promote the ability of each country to strengthen its food production capacity.

The European Agricultural Fund for Rural Development

- The proposal for a regulation on rural development should be revised to widen support for investment **projects in irrigation**, in particular the article on eligible investment expenditure.
- The European Commissioner for Agriculture indicated at a parliamentary hearing the possibility of revising the proposal for regulation to widen the support for **investment in irrigation**. In light of the above, the Proposal for Regulation on rural development merits future monitoring.

Financing, management and monitoring of the Common Agricultural Policy

- The **EU Budget** should finance CAP expenditure through two Funds - the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) - either directly or under shared management with Member States.
- In order to establish the financial relationship between the **accredited paying agencies** and the European Union budget, the European Commission should annually clear the accounts of these paying agencies. As personal data or business confidentiality might be involved in the application of national control systems and conformity clearance, the Member States and the European Commission should guarantee the **confidentiality of information** received in this context.
- The **advisory procedure** should be used for the adoption of certain **implementing acts** attributed to the European Commission (on its own or delegated authority in accordance with Article 290 of the Treaty).
- The legislative framework for the reform of the CAP in the period 2014-2020 should be more ambitious and establish a **calendar for reducing disparities** in the distribution of direct aids during the period covered by the reform, so that farm income support is equal for all Member States.
- The EU should adopt a faster pace of **convergence** between direct aid to farmers in the various Member States through the reduction in the difference between the basic level of direct aids and 90% of the EU27 average. LB

The full wording of the Written Opinions of the Assembleia de República of Portugal can be found here (in EN and PT): concerning COM (2011) 625: <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110280/ptass.do>; concerning COM(2011) 626: <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110281/ptass.do>; concerning COM(2011) 627: <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110282/ptass.do> and concerning COM(2011) 628: <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110288/ptass.do>.

Romania - Camera Deputațiilor (Chamber of Deputies)

Following the Commission proposals for the reform of the Common Agricultural Policy, the Chamber of Deputies of Romania initiated debates on the reform package in its responsible committees. The Committee for Agriculture, Forestry, Food Industry and Specific Services, and the Committee for Budget, Finance and Banks expressed themselves in their meetings on 22 November 2011, while the European Affairs Committee took its decision on 13 December 2011. Following the debate, the members of the committee decided, unanimously, that the proposal observes the principle of subsidiarity. Based on this, the Chamber of Deputies of Romania evaluated the substance of the legislative proposal, pointing to several sensitive issues for Romania.

Concerning the proposal that establishes rules for **direct payments** to farmers, the Romanian Chamber of Deputies argues that the increment of direct payments does not fully meet the objective of equity and **convergence** set out by the European Commission in the debate on the future of the CAP. Furthermore, in the case of **capping** direct payments for large beneficiaries, there may be a risk that well-performing farms are affected.

Regarding the proposal on the single **Common Market Organisation**, the Chamber agrees with the proposal which will provide Member States sufficient flexibility to adopt solutions to local peculiarities and to co-finance the **second pillar**, while maintaining the existing instruments pertaining to the two pillars. It emphasizes the necessity to eliminate the market distortion in a crisis situation and to

rebalance (even equalizing direct payments) an equal treatment for all farmers in order to ensure fair **competition** and to increase farm competitiveness.

On the proposal in the field of **rural development**, the Chamber of Deputies of Romania argues that Romania does not have the necessary infrastructure able to produce a larger number of projects. This is considered as a competitive disadvantage. Furthermore, the existing provisions in the new draft regulation regarding the eligibility of beneficiaries for compensation destined to forest owners affected by restrictions following the implementation of Nature 2000, is unfavorable to Romania. In the context of the **ex-ante conditionality**, conditions such as the requested advisory capacity cannot be met when submitting the programme, and the deadline for another two years to achieve them is considered to be insufficient to create a functional system especially on the socio-economic background of crisis where budget spending should be reduced.

Finally, concerning the proposal for a regulation on the **financing, management and monitoring** of the CAP, the Romanian Chamber of Deputies agrees with the idea of changing the rules and the **simplification** elements proposed to align the existing rules on management and controls for the two CAP pillars, designed to result in legal clarification and harmonized procedures in order to ensure fair **competition** and proper functioning of the market for the farmers. LC/PM

- Draft opinion no. 22/451:

<http://www.cdep.ro/eu/docs/F1337266576/comisie%20buget%20PO%20-%20E65%20-%20com%20a625,%20b626,%20c627,%20d628,%20e629,%20f630,%20g631.PDF>;

- Information note no. 40/544, 13. 12. 2012: <http://www.cdep.ro/eu/docs/F1708874682/CAE%20NI%20-%20E%2065a%20-%20com%20625.pdf>

- Minute no 22/451, 23.11.2011:

<http://www.cdep.ro/eu/docs/F2088831982/comisie%20buget%20PV%20-%20E%2065b-%20com%20626.PDF>

- Information note no. 40/529: <http://www.cdep.ro/eu/docs/F874804023/CAE%20NI%20-%20E%2065b%20-%20com%20626.pdf>

- Minute no 22/451, 23.11.2011:

<http://www.cdep.ro/eu/docs/F1150506074/comisie%20buget%20PV%20-%20E%2065c%20-%20com%20626.PDF>

[%20com%20627.PDF](#)

- Minute no 40/528: <http://www.cdep.ro/eu/docs/F2028991354/CAE%20PV%20-%20E%2065c%20-%20com%20627.pdf>

- Minute no 22/451, 23.11.2011:

<http://www.cdep.ro/eu/docs/F1027783976/comisie%20buget%20PV%20-%20E%2065d%20-%20com%20628.PDF>

- Information note no. 40/527: <http://www.cdep.ro/eu/docs/F1818936134/CAE%20NI%20-%20E%2065d%20-%20com%20628.pdf>

Romania - Senat (Senate)

After the Commission submitted its proposals on the reform of the Common Agricultural Policy, the Senate of Romania during its session of 6 December 2011 confirmed the compliance with the principles of subsidiarity and proportionality according to Protocol No. 2. Despite this, it also issued some critical remarks concerning the content of the legislative proposal in an opinion.

Concerning the proposal that establishes rules for **direct payments** to farmers, the Romanian Senate considers it necessary to have a further analysis on the implementation of a more ambitious approach of the equity and **convergence** objective as regard direct payments in order to ensure a faster reduction of differences between the levels of direct payments.

It asks for a careful reanalysis of the direct payments' **green component** implementation, budget impact and specific requirements that farmers must meet to access it. Furthermore, the amount allocated for the green component should have the same value per hectare, across in the Union.

The Senate proposes that the transfer rate of funds between the pillars of CAP be up to 10% in both directions ("**modulation**"), with financial performing carried out under the N+2 rule, thus emphasizing the flexibility and subsidiarity of decisions on agricultural policy taken by the Member States. The Senate argues that it is necessary to investigate the implementation of direct payments **capping** for large beneficiaries in order to avoid increasing the national budget co-financing effort. It proposes to exclude voluntary payments for **areas facing natural constraints** from all direct payments subject to **capping**. As Romania and Bulgaria are still in the phasing-in process, in their case **capping** should not be applied. The Senate asks to increase the 2% percentage from the national ceiling as well as the eligible area for the **young**

farmers. The Romanian Senate supports the possibility, within the scheme for **small farmers**, to establish an increased upper limit for farmers who will not transfer or sell their farm and who will participate in the European Partnership for Innovation network.

As far as the proposal for the single Common Market Organisation is concerned, the Senate supports the provisions relating to the elimination of **distortions on markets** due to crises and would like an extension of the current regime of **quotas** until 2020, except for the sugar quota system which is due to expire on 30/09/2015.

On the proposal in the field of **rural development**, the Romanian Senate emphasizes the necessity of provisions leading to a more restrictive level of obligations for the beneficiaries of the **organic farming measure** and to a lower level of compensatory payment. It asks for the possibility to consider public beneficiaries as eligible for support granted to those forest owners affected by restrictions imposed by the implementation of Nature 2000, as regards the compensatory payment. According to the Senate it is also necessary to consider intermediate enterprises as **eligible for support**.

For the Senate, it is necessary to revise the ex-ante conditionality mentioned in Annex IV, taking into consideration that Romania, as a new Member State, were not obliged to implement certain provisions referred to in Annex IV.

The Senate asks for an increment in the level of public support (50%) specified in Annex I for investments in rural infrastructure as well as leaving the possibility of defining those farms to be restructured to the Member State. Finally, the Senate believes that the possibility of establishing an aid scheme for setting up agricultural farms and the capability to use the correct definition of **active farmer** to define the beneficiary of this aid scheme,

would increase the employment in rural areas and revitalize them, eliminating

eventual discrimination relating to age.

LC/PM

Sources in English: Opinion of the Romanian Senate about the rural development:

<http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110282/rosen.do>;

Opinion of the Romanian Senate about the direct payment:

<http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110280/rosen.do>;

For further information: <http://www.ipex.eu/IPEXL-WEB/scrutiny/COD20110281/rocam.do> (in Romanian).

Slovak Republic - National Council

The Slovak National Council (SNC) welcomes the effort towards a reform of the CAP however, it considers it to be less ambitious regarding the elimination of disparities of the support levels among the Member States (MS) as well as the simplification of the CAP with regard to the MS and farmers.

An excessive accentuation of **greening** efforts will lead to further extensification of Slovak agriculture whereas the capacity of reaching environmental goals is still unclear under the current conditions.

The Slovak National Council raises several points with regard to the rules in the proposal for a Regulation of the European Parliament and the Council on **direct payments**. The Slovak Parliament raises a fundamental objection against the calculation method of the **national ceilings** of direct payments that is based on 90% of the EU average and leads only slowly towards **equalization** of the direct payments levels in the Member States (equalization is expected in 2028). As the transition to the system of payment entitlements will raise administrative burden and costs, the Parliament does not agree with the abolition of the **Single Area Payment System** (SAPS). The introduction of a 30% share of the total direct payments amount for **green payment** is regarded as inadequate, and the percentage for an **ecological focus area** (7% of the farmer's eligible hectares in the form of land left fallow, terraces, buffer strips...) too high. Both might have a negative impact on employment as well as the possibility of producing food and renewable energy sources.

The National Council refuses the unequal approach to farmers with regard to their size, which is reflected in the **capping** of the payment and its progressive reduction, as this approach is unfavourable for farmers in Slovakia where big farmers prevail. The National Council considers the

requirement that a natural or legal person qualifies for direct payments if the annual amount of its direct payments is at least 5% of the total receipts this person receives from non-agricultural activities, insufficient as it does not support the effort to support **active**, producing **farmers**.

Instead of a **compulsory scheme for young farmers**, the Slovak Parliament promotes the idea of a voluntary young farmers' payment scheme in the Member States. The National Council promotes the idea of a voluntary **small farmers** scheme and disagrees with simplification of green payment, **cross-compliance** and control requirements for small farmers. On the other hand, the Slovak Parliament welcomes the possibility of voluntary **coupled payments** in order to support selected sectors.

Concerning the single CMO regulation, the national Council does not agree with the abolition of production **quota in the sugar sector** as of 1 October 2015 but supports their extension until 2020. It also disagrees with the abolition of the minimum price of sugar beet and supports the extension of the existing provision in this respect. The public **intervention** system in the cereals sector is regarded as insufficient and should include more commodities than common wheat only.

In the point of view of the Slovak Parliament, the Council of Ministers could set up criteria for the allocation of aid between the Member States under the school fruit scheme under Art. 43 (3) of the TFEU - as it would promote a Council of Ministers' decision on the amounts available for the school milk scheme. The National Council also supports programmes for other sectors (wine, apiculture) but disagrees with the extension of the general marketing standard to those sectors, where there are no specific marketing standards available, and with the use of oenological practices as a marketing standard. The Slovak

Parliamentarians are against the compulsory recognition of **producers' organisations** in all sectors and do not agree with the extension of the support for distillation of wine in the event of a crisis.

While in general welcoming the Proposal for a Regulation of the European Parliament and the Council on the financing, management and monitoring of the CAP regulation, the Slovak National Council refuses to accept some of the proposed provisions that will increase demands on the national budget as well as administrative burden. The resolution mentions, in particular, that the National Council is worried about the introduction of the certification body (CB) control system, due to the higher **administrative burden** and the subsequent extra-cost for the Member State.

The Parliamentarians are in favour of an initial **pre-financing** amount representing 7% of the EAFRD contribution to the

programme concerned, whereas they disagree with the proposal to pay the beneficiaries default interests, supported from the national budget, where the latest possible date of payment is not respected by the Member States.

In the case of **irregularities**, the Slovak Parliament sees the necessity to stipulate only one exact date from which the recovery procedure begins. In addition they suggest that 50% of financial consequences of non-recovery shall be borne by the Member State and 50% by the Union budget, and that the Member State may retain 20 % of the corresponding amounts as flat rate recovery costs.

In general, the Slovak National Council raises objections to the widespread power of the Commission to issue **delegated acts**, even sometimes in cases in which this power according to the treaty remains with the Council. LB

Based on documents transmitted by Nicholas Huba, Chairman of the Slovak National Council for agriculture and the environment, National Council of Slovak Republic: "Position of the Slovak Republic on the proposal for the reform of the Common Agricultural Policy towards 2020 and replies to discussion points for the inter-parliamentary session of the European Parliament Committee on Agriculture and Rural Development"

Finland - Eduskunta

The position of the Finnish Parliament (*Eduskunta*) can be summarised as follows. The *Eduskunta* supports the broad lines of the Commission proposals for CAP reform, which are considered a good basis for negotiations between the institutions. However, some elements of the proposals need to be improved and simplified, in particular: the **payment system**, the **greening** of the **first pillar**, **rural development funding**, **less favoured areas (LFA)**, **market management** of the CAP and **risk management** tools.

To begin with the **payment system**, the *Eduskunta* agrees that there is a need for reform and that it must be made more equitable between the Member States. However, the specific characteristics and production conditions of different Member States need to be taken into account, so **full flat rate payments** are not favourably looked upon. However, it has a favourable view on **capping** the **direct payments**, which would increase the public acceptance of CAP in general.

Another priority for Finland is maintaining **coupled payments**, at least at current level. To this regard, the *Eduskunta*

welcomes the fact that this has been taken into account in the Commission proposal, together with the possibility to go over 10% in special cases. Finland should be one of those cases.

It is very important that different **support systems** are simplified in the future and that the **bureaucratic burden** both for the farmers and the Member States is reduced. The *Eduskunta* agrees with the principle of targeting aid to **active farmers** although it would like to retain quite a large national margin in deciding who is an active farmer. The *Eduskunta* is concerned that a distinction between the levels of aid to be paid to farmers according to their different sources of income would entail additional complexity to the system. It should also be added that the support system for **small farms** should be voluntary for the Member States.

Finland already applies a **regional payment system**. There are still some top-ups especially for **animal husbandry**. They are to be phased out by the end of 2018, so sufficient **transitional measures** need to be in the system. The need to establish **payment entitlements** again in

Member States which already have been moving towards **regional flat rate payment** is questioned as this will just create additional administrative work, encourage farmers to clear new land and cause difficulties in land rents.

The idea of **greening** of the **first pillar payments** is basically seen favourable because the *Eduskunta* would like to see certain basic levels of environmental actions be extended to all arable lands in the EU. However, there are strong concerns as to the fact that the concrete measures presented by the Commission so far do not fit well into the Finnish conditions because of agronomic reasons related to Finland's natural conditions and they also bring additional complexity for the farmers and the administration. The requirement of **three cultivated crops** is especially difficult to achieve due to the climatic conditions. Given the fact that Finland is a **less favoured area (LSA)**, this requirement should be changed to **two cultivated crops**. It should also be added that if the farm has a high percentage of grass area, it should qualify as green.

Concerns have been raised about the limit of 3 ha in **crop diversification system**, which is very low. The limit should at least be 15 ha or it should be variable according to the average size of the Member State.

Demarcation between **greening, agro-environmental measures** and **cross compliance** must be very clear. In this respect the amount of 30% still needs to be studied. One option, which would be much simpler, is to try to combine **greening** and **cross compliance** requirements or take **second pillar measures** into account in greening in some feasible way.

Coming to **rural development funding**, the Finnish share (2,3%) needs to be maintained or even increased. Finland suffered large reductions in the previous negotiations (-30%), so taking into account Finland's specific conditions, its share cannot be reduced again. Finland even has objective **criteria** for increasing rural development funding, e.g. a lot of water

bodies requiring protection, sparse population and long distances to markets.

With regard to **less favoured areas (LFA)**, Finland is basically positive about the Commission's efforts to reform the criteria for such areas. It should be stressed that the *Eduskunta* believes that the whole country should be granted the status of an LFA. However, there seems to be a problem with the so-called "fine-tuning". In the Commission communication on **LFA-reform**, it was said that **fine-tuning** would not be necessary in cases where the handicap is based on cold climate or short growing period. This is not visible in the draft legal texts.

The *Eduskunta* also stresses that the increase of the **level of payment** (currently 250 €/ha maximum), does not cover the total handicap in Finland. It is therefore pleased to see the proposal to increase this amount in mountain regions and in exceptional cases, taking into account specific circumstances to be justified, in the **rural development programmes**.

With regard to **market measures** of the CAP, Finland is in favour of maintaining the current market instruments. However, their operation should be smoother and faster so that the Commission can act immediately in a **crisis situation**. The Commission's ideas to develop **producer organisations** in all the sectors of agriculture are also strongly supported. The *Eduskunta* is in favour of continuing **sugar quotas** at least up to 2020. In Finland there is one remaining factory which should be maintained.

Finally, with regard to **risk management**, the system to be developed should be very flexible, so that Member States could design a system best suited for their needs. To give an example, with regard to traditional **agricultural insurance schemes**, one should look for more innovative tools such as index-based risk management contracts, as tools for risk management. FBO

The CAP reform was discussed by *Eduskunta's* Environment Committee meeting of 22 November 2011, the Grand Committee's meeting on 2 December 2011 and the Agricultural and Forestry Committee's meeting on 14 December 2011. The latter held its most recent discussion on the CAP reform on 14.6.2012: [http://www.eduskunta.fi/triphome/bin/thw/trip?\\${APPL}=utpvm&\\${BASE}=utpvm&\\${THWIDS}=0.54/1340106714_469383&\\${TRIPPIFE}=PDF.pdf](http://www.eduskunta.fi/triphome/bin/thw/trip?${APPL}=utpvm&${BASE}=utpvm&${THWIDS}=0.54/1340106714_469383&${TRIPPIFE}=PDF.pdf)

Sweden - Riksdag

On 15 March 2012 the Committee on Environment and Agriculture of the Riksdag held a consultation with the Swedish Minister for Rural Affairs, Eskil Erlandsson, on the Commission proposals concerning the Swedish position for the reform of the Common Agricultural Policy. The Government, formed by a coalition of the Moderate Party, the Liberal People's Party, the Christian Democrats and the Centre Party, was mainly supported by the opposition parties which set out some divergent views on specific aspects of the reform.

The consensual parts of the Government's position were its advocacy for a higher **simplification** of the CAP, and its criticism towards the increased administrative burden, and the limited environmental benefits and the limited progress in terms of **market orientation**.

As far as direct support is concerned, the Government believes that it should be decoupled completely, offset by the reduction of the highest subsidies which should eventually be phased out. While this principle view is widely shared in the *Riksdag*, e.g. by the Sweden Democrats, the Social Democrats, nevertheless, would make an exemption for a decoupled start-up support to young farmers and the Sweden Democrats are generally favouring a more pragmatic approach. The Government's view that the Commission's proposal is too cautious in terms of equalisation of direct payments is explicitly endorsed by the Social Democrats who argue in favour of an increased equality and even in favour of evening out the differences between Member States. The Government also criticised the Commission proposals as quite inadequate in terms of coupled support.

The Government agrees with the idea that direct support, to a greater extent, should be directed to **active users** but criticises the proposed definition as problematic, as do the opposition Social Democrats who would prefer using a negative list to exclude e.g. golf courses and airports. According to the Government, any new proposal has to be consistent with the WTO Green Box.

The Government's scepticism towards "**greening**" of direct support is supported by a large majority however the Social Democrats advocate a more pragmatic

approach and are proposing amendments in the negotiations. While the Government asks that greater flexibility be attained to enable adaptation to national and regional conditions in order to avoid unwanted effects and improve efficiency, the Social Democrats propose the allocation of an additional grant of 10% to certified organic land as a simpler method.

The Government considers that it is important that support for **areas with natural constraints** in Pillar I, as well as special support mechanisms for **small farmers** and **young farmers**, be voluntarily applicable for member states.

All parties in the Swedish *Riksdag* support the Government in welcoming increased investments in the environment, sustainable development and innovation under **the rural development** proposal of the Commission. However, the Government, supported by the Social Democrats, asks for a greater focus on sound animal husbandry. The majority's view that there are reasons to maintain agricultural activity in **areas with natural constraints** is also clearly supported by the Green Party.

While the Government considers that all **market support** (including **export subsidies**, which are mentioned as well by the Green Party and the Left Party, as well as **sugar quotas**) be phased out by 2013 at the latest in accordance with the EU commitment within the framework of the Doha Round, the Sweden Democrats do not see it as realistic that all market support can be phased out as early as next year without serious consequences, and therefore consider that a phasing out should take place over a longer period of time.

The Government is highly critical of the **special emergency reserve** to support the agricultural sector in sudden **market crises** as it is also sceptical of the Commission's proposal to extend the system of **producer organisations** to apply to producers of all agricultural products covered by the CMO. The introduction of these measures should be voluntary for member states. In addition, this is mirrored by the criticism of the Social Democrats towards the new **risk management** priority in rural development.

While the previously mentioned positions are more or less commonly shared, there are some differences between the Swedish parties concerning certain aspects of the reform proposals.

While the Government emphasises that the CAP reform should lead to significantly lower costs and that its main objective is to reduce **spending** in both pillars, the Social Democrats favour increasing Pillar II funding. The coalition, however, are favourable towards the proposed flexibility in allowing member states to determine transfers from Pillar I to Pillar II ("**modulation**"). However, the Government is critical of the fact that **reverse flexibility** is being introduced for certain member states i.e. that funds can be transferred from Pillar II to Pillar I.

In contrast to the Government, which is doubtful concerning the Commission's proposal to impose support ceilings, the Social Democrats favour the proposal for a ceiling on support ("**capping**") and

explicitly support the proposal in terms of **cross-compliance**.

The Greens, in addition to what had been said already, reject the intensification of agricultural production in order to compete on a global production market with producers who do not need to pay their environmental costs and are concerned about the foundations of the European food supply chain. Both Social Democrats and Greens put a special emphasis on linking financial support to environmental services and public goods, such as the fight against climate change.

While the Government considers that the CAP should remain a common policy area, the Left Party argues that agricultural policy should be re-nationalised and that Sweden should be saying "no" to the Commission proposals. The Sweden Democrats think the decision as to whether the market should be freely opened for the import of all of the world's products should not be considered within the CAP EA

Link to the protocol (in Swedish) from the consultation in the committee on Environment and Agriculture of the Swedish Parliament: http://www.riksdagen.se/sv/Dokument-Lagar/Utskottens-dokument/Ovriga/Protokoll---utskottssammantrad_GZA12A76BC/

United Kingdom - House of Commons

In their latest report on 'Greening the Common Agricultural Policy', published on 1 June 2012, the House of Commons Environment, Food and Rural Affairs Committee, rejected the European Commission's proposed "**greening**" regulations in favour of giving the Member States the flexibility to encourage farmers to tailor their land management to local circumstances. The report concluded that EU plans to impose new environmental regulations on farmers across Europe will reduce food production and are likely to harm the environment.

Launching the report, Anne McIntosh MP, EFRA Committee Chair said: "As they currently stand, the Commission's proposals to green the CAP would hurt UK farmers, consumers and our countryside. They will reduce food security by taking land out of production and are likely to impact badly on our environment. It's a nonsense to think that farmers from Finland to Sicily should be tied to the same narrow prescriptive rules. A one-size-fit all regulation cannot work across the range of environments found in Europe. To enhance biodiversity and protect the environment

farmers across the EU must be able manage their landscapes in ways tailored to local farming methods and ecological concerns. The Commission's approach will damage the natural environment and farming. "The European Commission proposes that 30% of "**direct payments**" made to farmers under the Common Agricultural Policy (CAP) would be conditional on compliance with three new "**greening**" measures. While supporting the Commission's desire to improve the environment, the EFRA Committee rejected the approach proposed. Instead, the Committee called for the EU to set high-level objectives for the CAP that provide for flexibility to apply the right measures for local conditions through 'decentralising' environmental protection under the CAP to Member States.

The Committee also concluded that the UK Government Department for Environment, Food and Rural Affairs (DEFRA) must ensure that the balance of funding between mandatory and voluntary aspects of the CAP should not leave UK farmers at a competitive disadvantage relative to their counterparts in the rest of Europe.

The report also warned that measures proposed by the Commission would be even more complex than the current system – adding costly **bureaucracy** and generating more errors in the system. Likewise, the Committee concludes that the Commission's **crop diversification** measure would in the UK have perverse consequences that are far less environmentally beneficial than **crop rotation**.

Lastly, MPs acknowledge that, of the three "**greening**" measures offered, the Commission's proposal for Ecological Focus Areas (EFA) has the potential to deliver the greatest environmental benefit. However, the lack of definitions within the proposals makes it difficult to assess what, if any, such benefits would actually be delivered.

Previously, in its report of 15 April 2011 on the Common Agricultural Policy after 2013, the EFRA Committee criticised all of the 2010 European Commission proposals. Arguing that **direct payments** had a place within the CAP, the Committee was sceptical about DEFRA's negotiating tactics, with its emphasis on reduction of direct payments. Their witnesses rejected the European Commission's proposals to "**green**" Pillar 1 through compulsory additional agri-environmental measures as they risk creating additional complexity of implementation while not delivering tangible benefits.

Following the recommendation of the European Scrutiny Committee in its consideration of the proposals, European Committee A debated the CAP reforms on 31 January 2012. Julie Elliott MP opened the debate, representing the European Scrutiny Committee:

"The European Scrutiny Committee decided to put this matter forward for debate as follows. Since 1992, there have been a number of reforms of the Common Agricultural Policy and, in November 2010, a Commission communication sought to look ahead to 2020, on the assumption that the CAP would remain a strong common policy, structured around **two pillars**—support for agricultural production and rural development measures.

The Commission subsequently set the budgetary framework for the CAP for 2014-20 and has now followed this with a set of detailed proposals, including document No. 15688/11, an executive summary of a Commission impact assessment of the CAP to 2020; document No. 15396/11, dealing

with **direct support payments** to farmers; and document No. 15425/11, addressing support for rural development. (...)

The Committee's view is that reform of the CAP is self-evidently an important subject and that the first of these documents should be debated to provide a useful overview of the proposed reforms. The Committee took a similar view of document No. 15396/11, on the grounds that **direct payments** to farmers provide poor value for money and that the proposals contained a number of controversial elements. Likewise, it noted that, although document No.15425/11 would maintain the underlying objectives of the EAFRD, a number of the changes being proposed were of some significance.

Finally, document No. 15397/11 relates to the common organisation of agricultural markets, covering such things as **public intervention, production quotas, external trade** and **competition** rules. The Committee commented that **market measures** have in the past formed an important part of the CAP, but now account for only a relatively small share of expenditure and that, in the main, this document did not seek to introduce any major changes. At the same time, the Committee noted that the Government were concerned about the new funding arrangements proposed and, although it was content to clear the document, it regarded it as relevant to this debate."

At the end of this debate the Committee took note of the CAP reform proposals and supported the Government's view that fundamental change to much of the Commission's regulatory proposals was required to deliver the legislative basis necessary to support an innovative, competitive and market-orientated farming industry, genuine additional environmental, biodiversity and climate change benefits and strong, viable rural communities in a sufficiently simple manner to allow effective implementation by paying agencies and farmers.

MA

For further information, please see: Environment, Food and Rural Affairs Committee - First Report on Greening the Common Agricultural Policy (1 June 2012): <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmenvfru/170/17002.htm>, Environment, Food and Rural Affairs Committee - Fifth Report of 2010-12, The Common Agricultural Policy after 2013, 15 April 2011: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmenvfru/671/67102.htm>; European Scrutiny Committee, 47th Report of 2010-12, 23 November 2011, Chapters 1-3: <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmeuleg/428-xlii/42802.htm>. The official transcription of the debate is available at: <http://www.publications.parliament.uk/pa/cm201012/cmgeneral/euro/120131/120131s01.htm>. On 8 March 2012, the House of Commons held a Westminster Hall debate on the Common Agricultural Policy. The official transcription of the debate is available at <http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120308/halltext/120308h0001.htm>

United Kingdom - House of Lords

Last year the House of Lords completed an inquiry into innovation in EU agriculture, publishing a report in July 2011. The conclusions reached in that report have provided the basis for its consideration of the October 2011 proposals, summarised by the outgoing Chairman of the European Union Committee, Lord Roper, in a letter to EU Commissioner for Agriculture Dacian Cioloş on 1 February 2012. The arguments set out in the letter are reproduced here.

As an overall assessment, while the House of Lords' EU Committee welcomes the positive changes proposed to the second pillar (European Agricultural Fund for Rural Development) in the direction of innovation, it is very disappointed by the overall lack of ambition shown in the reform package. In the light of current economic and climatic challenges, new approaches are required, and the Committee strongly regrets that the opportunity appears to have been missed to introduce them. The risk of even greater disruption to European economies cannot be ignored; were this to materialise, long-standing budgetary models such as the CAP could become obsolete overnight.

So the Committee is pleased at the proposal that funding for investment in agricultural research should be more than doubled (under the Horizon 2020 budget), but considers the failure to make any substantial reduction in the overall agricultural budget very disappointing. The Committee acknowledges that some cuts have been made to **direct payments**, but would support a greater reduction, alongside more ambitious **modulation** of funds to the second pillar.

One of the original justifications for direct payments was as a **risk management measure**, in recognition of the fact that the industry can face unforeseeable and significant risk derived from adverse

climatic events and animal or plant diseases or pest infestation. As a short-term counterweight to reduced direct payments, the Committee considers some form of temporary risk management measure to be important. Over the longer term, however, such **state-funded support** should not be necessary. The October 2011 proposals include a variety of risk management measures: under pillar two, the CMO Regulation and the Global Agricultural Risk Management Fund. The House of Lords' EU Committee does not see the need for all of those measures but strongly agrees that financial support should be available on a time-limited basis to cover premiums for crop, animal and plant insurance against economic losses caused by the risks described above. This already forms part of the new Risk Management Toolkit in the second pillar.

Turning now to the proposal for the "**greening**" of direct payments, the Committee has previously recommended that payments under the first pillar of the CAP should be made in return for delivery of public goods, responding to climate change, protecting biodiversity and encouraging agricultural innovation. In the Committee's view, the principle is therefore reasonable. However, the Committee sees a fundamental problem with the October 2011 greening proposal, in its "one size fits all" lack of flexibility. The Committee would prefer to see most greening measures identified at the national or regional level, building on the **cross-compliance** requirements and recognising substantial efforts already made by farmers.

The **proposal to cap direct payments** has been much discussed. While the practicalities of such a cap may be challenging, there is nonetheless an important issue of public perceptions, particularly if the funding is hypothecated

towards innovation funding under pillar two. The Committee is therefore inclined to support the proposal.

The proposed **pillar two regulation** contains much that the Committee welcomes, particularly:

- the prominence given to the issues of **knowledge transfer** from laboratory to farm and to the exchange of information between scientists, farmers and others;
- the proposal that the Farm Advisory Service should extend beyond **cross-compliance**;
- the inclusion of a new article on cooperation among different actors in the agriculture and food chain, forestry sector and among other actors that contribute to **rural development** policy, allowing too for the establishment and operation of operational groups of the European Innovation Partnership on Agricultural Productivity and Sustainability;
- the suggestion that initiatives under the cooperation article, and various other innovation-related measures, will benefit from 80% **Union financing** (as opposed to 50% for most measures); and
- support to non-farm economic activities.

The Committee considers, however, that the proposals give insufficient recognition to the role of private sector advice in the farm advice structure. There is an issue of the tension that can arise between, on the one hand, advice orientated in favour of certain products and, on the other hand, sustainability. The Committee sees this issue as one that needs to be reflected in the final Regulations.

In its July 2011 report on innovation in EU agriculture, the Committee expressed support in principle for the European Innovation Partnership (EIP) on Agricultural Productivity and Sustainability, albeit that we concluded that it must be founded on effective, action-based co-operation. The Committee hopes that the Commission will soon be able to publish a good deal more detailed information about how this EIP is to be taken forward.

The Committee has communicated its views on the proposals to the UK Government, and shall maintain a close interest in the ongoing discussions on them. In its report on innovation in EU agriculture, the Committee said that Europe must act quickly and coherently to transform EU agriculture, and make it ready for a new era facing a global challenge. Reform of the CAP is our opportunity to secure that transformation. MA

The July 2011 report into Innovation in Agriculture is available at

<http://www.parliament.uk/business/committees/committees-a-z/lords-select/eu-environment-and-agriculture-sub-committee-d/news/innovation-in-eu-agriculture-press-notice/>

In May 2012, the EU Committee published its report into EU freshwater policy and made a series of recommendations that are directly pertinent to the CAP and its reform, including cross-compliance. The full report and its relevant recommendations (Chapter 5) are available at

<http://www.publications.parliament.uk/pa/ld201012/ldselect/ldcom/296/296.pdf>.

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