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Annex 9: Report on the Public Consultation

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INTRODUCTION

As part of the preparation of the legislative proposals for the Common Agricultural Policy after 2013 the Commission Services solicited input from interested parties to complete the diagnosis and exploration of the options for reform outlined in the Communication *"CAP towards 2020: meeting the food, natural resources and territorial challenges of the future"* and in the consultation document for the impact assessment. The consultation process called on parties representing all interests of the society to express their opinion on the relevance of the described elements, the consistency of the approach and possible improvements that could be made.

This process builds on a broader public discussion which included: an inter-institutional debate on the Communication, a wider public debate (April-June 2010), a stakeholders' conference in July 2010, two enlarged advisory committees (one in 2010 and one in 2011), and involvement of the European Network for Rural Development.

The report summarises the contributions and the process and provides information on the methodology and the participants.

1. STAKEHOLDER CONSULTATION ANALYSIS

1.1. Stakeholder consultation

In November 2010, the European Commission released a Communication on the Common Agricultural Policy towards 2020 to launch the inter-institutional debate with the other European institutions.

In the context of the Impact Assessment accompanying the legislative proposals prepared for the period post 2013, the Inter-Service Steering Group (ISSG) sought to consult the interested parties on preliminary formulation of the issues to tackle, objectives of the policy, scenarios and expected impacts in order to provide a comprehensive evidence-base for high quality and credible policy proposals.

The consultation aimed at:

- informing and allowing stakeholders to submit their views on the problem definition, reform objectives and scenarios proposed, and
- gathering facts and analytical data on the expected impacts of assessed options.

The consultation document, used as a basis for the consultation, gathered valuable information on the problem definition and the description of the proposed reform scenarios through 11 questions related to these issues. The consultation document can be found in annex II to this report.

Interested parties were invited to submit their contributions and additional analytical elements between the 23rd of November 2010 and the 25th of January 2011. The consultation was very successful. An overwhelming number of 522 contributions were received by the Commission.

2. ANALYSIS OF RESPONSES

The main trends in the opinions received in the public consultation can be summarised as follows:

- Most stakeholders agree with the challenges for the future of the CAP and objectives of the reform.
- There is a broad agreement among stakeholders on the need for a strong Common Agricultural Policy based on a two-pillar-structure in order to address the challenges ahead. The majority of stakeholders found the policy scenarios consistent with the objectives of the reform.
- Stakeholders have strong and diverse opinions concerning the targeting of aid. Redistribution of both Pillar I and Pillar II payments between and within Member States, capping and targeting payments towards groups of farmers are the issues where the main concerns were expressed.

- There is agreement that both pillars can play roles in providing public goods to the benefit of the EU society. Whereas many farmers' organisations believe that this already takes place today, the broader public argues that Pillar I payments can be more efficiently used to step up environmental performance.

- Most respondents find that the CAP should play a role in stabilizing markets and prices, although there are diverse opinions on how this is done most efficiently.

- The respondents want all parts of the EU, including less favoured areas, to benefit from growth and development.

- Innovation, development of competitive businesses and provision of public goods to the EU citizens are seen as the ways towards aligning CAP with Europe 2020 strategy.

The following parts provide a summary of the replies received for each of the questions raised in the consultation document.

2.1. Policy scenarios

(1) Are the policy scenarios outlined consistent with the objectives of the reform? Could they be improved and how?

The majority of the stakeholders found that the policy scenarios were consistent with the objectives of the reform. Food security, provision of public goods, environmental protection, rural development and social aspects came up as examples of challenges that the scenarios deal with. A number of respondents found that there is too little and too general information on the scenarios provided.

The integration scenario was considered to be the most balanced and sound one with respect to the challenges. The adjustment scenario was much less popular, while yet more popular compared to the refocus scenario. Those opting for the former, did so with respect mainly to policy continuity and less bureaucracy while those who preferred the latter, did it mainly referring to the better targeting of measures towards public goods. Many respondents recognized positive elements in more than one scenario, and suggested different combinations of instruments and measures that would optimize the benefits of the CAP.

A number of stakeholders argued that the scenarios did not correspond to the challenges outlined in the problem analysis.

Some of the organizations criticized the CAP reform process by having deregulated agricultural markets too much, and proposed instead a fourth scenario. This scenario aims at ensuring higher and more stable and would be mainly focused on price support policies. This would be done by a combination of public supply management and management of agricultural imports in order to avoid imports at prices below EU average production costs. In consequence, such scenario would need to substantially renegotiate the current international trade agreements. Direct payments would play a far less important role than in today's policy, and would be based on criteria of high environmental and social standards and the number of people working on the farms. High environmental standards and respecting food markets and food security in developing countries are other important parts of the fourth scenario.

Suggested improvements to the scenarios related mainly to the alignment of the future CAP to the Europe2020 strategy and the strengthening of the link between environmental and economic and social challenges. There was consensus on the importance of income support among the stakeholders, but how and when the redistribution of aid should be carried through seemed to be less simple to agree on. Other areas of improvement related to trade issues, subsidiarity at regional and local level, food safety, consumer perspectives, incorporation of public health and innovation and competitiveness.

(2) Are there other problems apart from those set in the problem definition section of this document that should be analyzed when considering the architecture of the CAP in the post 2013 period? What causes them? What are their consequences? Can you illustrate?

While stakeholders generally found that the scenarios would allow tackling the main problems, many found that there is still room for improvement. Several respondents found that there was too little discussion on how the CAP integrates with other relevant policies. This related both to other EU policies and national policies. Bio-technology and bio-energy policies drew particular attention. Some stakeholders pointed out that there was too little integration proposed, and others thought that the relations between them and the cross-effects of policies should be better analyzed. Some found conflicting goals within the CAP i.e. the need to achieve food security while responding to environmental concerns. Others mentioned that there was too little discussion on the financial framework.

Food security gained attention of many stakeholders. Some of them did not agree with the Commission's definition of food security and others thought that the role of the CAP in meeting the global food security challenges had been underestimated in the text.

Many stakeholders also found that the global perspective and the CAP's role on global markets were not analyzed enough. Some, mainly development organizations, requested better analysis of the effects of the CAP on developing countries. Others instead pointed out that third country producers do not need to meet the same high requirements on production as the EU producers, and raised the need of a level playing field or the need to better compensate EU farmers for the provision of public goods. The dependency on imported protein feed was another issue that many would have wanted to be analyzed.

Some replies brought up certain environmental concerns as being insufficiently or not at all dealt with in the documents e.g. cultural heritage in the environment, but also to issues they found should have been given more attention, e.g. climate change adaptation and water management.

A number of stakeholders thought that there was insufficient discussion on the food chain. Consumer interests and demand patterns, the food chain gained attention in combination with food prices and the effect of the CAP on consumers' health and well-being. Several stakeholders found also that the impact of high price volatility had not been sufficiently analyzed.

(3) Does the evolution of policy instruments presented in the policy scenarios seem to you suitable for responding to the problems identified? Are there other options for the evolution of policy instruments or the creation of new ones that you would consider adequate to reach the stated objectives?

The majority of stakeholders found the evolution of the CAP policy instruments in line with its reform path and with the objectives laid out in the Communication. Many also underlined the need to keep the two-pillar structure. A small number of stakeholders proposed instruments more in line with the fourth scenario which they proposed. Simplification and the reduction of the administrative burden were also brought up as an important element to take into account in the development of new policy instruments.

Several stakeholders pointed to the importance of income support under Pillar I. Some found that direct payments have contradicting goals and therefore it is hard to find policy instruments which fulfill these objectives at the same time. Targeting support to active farmers was overall positively received with a couple of respondents pointing out that part-time farming should be excluded from the definition. The application of capping to direct payments received mainly negative reactions.

The greening component in Pillar I was welcomed among some, but questions were raised with regards to possible implementation difficulties. While some found that cross-compliance should be kept and/or strengthened, others wished for its simplification. A few stakeholders pointed out the need to clarify the aims of the greening measures in Pillar I compared to the environmental measures in Pillar II, and underlined the possibility of weakening or overlapping the two-pillars.

Some stakeholders argued that the CAP has an important role in stabilizing markets and prices, and therefore welcomed the introduction of instruments relating to risk management. Several stakeholders supported the continuation of coupled support.

Strengthening rural development measures was emphasized by many stakeholders, and a special appreciation was expressed for the Leader method. The instruments most appreciated in Pillar II relate to the promotion of public goods provision, competitiveness, innovation, employment, diversification and skills acquisition. A few stakeholders wanted the payments within the agri-environmental schemes to better reflect the value of the public goods provided, while allowing Member States to cover more than costs incurred and income forgone.

2.2. Impacts

(4) What do you see as the most significant impacts of the reform scenarios and the related options for policy instruments? Which actors would be particularly affected if these were put in place?

The most significant impacts of the reform, as expressed by the stakeholders, relate to the equity both between farmers and between Member States, as well as sustainability and territorial impacts. However, most respondents found that the reform will have significant impacts, but a few thought that external factors i.e. tax policies and international trade agreements are more important and hence the reform will have limited effects. The reform is believed to have mainly an impact on farmers and on rural population, but also on other actors in the food chain, including consumers. Some also mentioned impacts on agricultural markets and markets with strong links to agriculture as well as effects on the rest of the world, including developing countries.

Many respondents found that the adjustment scenario does not bring much change or that it will lead to a strengthening of the current trends. For some respondents, this implies the continuation of unsustainable agriculture and territorial inequalities. Some

respondents found that the scenario does not respond to the needs to stabilize incomes and prices.

The integration scenario received more comments than the other two. The most prominent impacts were related to the direct payments redistribution (equity and effects on income) and impacts on market power, e.g. the bargaining power in the food chain. Potential transition period schemes were also discussed, as many respondents wished for a smooth transition. The expected impacts were very different depending on the local circumstances of stakeholders and no uniform global vision emerged. Capping was brought up as a negative element impacting on competitiveness, the functioning of markets and to some extent farmers' incomes. Farmers' incomes were mentioned several times as a main impact of the scenario, often relating to greening. Several stakeholders found that the scenario does not sufficiently deal with increased price volatility, market instability and increased exposure to speculation. On the other hand, there were also those who thought that incomes would increase under the integration scenario.

Greening was mentioned by many as an appropriate way to reach better environmental quality, increasing the delivery of public goods and creating opportunities for sustainable agriculture. A few thought that the environmental quality would decrease under the integration scenario due to the fact that measures in Pillar I are less efficient than the targeted measures in Pillar II. The administrative burden is believed to increase in this scenario, mainly due to the greening of Pillar I.

The main criticism on the impacts of the refocus scenario was that it will decrease farmers' income and competitiveness. Some thought that the environmental quality would increase and others that it would decline due to the specialization and intensification in some areas and land abandonment in others. There were also many comments on the negative impact with regards to territorial aspects. Some found that innovation would increase in the less distorted markets of the refocus scenario, leading to a more competitive agricultural sector.

(5) To what extent will the strengthening of producer and inter-branch organizations and better access to risk management tools help improve farmers' income levels and stability?

Overall there was strong support for the CAP to play a role in agricultural markets among the stakeholders. The reasons for that were linked mainly to existing price volatility, climate change and the insecure economic situation of many farmers. Meanwhile, some stakeholders argued against the rationale for using taxpayers' money for protecting private interests, and others considered that the proposals in the Communication did not go far enough.

Many welcomed the strengthening of producer organizations for various reasons. Producer organizations were believed to, if properly developed, improve incomes, strengthen local markets and encourage innovation. On the opposite, some brought up examples from the past, such as the shortcomings of the Fruit and Vegetable CMO, or the low uptake for setting up producer organizations in the Rural Development Programme (measure 142).

Fewer organizations reflected over the inter-branch organizations and their roles. Those who did, were rather positive towards the proposals, although several of the processing organizations did not agree. Instead, they thought that it might distort the market. A few

respondents wanted the discussion to focus on competition laws rather than on vertical integration.

Risk management gained more attention than the market management tools discussed above. Most respondents welcomed the Commission's approach. Those being against it thought that diversification or the use of private insurance schemes are more efficient, that the risk management tools might create dis-incentives or that private interests should be protected by private means. Some thought that sector specific price policies would be a better way to address the problem.

(6) What environmental and climate-change benefits would you expect from the environment-targeted payments in the first and the second pillar of the CAP?

Almost all responding organizations were positive towards CAP responding to agri-environmental concerns. The most frequently mentioned benefits in a greener future CAP were improvements with regards to climate change mitigation and adaptation, biodiversity, soil protection, open landscape values and water (quality and quantity).

Both environmental organisations and think-tanks/research institutes were generally in favour of greening Pillar I, although a few wanted to see the green top-ups further developed. Others were concerned that the proposed Pillar I measures may not be cost-efficient. There was a great diversity of answers among the responding organisations from the farming and the processing sectors. Only a few explicitly welcomed a greener Pillar I, although many expressed opinions on principal topics in which greening is pursued.

A substantial number of respondents were explicitly against greening the first pillar, or concerned with the effects it would have on the competitiveness of EU farmers. A few mentioned that there are already greening measures in the first pillar, such as cross compliance,.

Many expressed strong support for targeted agri-environmental measures in Pillar II.

(7) What opportunities and difficulties do you see arising from a significant increase of the rural development budget and a reinforcement of strategic targeting?

Many respondents were positive towards a larger Pillar II budget and pointed towards different opportunities coming from this. The most frequently mentioned opportunities were:

- supporting sustainable farming and/or further developing agri-environmental measures,
- supporting modernization, innovation, research and development in agriculture and
- enhancing rural development through both agricultural and non-agricultural measures.

Less difficulties than opportunities were mentioned by the responding organizations. However, many respondents draw the conclusion that an increased rural development budget would have to come from a decrease in spending on Pillar I measures, and found this to be a major drawback for the competitiveness of agriculture and the vitality of rural areas.

Environmental and development organizations expressed concerns over Member States' ability to co-finance, their willingness to pursue effective Rural Development Programmes and their possibility to reach out to the farmers. Farmers were mainly concerned over the effects of a reduced funding of Pillar I, but also over co-financing and the risk of increased administrative burden. Several producer organizations identified a risk of policy renationalization.

There was no consensus on strategic targeting. Of those organizations replying, most were positive, but there were also those concerned with delivery difficulties, decreased subsidiarity and the definition of appropriate cross-country criteria. A few organizations would prefer if spending on agriculture and rural development were kept in different funds.

(8) What would be the most significant impacts of a "no policy" scenario on the competitiveness of the agricultural sector, agricultural income, environment and territorial balance as well as public health?

The vast majority was concerned over the effects of a no-policy option. Many drew the conclusion that a no-policy option would lead to increased agricultural production in some, already productive, areas while leading to land abandonment in others. The main concern in relation to this seemed to be the effect it would have on the environment and the provision of public goods. The environmental quality would decrease due to intensified, more "industrialized" agriculture in the productive areas, leading to soil and water degradation and biodiversity loss. In the less productive areas, land abandonment and related problems such as loss of biodiversity and cultural heritages was assumed to be the result of a no-policy option.

Lower agricultural incomes, a sharp decrease in the number of farmers and in the competitiveness vis-à-vis third countries as well as increased price volatility were other likely effects of this option according to many respondents. This would impact negatively on food security and self-sufficiency, as well as on product quality. Many respondents were also concerned over the effects on the rural society in general. Few, but some, commented on the lack of consistency between a no-policy option and the Europe 2020 strategy and on the risk of this leading to the re-nationalization of agricultural policy.

Very few stakeholders opted for the no-policy option. A small number recognized benefits with the no-policy scenario, primarily relating to competitiveness and input prices, but were concerned with the effects it would have on the environment and the vitality of rural areas.

2.3. Monitoring and evaluation

(9) What difficulties would the options analyzed be likely to encounter if they were implemented, also with regard to control and compliance? What could be the potential administrative costs and burdens?

The most common reflection on implementation aspects was that the integration scenario would lead to higher administrative costs, but there was also some who thought that it would not necessarily imply a higher burden on farmers and Member States. Some of the difficulties related to current inefficiencies, lack of clarity and the functioning of control

and compliance systems. Many found that it is important to reduce the administrative burden.

Many argued that especially greening would increase the administrative burden, although some found that it would be a price worth paying in light of the improvements it would yield. Cross-compliance was another area of concern for many respondents. Some highlighted the possibility to simplify cross-compliance if greening mechanisms in Pillar I were to be introduced; others called for an improved sanction system and the need to allow for more regional flexibility in GAEC. Training both for public authorities and farmers was suggested as a way to reduce the administrative burden.

There were fewer and less critical comments on Pillar II measures. Some respondents said that strategic targeting is one way to reduce the administrative costs and others believed that more flexibility for regional level decision-making would decrease the administrative burden.

Many of the respondents did not address this question.

(10) What indicators would best express the progress towards achieving the objectives of the reform?

The indicators proposed by the stakeholders can be grouped into three broad categories responding to the economic, environmental and territorial challenges addressed in the consultation document.

- To follow the economic development, competitiveness, farmers' incomes and employment levels were considered key indicators. Indicators on farmers' incomes and the share of incomes coming from agricultural support, the number of farmers, the employment levels and the structural development of farms were frequently mentioned. Many also found it important to follow markets, prices and market power closely, the latter for example in terms of primary producers' shares of final consumer prices. Trade balance, export levels and self-sufficiency on EU level were also proposed.

- Environmental indicators were brought up very frequently, and all categories of respondents were interested in following agri-environmental developments. Stakeholders were interested in agri-environmental indicators including biodiversity, farmland species (birds and butterflies most frequently mentioned), landscape protection (both natural and cultural elements), Natura 2000, the number of organic farms and the amount of arable land under agri-environmental schemes. Water and soil related indicators also gained attention. Many respondents commented on various aspects of water, such as nutrient run-off, chemical residues, and indicators of amount of water used for agricultural production. Climate change, both with respect to green house gas emissions and carbon sequestration in land also were mentioned.

- The third category, relating to the territorial and broader rural development challenges was considered less than the previous two. Following the demographic transitions with respect to population density and composition seems to be the main concern. A few organizations pointed out that an effort should be made so that the joint impact of the EU funds can be better measured. There was also some interest for following the number of enterprises, the employment levels and the diversification of rural areas.

Few respondents reflected over difficulties with using indicators, but those who did brought up lags between action and environmental outcome, the challenge of capturing the actual effect of a policy and how to align the indicators with the Europe 2020 strategy. The indicator systems that came up were SEBI (Streamlining European 2010 Biodiversity Indicators), IRENA (Indicator Reporting on the integration of. Environmental concerns into Agricultural policy) and CMEF (the Common Monitoring and Evaluation Framework for the Rural Development Programme).

(11) Are there factors or elements of uncertainty that could significantly influence the impact of the scenarios assessed? Which are they? What could be their influence?

Stakeholders referred to uncertainties relating to external factors and to the policy framework.

The main external uncertainties were market volatility, climate change and the economic crisis. Market volatility, primarily for agricultural commodities seemed to be the main source for concern, and attention was also given to energy and other input prices. Climate change was another main area of concern, where the effects for agricultural production locally as well as globally were seen as highly unpredictable. Other environmental problems, such as pesticide resistance and ecosystem resilience gained much less attention. The financial crisis and the recovery path worried many of the stakeholders, and there were also some mentioning the risks of future financial crises.

Within the policy framework, many considered the size of the future CAP budget as the main uncertainty, and some also referred to the future CAP, primarily the potential introduction of greening and new market instruments, as uncertainties. Many organizations mentioned trade agreements, in particular the outcome of the Doha round but also the developments of the Mercosur agreements as a major source of uncertainty. A few brought up EU Member States' willingness and capability to co-finance rural development measures and the policy development in other countries as major uncertainties. Competition law, GMO and bio-energy policies gained some, though lesser, attention.

3. ANALYSIS OF RESPONDENTS

The Commission services received in total 522 contributions[1] (of which 72 from private persons). From the contributions from organisations, a large fraction came from the farming sector (37%) followed by regional and local authorities (16%) and environmental organisations (11%), think-tanks and research institutes (8%) as well as organisations from the processing sector (6%), development organisations (4%), the trade sector (3%), national authorities (3%) and consumer organisations (1%). Other organisations (12%) participating in the consultation included health protection organisations, water management bodies or civil society representations.

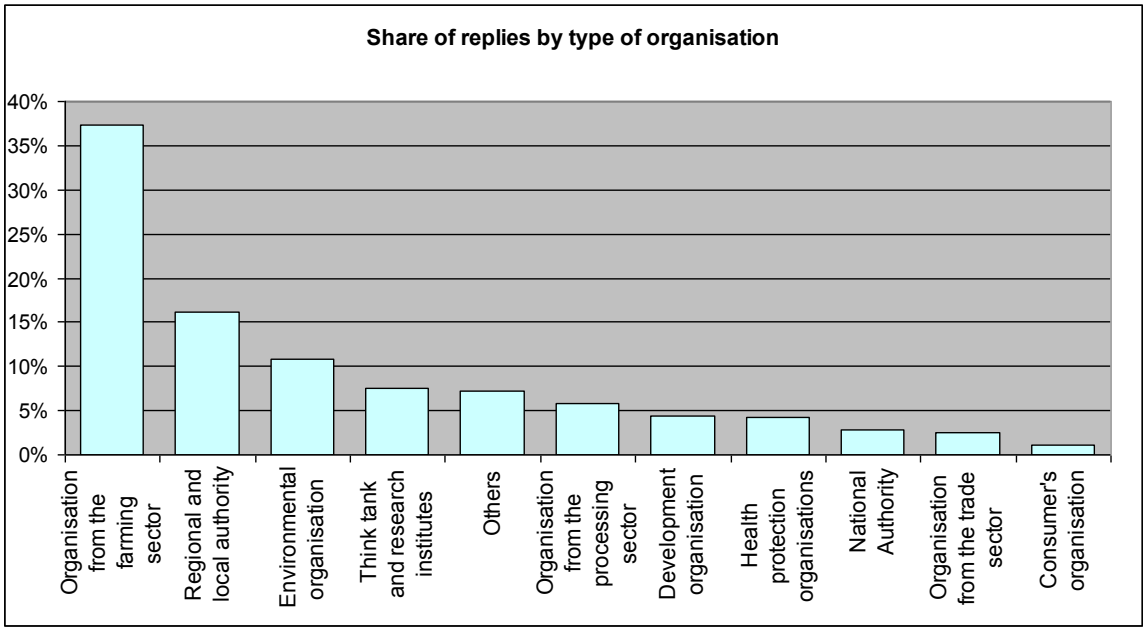
Each contribution was individually analysed by the Commission services. Information was sorted in categories responding to the question asked and to the type of issues

[1]From these 18 were empty and 69 were repetition from the same organisations.

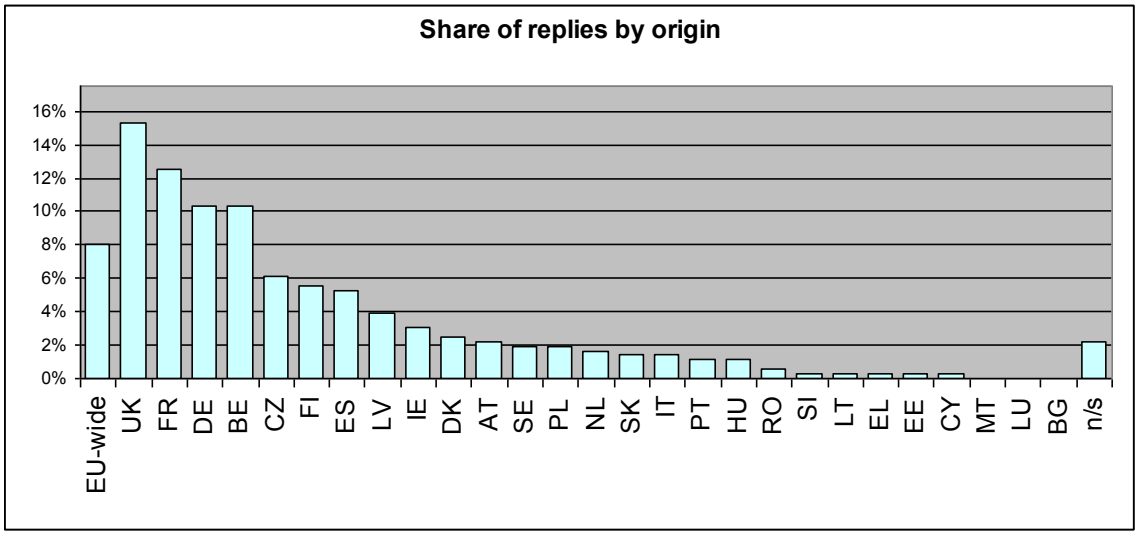
discussed. Analytical elements were extracted and introduced into the impact assessment analysis.

Contributions can be found at a Europa webpage[2] which will be open until the end of 2012.

Graph 1. Stakeholders breakdown according to organisational type. Total number of organisations 363.



Graph 2. Stakeholders breakdown according to origin. Total number of organisations 363.



[2] http://ec.europa.eu/agriculture/cap-post-2013/consultation/index_en.htm

ANNEX 1: LIST OF RESPONDENTS

AAF
AEM
Agency of the Slovak Academy of Agricultural Sciences (ASAAS)
AGPL (Association Générale des producteurs de Lin)
Agrodružstvo Zábřeh
AGROSPOL HOSTOVICE a.s.
Agro-Think-Tank
AGRYA (Agricultural and Rural Youth Association)
Aktion Österbotten
Almwirtschaftlicher Verein Oberbayern
Alūksnes vietējās rīcības grupa
ANPOC - Associação Nacional de Produtores de Cereais
APRODEV
Arbeitsgemeinschaft Pro ländlicher Raum
ARC
Archaeology Scotland Educational Charity
AREPO (Association des Régions européennes des Produits de qualité)
Argyll and Bute Council
ASAJA
ASAJA ANDALUCIA association of Farmers
ASBL NATAGORA
Assemblée des Régions Européennes Fruitières, Légumières et Horticoles
Assemblée permanente des Chambres de métiers et de l'artisanat
Assembly of European Regions
Association des Régions de France
Association nationale des Organisations de Producteurs de pruneaux de France
Association of Directors of Public Health
Association of the Plant Protection Industry in Romania
Associazione per la Lotta alla Trombosi
Austrian Chamber of Agriculture
AVEC
BABF (Bundesanstalt fuer Bergbauernfragen)
Bauernverband Altmarkkreis Salzwedel
Bauernverband Nordharz
Bayer
beefproducers of Sweden
Beefproducers of Sweden
Biedrība „Saldus lauksaimnieku apvienība”
Biedrība Laidu pils attīstībai
Biedrība Liepājas rajona partnerība
BIO AUSTRIA Organic Farmers Association
Birdlife
BirdLife Finland
Board of National Council of Agricultural Chambers (Poland)
Boerenbond
Borenbond
British Heart Foundation
Budapest declaration
Bundesarbeitskammer (BAK)
Butterfly Conservation Europe
CAP-IRE
Carbon Cycles and Sinks Network
CEEweb for Biodiversity
CEFS (Comité Européen des Fabricants de Sucre)
CEJA
CEMR: The Council of European Municipalities and Regions
Central Association of Agricultural Valuers (CAAV)
Central Union of Agricultural Producers and Forest Owners (MTK)

Centre for Economic Development, Transport and the Environment
CER France
CEV (Centre d'éco-développement de Villarceaux)
CEVI - European Confederation of Independent Winegrowers
CGB (Confédération Générale des Planteurs de Betteraves)
Chambre d'Agriculture de Lozère
Chambre d'agriculture des Bouches-du-Rhône
Chambre d'agriculture du Gard
Chambre interdépartementale d'agriculture de l'Ile-de-France
Chambre Régionale d'Agriculture du Languedoc Roussillon
chambre régionale languedoc roussillon
Chambres d'agriculture françaises
ChaMPs Public Health
CIDE (Commission Intersyndicale des Déshydrateurs Européens)
CNP (Campain of National Parks, UK)
COAG
COAG Canarias
Coalition Clean Baltic
Coceral
Comhar na nOileán
Comité National des Interprofessions des Vins
Commission Permanente du Comité de Massif
Compassion in World Farming Animal welfare
CONCORD European Food Security Group (EFSG)
CONFEDERAÇÃO NACIONAL DA AGRICULTURA - CNA
Confédération des Betteraviers Belges
Confédération française démocratique du travail (CFDT)
Confédération Générale des Planteurs de Betteraves
Confederation of the Food and Drink Industries
Confédération paysanne, FR
Confédération paysanne, Languedoc-Rousillon
Confederazione Italiana Agricoltori
Convention of Scottish Local Authorities
Conwy County Borough Council, UK
Cooperativas Agro-alimentarias
Cooperativas alimentarias, ES
Copa-Cogeca
COSLA The Convention of Scottish Local Authorities
Countryside Council for Wales
CPMR
Cumbria County Council
Czech Agrarian Chamber
Czech-Moravian Union of Agriculture Entrepreneurs
Dairy UK
Danish Agriculture & Food Council
Danish Regions
Department for Environment, Food and Rural Affairs (Defra), UK
Der Bayerische Bauernverband
Derbyshire County Council
Die Grünen, Berlin
Die LandGestalter
dr Robert Mroczek mgr Mirosława Tereszczuk
DRV, DE (Deutscher Raiffeisenverband)
Dutch Northern Provinces
Dutch Organisation for Agriculture and Horticulture
DVGW German Technical and Scientific Association for Gas and Water
DVL (Deutscher Verband für Landschaftspflege)
East Riding of Yorkshire Council
Eco Ruralis
Ecologistas en Acción
ECOVAST (European Council for the Village and Small Town)

EEB
EFG (European Fermentation group)
EFOW (European Federation of Origin Wines)
ELARD
ELO - European Landowners' Organization
ENCA
ENCA IG sustainable Land Use and Agriculture
English Heritage
English National Park Authorities Association (ENPAA)
Espace interrégional européen
EUCOLAIT
EUREAU (European Federation of National Associations of Water and Wastewater Services)
Euro Coop (European Community of Consumer Cooperatives)
EUROCARE
EuroGites
Eurogroup for Animals
EUROMONTANA
European Crop Protection Association
European Dairy Association
European Forum on Nature Conservation and Pastoralism
European Heart Network
European Initiative for Sustainable Development in Agriculture (EISA)
European Milk Board
European Potato Trade Association
European Public Health Alliance
European Public Health and Agriculture Consortium
Evangelische Brüder-Unität
FACE (Federation of Association for Hunting and Conservation of the EU)
Fair Trade Advocacy Office
Fairtrade Africa
Farmers Parliament
Farmers' Union of Wales
FDSEAIF (Fédération Départementale des syndicats d'Exploitants Agricoles de l'Ile de France)
Federação Portuguesa de Associações de Desenvolvimento Local
Fédération des Parcs naturels régionaux de France
Fédération Inter-Environnement Wallonie
Fédération Nationale d'Agriculture Biologique
Fédération Nationale des Chasseurs de France
Fédération Unie de Groupements d'Eleveurs et d'Agriculteurs
Federazione Trentina della Cooperazione
FEDIOL is the European federation representing the EU Oil and Proteinmeal Industry
FEFAC
FERN
Fertilizers Europe (European Manufacturers Association of Fertilizers)
FGA-CFDT
FIAB (Spanish Federation Of Food And Drink Industries)
Finnish Rural Network
Finnish Rural Network, Leader working group
FNAB, Fédération Nationale d'Agriculture Biologique des Régions de France
FNCUMA
FNE (France Nature Environnement)
Food and Drink Federation's
FoodSovCap Network
Frie BOender - Levende Land
Friends of the Earth Cyprus
Friends of the Earth Europe
FRSEA
FSB (Federation of Small Businesses)
German Landowners Organization
Germanwatch
Grundbesitzerverband NRW

Grüne Bäuerinnen und Bauern (GBB)
Hampshire County Council
HANGYA Association of Hungarian Producer's Sales and Service Organisations and Co-operatives
Havlíková Justa
Heart of Mersey
Helmholtzzentrum für Umweltforschung
Herefordshire Council
Highland Council
IFAB (Institute for Agroecology and Biodiversity)
IFOAM
Infarm
Institute for Agroecology and Biodiversity
Institute of Agricultural and Food Economics
Instituto de Desarrollo Comunitario
Interchanvre
International Confederation of European Beet Growers
Interprofession des fruits et légumes transformés de France
IPO (Dutch provinces)
Irish Cattle and Sheep Farmers' Association
Irish Co-Operative Organisation Society
Irish Dairy Industries Association
Irish Farmers' Association
Irish Heart Foundation
Irish Islands Federation
Irish Rural Link Policy
JARC (Joves Agricultors i Ramaders de Catalunya)
Jeunes Agriculteurs
Karhusetu
Karki
KEPKA - Consumers Protection Centre
Kmetijsko gozdarska zbornica Slovenije
Kreisbauernverband Borna, Leipzig
Kreisbauernverband Marburg
Kreisbauernverbandes Böblingen
Kuusiokunnat
Läänemaa Mahetootjate Selts - Society of Ecological Farmers of Läänemaa County, Estonia
Landesbauernverband Baden
Landesbauernverband Brandenburg
Landesbauernverband in Baden-Württemberg
Landesbauernverband Sachsen
Landesnaturschutzverband
l'Association Blé Dur Méditerranée
Latvian Rural Advisory and Training Centre Saldus
Latvian State institute of agrarian economics
Le groupe Pac 2013
LEAF (Linking Environment And Farming)
LINK
Lithuanian Free Market Institute
LVAEI (Latvia State Institute of Agrarian Economics)
Madonas rajona lauksaimnieku apvienība
Marches Local Enterprise Partnership
Meat Promotion Wales'
MEG Milch Board
Ministry of Employment and the Economy
Mitglied des Vorstandes des Kreisbauernverbandes Karlsruhe
Mitglied Interessenvertretung der deutschen Bauern
MTT Agrifood Research Finland
NATAGORA
National Association for Areas of Outstanding Natural Beauty
National Farmers Union of Scotland
National Farmers' Union of England and Wales

National Federation of Agricultural Co-operators and Producers (MOSZ)
National LAG Network of the Czech republic
National Rural Development Network Slovakia
Naturschutzbund (NABU)
Natuurmonumenten
Network for Food and Agriculture
NFU Cymru
NHF (National Heart Forum)
North West Health
North West Regional European Partnership
Northern Ireland Agriculural Producers Association
Northern Ireland Environment Link (NIEL)
Northern Ireland Region
OEIT (European Organisation of Tomato Industries)
Okresní agrární komora, nevládní agrární organizace, ředitelka
OPERA Research Center
oriGIn
Orkney Islands Council
PAN Europe (Pesticide Action Network Europe)
PFSA (Plate Forme Souveraineté Alimentaire)
Piena kooperatīvu sabiedrība "Vērgale"
Pohjois-Kymen Kasvu
PoKo
Präsident Hessischen Bauernverband
Preiļu lauksaimnieku apvienība
Preston City Council
Primary Food Processors
PROFEL
Providus et al
PURPLE (Peri-Urban regions Platform Europe)
Region jaelland, DK
Région Languedoc-Roussillon
Région Plzeňského CZ
Région Provence-Alpes-Côte d'Azur
Region Rhones-Alpes
Regional Ministry of Agriculture and Fisheries of Andalusia
Réseau Rural Languedoc Roussillon
ROSTĚNICE
Royal College of Physicians of Edinburg
Royal Society of Wildlife Trusts
Ruralité-Environnement-Développement
SAEPR PL
SAVE Foundation
Scottish Borders Council
Scottish Environment Protection Agency
Scottish Government
Sepra
Shetland Islands Council
SIA (Latvijas Lauku konsultāciju un izglītības centrs)
SLC (Swedish farmers)
Slovak Agricultural and Food Chamber
Slovenská poľnohospodárska a potravinárska komora
(Slovak Agricultural and Food Chamber)
SNH (Scottish Natural Heritage)
SNIA (Syndicat National de l'Industrie de la Nutrition Animale)
Soil Science and Conservation Research Institute
Somerset County Council
Spanish Association of Beef Cattle Producers
Spanish Heart Foundation
Spanish National Rural Network
Spanish Society for Organic Farming (SEAE)

Suaci Alpes du Nord
Svenska lantbruksproducenternas centralforbund SLC
Swedish Consumers' Associations
Swedish Society for Nature Conservation
Tate & Lyle Sugars
Thames Water
The Autonomous Community of Galicia
The Confédération Européenne des Entrepreneurs de Travaux Techniques, Agricoles, Ruraux et Forestiers (CEETTAR)
The European Flour Millers
The Finnish Association for Arganic Farming
The Highlands and Islands of Scotland European Partnership
The Northern Netherlands Provinces
The Soil Association
The Swedish association for Transhumance and Pasturalists
The Village Action Association of Finland
The Village Action Association of Finland
UEAPME (the European craft and SME employer's association)
UFU (Ulster Farmers' Union)
UK Faculty of Public Health
Ulster Wildlife Trust
Union de Pequeños Agricultores y Ganaderos
Unión de Pequeños Agricultores y Ganaderos (UPA)
Union des Associations des Semouliers de l'Ue
Union for Morava River
Union of Towns and Municipalities of the Czech Republic (SMO ČR)
Unioncamere Calabria
United Federation of Danish Workers
Universidade dos Açores
University of Copenhagen
University of Economics Poznań
University of Liverpool
University of Madrid
University of Rostock
Uudenmaan ympäristönsuojelupiiri ry
Územní organizace Zemědělského svazu Kolín a Praha východ tajemník
Väinamere Pärandkoosluste Säilitajad - Upkeepers of Väinameri Hertage Landscapes
Verband der Bayerischen Grundbesitzer
Verband der Landesarchäologen in der Budnesrepublik Deutschland
Vereins zum Schutz der Bergwelt
Via Campesina
Via Campesina AT
Vladimír Mareš
Welsh Local Government Association
Wirtschaftliche Vereinigung Zucker e.V.
Women's Food and Farming Union (WFU)
WWF
Yara International
ZEA Světice a.s.
Zemědělská akciova, CZ
Zemědělské družstvo vlastníků Štichovice
Zemedelske obchodni druzstvo Brniste
Zemědělske obchodni, CZ
Zemědělský svaz ČR
Zemědělský svaz Domažlice
Zemnieku saimniecības „Liepas" īpašniece, Lauku attīstības speciāliste
Zentralverband des Deutschen Handwerks
Zivilcourage
ZS ČR Pelhřimov

ANNEX 2: PUBLIC CONSULTATION DOCUMENT

THE REFORM OF THE CAP TOWARDS 2020

CONSULTATION DOCUMENT FOR IMPACT ASSESSMENT

1. CONTEXT

- The successive reforms of the Common Agricultural Policy (CAP) during the past decade have established an overall policy basis to be fully consolidated by the end of current financial framework in 2013.

- On 12 April 2010, the Commission launched a public debate on the future of the CAP beyond that date, culminating in a public conference on 19 and 20 July 2010. The debate generated some 5600 contributions and the conference attracted over 600 participants. The European Parliament, the European Economic and Social Committee and the Committee of the Regions contributed to the public debate by issuing own-initiative opinions. The Council also discussed the future of the CAP during specific meetings held during the previous Presidencies.

- The Commission's response to the debate on the future CAP comes in the form of the Communication "The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future", which outlines the broad options for guiding the next CAP reform.

- An adapted legislative framework will be prepared for the period post 2013, corresponding with the new financial perspectives, in accordance with the priorities of the "Europe 2020" strategy. It will be accompanied by an Impact Assessment, which is steered by an Inter-service Group (ISSG) within the Commission. In this context, preliminary formulation of the issues to tackle, objectives of the policy and scenarios are presented here by the ISSG and consulted with the interested parties in order to provide a comprehensive evidence-base for high quality and credible policy proposals.

2. ISSUES

The reform path of the CAP since the early 1990s included two major reforms (1992 and 2003) and two significant adjustments (1999 and 2008), which allowed the policy to adjust and adapt to the challenges it faced during the past two decades. Direct payments make an important contribution to keeping sustainable farming in place through the combined effect of the provision of basic income support and the link to cross-compliance. Decoupling of direct payments has improved market orientation, while adjusted market measures form price safety-nets in cases of significant price declines, limiting instability. Rural development serves a wide range of objectives promoting

competitiveness of the EU's agricultural sector, improving the environment and the countryside, and the balanced development of rural areas.

The new financial framework for the EU and the "Europe 2020" strategy priorities of smart, sustainable and inclusive growth offer an opportunity to define the vision for European agriculture by 2020 and to prepare a reform path for the Common Agricultural Policy accordingly. The Lisbon Treaty reaffirmed the objectives of the CAP, although these objectives are today played out on a much wider legal and political stage than when they were written, with other issues such as environmental integration now playing a crucial role. The public debate initiated by the Commission in spring 2010 indicated a broad consensus on the challenges the sector faces. The next step is to redesign the policy instruments to make the CAP more efficient, effective and simple, responsive to societal concerns and coherent with other EU policy objectives.

The challenge related to agricultural policy is two-fold. On the one hand, agriculture can potentially contribute substantially to many of the challenges faced by Europeans with right incentives and in the right setting, as described in the next section. On the other hand, its structure is diverse and economic situation fragile, as the subsequent section shows. In effect, short-term survival dominates the perception of many farmers over the long-term, broader perspective. If agricultural policy does not address the former, it will have little success in promoting the latter.

2.1. The broad challenges

The share of agriculture in EU-27 GDP amounts to 1.2 % - its steady decline being generally associated with wider economic development. Yet, its role is not well reflected in its share of GDP but rather by the extent to which it can offer solutions to meet the most important preoccupations of citizens. The foremost role of agriculture is to provide food and feed, but the issues of *how* it is done, *where*, and *by whom* are inherently linked to sustainability - in environmental terms through land management and use of natural resources, in social terms through territorial cohesion and maintaining rural communities and in economic terms through a competitive agricultural production. In addition, agriculture has a role in providing other products and uses, such as biomass for energy (as a source of green energy) and biomaterials (as a way of reducing dependency on fossil materials), thus contributing to fighting climate change and providing more sustainable energy supply.

Food security and safety

Ensuring that agricultural products are of good quality, healthy and safe and available to consumers at reasonable prices is considered by EU citizens to be the top priority for the Common Agricultural Policy. The concern regarding food security is less about the overall availability of supply in Europe, but rather about the role of the EU within a world-wide context. Particular attention is paid to ensuring the resilience of the current system– i.e. the "access, availability and acceptability" of food and diets.

Within a time span of three years the agricultural sector experienced a high price spike followed by an equally strong decline a few months later. Both were caused by a combination of factors on supply and demand side, including an increased influence of wider macroeconomic developments. While it has had a modest effect on the average European consumer (food represents 16 % of household expenses and agricultural product prices represent a decreasing share of food prices), it revealed the sensitivity of

the system to excess price volatility and other disruptions, asymmetry and tensions in the food chain.

Creating the conditions for easy access to healthy, diverse, sustainable and nutritious diet has clear public health benefits as diet is one of the major modifiable risk factor for chronic non-communicable diseases (obesity, diabetes, cardiovascular disease, cancer). The number of overweight children increases by 1.2 million per year and (with increase in child obesity 400.000 per year) in the EU. From a public health perspective, access to nutritious-efficient food remains insufficient for some groups of EU citizens (e.g. the most deprived), availability of local and directly marketed food stuffs is limited, and acceptability is largely influenced by mass media which is biased towards unhealthy food stuffs (soft drinks, highly processed foods). Finally, there are concerns as regards other qualities of the food, which include the ethical factors related to production and the way animals are treated.

Food safety and animal and plant health are areas where constant adaptation is necessary, with diseases which were unknown a decade ago appearing (e.g. SARS) while others, such as foot and mouth disease, bluetongue and avian flu recently presenting new challenges, coupled with the increasing volume of trade in animal products and science and technology advances. This points to the need for strengthening the principle of prevention in animal and plant production, the strengthening of surveillance and a more risk-management based approach across the food chain.

The availability of food and the capacity of Europe to meet its needs is largely taken for granted (although access to food can be problematic for the most deprived people). Expectations relate to safety, quality, health, environmental and ethical aspects, which means that there is an increased interest in production methods and that farmers are put under the spotlight. This requires the creation of strong, stable links between farmers and consumers.

Environmental concerns

With agriculture and forests covering about 77% of the EU territory (about 47% for agriculture and 30 for forests), their interaction with the environment is significant. It is estimated that about one third of agricultural land in the EU is managed by farming systems delivering High Nature Value. Natura 2000 sites protecting biodiversity cover 10% of agricultural area. Although progress has been made in integrating environmental concerns into the CAP and in introducing environmental legislation at farm level, more needs to be done to ensure the sustainable management of landscapes and sustainable use of natural resources. In particular, water quality and quantity, soil quality and land availability are still areas of major concern, together with the question of how to protect, maintain and further enhance farmland habitats and biodiversity and to enhance the role of agriculture in preserving ecologically valuable landscapes.

According to the European Environment Agency (EEA), 24% of water abstraction is used for agriculture (and up to 80% in certain areas of southern Europe) with a relatively low return flow, as often just a third of the withdrawal water is returned to a water body. The data further show that agricultural water use across Europe has increased over the

last two decades. In addition an estimated 25% of EU soil suffers from unsustainable erosion and 45% of European soils have low organic matter content.[3]

As regard the use of farm inputs, there has been a substantial decline from the fertiliser consumption peak of the seventies and eighties (by 2017 projections show a decrease of 28% for nitrogen compared to 1988, 67% for phosphorus and 61% for potassium in the EU-27 compared to 1979). The current use is rather steady with a general decrease of all nutrients in the EU-15, but an increase in the EU-12. The total amount of plant protection products used in the EU-25 increased steadily in the 1990s, stabilising in the late '90s and then declining continuously from 1999 until 2003 (declining in EU-15 and slightly increasing in EU-10).[4] New approaches to agricultural management slowly gain ground: organic farming and the use of integrated crop management techniques in many pesticide-intensive farming systems. In this context, prevention of the entry of non-native plant pests and diseases is essential.

Certain farming systems and practices are particularly favourable for the environment. These include extensive livestock and mixed systems, traditional permanent crop systems or organic farming. However, also modern farming systems have an important capacity to ensure good environmental outcomes. Integrated crop management (a whole farm management approach combining the ecological care with the economic demands) are of particular importance in this respect. Integrated farming systems, following defined codes of farming practices, are estimated to cover only about 3 % of the utilised agricultural area in the EU.

Many valuable habitats and the related biodiversity developed over centuries in interaction with farming, systems. Whilst these environmental features depend on appropriate management practices, those practices have been subject to changes, driven by competitive pressures. The assessment of the conservation status of Europe's most vulnerable habitat types and species protected under the Habitats Directive shows that while nearly 65 % of all habitat assessments are unfavourable, generally habitat types associated with agriculture have a worse conservation status than other types.

Intensification and specialisation threaten the environmental values associated with traditional farming systems. In some places, extensively used areas of particular environmental interest struggle with the problem of being economically less viable. These areas are most vulnerable to land marginalisation or abandonment, which is particularly a threat to biodiversity on farmland. Whilst the estimates of manifest land abandonment vary from 0.2 % to 2% of UAA annually on average (i.e. abandonment in spite of CAP support), the estimated area under risk of abandonment accounts for a significant proportion of the total agricultural land, and it is affecting mainly extensive grasslands, mountain areas, and areas with a poor soil and water conditions.

The prospect of more specialization and intensification in some production areas carries the risk of an increase of the above-mentioned pressures on the environment. This will require appropriate baseline rules and sufficient incentives in the CAP for farmers to

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[3] For instance, there is clear scientific evidence that arable land in France and the UK has been steadily losing large quantities of organic carbon in recent decades.

[4] Yet, some of the more modern substances are needed in smaller quantities but can be more toxic.

adopt sustainable practices, and to make efforts to preserve biodiversity, habitats and environmentally valuable landscapes, and ensure the provision of ecosystem services.

Environmental concerns have become increasingly present in the CAP, with incentives coming mostly from the Rural Development measures. Rural Development is by far the largest source of EU funding for incentives specifically targeting the environment in rural areas. Given that there is, on the one hand, increasing competitive pressure and a trend towards intensification in many fertile areas, while on the other hand there is a threat of land abandonment in more marginal areas, it will be necessary to ensure that the systems of incentives for farmers to assume their role in the sustainable management of natural resources and the preservation of ecosystems and environmentally valuable landscapes is effective for farmers and land managers operating in very diverse conditions.

Territorial cohesion

Agriculture is also closely linked with the development of rural areas. Of the EU-27 territory, 54% is predominantly rural, representing 19% of EU population. The results of the SCENAR2020 study suggest that most of the economic growth in rural areas now tends to be mainly driven by urban rather than rural economies, with increased urbanisation and a growing service sector, making the issue of rural-urban interaction an important factor. There are large disparities between rural areas themselves depending on their proximity to urban areas: from peri-urban areas, which are well integrated in the metropolitan systems to remote rural areas, which are suffering poor accessibility to services of general interest and population decline.

In predominantly rural areas the primary sector still represents 4.9% of value added (and more, if related food industry is considered) and 15.7% of employment. This is where the role of agriculture can be particularly important, not only directly but also indirectly - through the generation of additional economic activities. It is estimated that an increase in agricultural output produces an additional 150% increase in output among local purchasers and consumers of that output. Especially strong forward linkages exist with food processing, hotels and catering and trade, all sectors that, in turn, have further high links with the rest of the rural economy.

While agriculture is generally not the main driver of economic development in all rural areas, its disappearance in particularly fragile areas will have significant negative consequences for the regional economy.

Climate and energy

In the Climate and Energy Package of 2008, the EU committed unilaterally to reduce its overall greenhouse gas emissions by 20 % below 1990 levels by 2020, and by 30 % if other parties would commit to comparable efforts. The Europe 2020 Strategy establishes the reduction of greenhouse gases as one of the EU's five headline targets.

The 20 % reduction commitment is mainly implemented through Directive 2009/29/EC and Decision 406/2009/EC which require sectors participating in the EU Emissions Trading System (EU ETS) to jointly reduce emissions by 21 % below 2005 levels and non-trading sectors under the Effort Sharing Decision (ESD) to reduce emissions by 10

%. As agriculture is one of the non-trading sectors, policies at the national and EU level, in particular the reformed CAP, will play a key role.

Agriculture has contributed, and can continue to make a positive contribution, to the reduction of greenhouse gases as committed to by the EU[5]. Non-CO2 emissions from the sector fell by some 20% in the period 1990-2005 to a level of around 9% of the EU total greenhouse gas emissions (excl. land use, land use change and forestry) [6]. However, baseline projections show that emissions in agriculture are predicted to largely remain at current levels in 2020 and 2030 unless further action is taken. Model results show that the sector offers additional cost-efficient mitigation potential for 2020; at a carbon price level of €30/ton (as predicted in the Commission's '20 to 30%' Communication), the EU as a whole could achieve reductions of non-CO2 greenhouse gases in the agricultural sector by up to 11%. This is consistent with what is required by the non-trading sectors.

There is still underutilised mitigation potential in agriculture for reducing non-CO2 emissions from manure management and fertilizers as well as for reducing CO2 emissions, preserving carbon stocks and enhancing carbon sequestration in agricultural soils. Maintaining soil organic matter levels in carbon-rich soils (e.g. grasslands and peatlands) is seen by many scientists as an effective way for agriculture to avoid CO2 emissions further aggravating climate change.

At the same time, future changes in climate are expected to have a significant effect on agricultural production. On the one hand, this is due to systemic changes, such as permanently drier or wetter conditions, or higher temperature averages. On the other hand, the increased likelihood and severity of extreme weather events will considerably increase the risk of crop failure.

The Renewable Energy Directive requires the EU to produce 20% of its final energy consumption from renewable sources in 2020, including a separate target for the transport sector of 10%. EU agriculture, together with forestry, provides one of the sources of renewable energies, for the heating, electricity and transports sectors. Agriculture has the potential to increase its contribution for example by increased supply of raw material (crops or by-products) for energy or by increased 'on farm' renewable energy production (production of electricity or heating from biogas, solar energy or wind energy). At the same time, the current EU legislation as well as the EU energy efficiency strategy currently under preparation requires energy efficiency improvement both in buildings and in production processes, implying that improvements are necessary also in farm buildings and in agricultural processing. Agriculture uses 2.4 % of the final energy consumption in EU.

Agriculture, as some other sectors, has achieved already a reduction in emissions, and with a decrease of 20% compared to 1990 this reduction has been more than twice the rate of the EU commitment required by the Kyoto Protocol. This is partly due to structural changes and partly to improvements in efficiency. However,

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[5] Emissions in the EU-15 fell by 12% and emissions in the EU-12 by 42% compared to 1990

[6] The land use, land use change and forestry (LULUCF) sector is currently not part of the EU's greenhouse gas reduction commitment. The Commission is, however, assessing options and modalities for a possible inclusion of this sector in the future. The results will be reported in mid 2011 and, as appropriate, accompanied by a legislative proposal.

further reductions are needed and possible. This will require a more integrated approach and may require changes in production methods, possibly adding costs to farming. Impacts of such cost increases on the competitiveness of EU agriculture would need to be assessed to avoid negative consequences for the global GHG balance, while any loss of agricultural production capacity in the EU should be measured against the challenge of global food security. At the same time, EU agriculture will also have to adapt to the already observable impacts of climate change, which in some regions may, already in the medium term, lead to significant changes in the conditions for farming activities. At the same time the potential of EU agriculture to contribute to a greener energy supply needs to be facilitated.

Non-food uses

Agriculture can provide raw materials for the high value added bio-based products, replacing fossil-based materials with renewable biological materials and bio-processes which are more environmentally sustainable. Also, the EU forestry sector makes an important contribution in providing the feed stocks for bio-energy and forests are an important source of raw materials for forest-based industries, providing the wood, pulp, cork and fibres that supply a wide range sectors.

Although bio-plastics are at present "niche markets" (50,000 tons of bio-plastics were produced in 2005, representing 0.1% of the total market), a dynamic growth is expected. Estimates suggest possible market shares in the order of 1-2% by 2010 and 2-4% by 2020.

European agriculture, as a provider of raw materials, stands to benefit from the developing bioeconomy, which will offer high-value outlets for specialized products. While most of the policy tools are beyond the CAP, it is necessary to create the links between farmers, research and industry to facilitate cooperation. Nevertheless, an increased use of both biomass-based energy and raw materials needs to be achieved in a way that is economically efficient and is compatible with food security and environmental objectives.

Global issues

The forecast population of 9.2 billion people in 2050 with a projected increase of world's average daily calorie availability by 11% will require 70% more production. While this is less than the increase of 148% that took place between 1961 and 2007, the big challenge to reduce hunger and poverty will relate not only to assuring the availability of food, but also access to food and improving nutritional adequacy of food intake. [7] Most of the poor and hungry in the world live in rural areas, where agriculture is the main economic activity and small-scale farming is dominant: about 85% of farmers in developing

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[7] Future global food security challenges in developing countries also include population growth, pressures on natural resources and ecosystem services, and adverse impacts of climate change on agriculture, affecting growing conditions and making adaptation measures necessary. The EU's policy framework to assist developing countries in addressing food security explores key issues such as nutrition, price volatility, social protection and safety nets, biofuels, food safety, research and innovation, large-scale land acquisition, and the "Right to Food".

countries produce on less than 2 hectares of land. Apart from investment and capacity building, relative stability of local agricultural markets is necessary to foster growth. On the other hand, the increasing role of certain developing and emerging economies has transformed the agricultural trade landscape.

The EU remains the world's leading trader (biggest importer and one of the two biggest exporters together with the US) but Brazil is a constantly growing exporter of a whole range of agricultural products. China and India are both leading producers and consumers. Given their size, changes in their domestic situation translate into significant shifts in their trade position on the world market, especially when the latter is thin. Overall, a shift towards developing countries is occurring, both for agricultural production, consumption and trade.

The EU will continue its efforts to seek the conclusion of an ambitious, balanced and comprehensive agreement in the Doha Development Round. As part of an overall package deal, the EU has indicated its readiness to accept a steep reduction in the ceiling on its trade-distorting subsidies, the elimination of its export subsidies and a significant reduction of its border protection. In parallel, the EU will actively pursue its agenda of bilateral or regional trade negotiations, which come as a complement to the multilateral ones. This means that the EU agricultural sector will be exposed to growing pressure and volatility of prices and income and, as a result, production is likely to adjust. At the same time, new trade agreements provide opportunities for EU agricultural exports. And EU role in world agriculture makes it an important actor in the global standard setting for sustainable agricultural production and consumption.

The EU has substantially reduced its trade-distorting support to agriculture, opened markets for least developed countries (LDCs) and other key partners significantly, and shown its commitment for achieving an ambitious agreement in WTO negotiations, provided that it is comprehensive and balanced, including for the agricultural sector. This represents a challenge for EU farmers, but also offers an opportunity for EU food exporters.

2.2. Can agriculture do it?

The contribution of European agriculture to the challenges signalled above will hinge on it being a thriving and competitive sector, with positive prospects and longer-term perspective of a sector that is capable of attracting human and financial capital and is less dependent on public support.

Farm income

The main economic parameters give, however, reasons to be concerned, in particular about the profitability of farming. Farm income has been increasing only by 0.6% per year between 2000 and 2009. The dynamics have been very different in EU-15, where income stagnated for the last decade before falling by 17% following the economic crisis, and EU-12 where accession led to large increase in farm income, which despite a drop of 12.5% in recent years, stayed substantially above the levels at time of accession. The impact of the economic crisis has been severe for EU agriculture, leading to a cumulative decline in agricultural income that erased in just two years the gains of the past fifteen. The sector is also plagued by instability, with more than half of EU farms experiencing a variation of farm income by over 30% in comparison with the average for the previous three years.

In effect, while the vast majority of farms are able to cover variable costs, in the 2004-2006 period only 35% of farms in EU-25 were able to cover all costs. This is especially true for small farms, but the share of profitable large farms is also just above 62%. In practice, this means that family labour is not sufficiently remunerated and that family assets do not provide adequate returns. Farm incomes are lower than that of the rest of the economy. In 2008, the entrepreneurial income per worker employed in agriculture in the EU-27 was estimated to be around 58% of the average wage in the EU. The gap is more pronounced in the EU-12 than in the EU-15. Since the year 2000, the gap has decreased in the EU-12, but actually increased in the EU-15.

Agricultural structure

The relatively low profitability of agriculture is partly a result of the fragmented and divided structure of EU agriculture. In 2007, there were 13.7 million holdings and 11.7 million annual working units[8] in EU-27 and the most striking feature is the diversity of structures. The average farm in EU-27 has 12.6 ha (22 ha in EU-15 and 6 ha in EU-12), with an increasing number of farms above 4 ESU[9]. At the same time, 6.4 million holdings (46.6% of all farms) had an economic size of less than 1 ESU. These farms employ 2.7 million annual working units (23% of total labour force) but cover only 11 million hectares (6% of the total utilised agricultural area). Many of them in EU-12 are subsistence and semi-subsistence farming, with more than one third of EU-27 family farmers (36.4%) carrying out another gainful activity (apart from farm work). The demographic and education structure points to an issue of low level of human capital. In about a third of all farms, the managers are of 65 years and above (in further 20% they are between 55 and 64) and 80% of farm managers have no agricultural training but practical experience only. This diverse and fragmented structure is set to dominate EU agriculture in the longer perspective with the annual rate of decrease in the number of holdings of 2.2% (for EU-15 between 1995 and 2007 and EU-12 2003-2007).

The attractiveness of rural areas suffers from a significant development gap between the urban and rural areas. Many rural regions lag behind other types in terms of GDP per capita, employment rates or educational attainment. Their social capital suffers as they are more affected by aging population and outward flows. Their level of development of infrastructure and access to public amenities is low. In rural remote areas 43% of population lives more than 30 minutes of driving time by road from a hospital (against 2% in urban and 15% in rural close areas) and more than 1 hour of driving time by road from a university (against 1% in urban and 15% in rural close areas).

The diversity of structures, with a dominance of small-scale farming, will remain high in the 2020 perspective and is mostly a result of factors outside agriculture (e.g. economic and social development, legal framework for land, access to factors of production, heterogeneous agronomic conditions). As a result, the same instrument will have different impact on particular holdings and may not be sufficiently

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[8] The annual work unit corresponds to the work performed by one person who carried out an agricultural activity on a full-time basis.

[9] European size unit, abbreviated as ESU, is a standard gross margin of EUR 1 200 that is used to express the economic size of an agricultural holding or farm.

targeted in terms of achieving policy objectives. Moreover, these holdings have a different role with regard to the environment, local economy and social cohesion.

Factors influencing market income

Agricultural commodity markets, despite a sustained demand growth linked to increasing population, are unlikely to offer higher returns. Most medium-term projections for the agricultural sector show prices at levels above historical averages, but this is partly due to expectations of higher energy and other production costs, so producers' margins are not expected to increase. Further opening of access to markets will lead to stronger competition, especially in livestock sector, but for some sectors it will open new markets. Furthermore, price volatility is expected to remain significant due to series of factors, among which: uncertainties over energy markets, increased extreme weather events due to climate change, the financialisation of commodity markets and the use of distorting measures (e.g. export restrictions) which should add to the natural instability of agricultural markets.

A part of the unfavourable perspectives for the market income of EU farmers is related to the **functioning of the whole food chain**. Analysis shows that the overall competitiveness of the chain and its economic growth have underperformed as compared to the overall EU economy since 1995 (average value-added growth has been 2% lower per year than average growth in the EU). Moreover, it is facing increased competition from international actors and recent food price volatility has pointed to a lack of resilience to shocks in agricultural prices. Markets along the food supply chain suffer from a low and asymmetric price transmission as well as a lack of price transparency and predictability. Farmers tend to lose out – in particular due to the concentration of market power upstream and downstream and an unequal bargaining power among the partners of the chain.

In view of the above, there is an increasing relevance of product differentiation in specialised and local markets and higher value-added outlets, where they can gain a competitive advantage. Yet, these opportunities have remained a niche which is not easily transformable to a mainstream approach for most of these markets. In 2008 over 860 PDO/PGI products were registered for a total value of 14.5 billion EUR (about 4% of total production). The organic sector has been growing dynamically in the past decade. However it still represented in 2007 only 2% of food expenditure in EU-15 and even less in EU-12. Consumers and stakeholders do not seem to be sufficiently well informed about the characteristics and production methods that define the quality of products, with information and promotion activities becoming an important marketing tool. Promising outlets are also linked to the development of the bioeconomy and the supply of raw materials for bioplastics, although they are still marginal.

Overall, although prices on commodity markets are set to remain above historical levels, the agricultural margins will not grow due to higher input costs and increasing price and production risks. Moreover, the relatively weak position of farmers in the food chain means that they bear a disproportionate share of the risks within the chain. Specialised and local markets offer an alternative, but are not fully developed and sometimes lack the right framework. Innovative production techniques will also be increasingly needed for environmentally-friendly farming.

Longer-term perspectives

In terms of **efficiency gains**, the Total Factor Productivity (TFP) in EU-15 has increased at an average annual rate of 1.5% between 2000 and 2006, while it grew at around 2% per year in the nineties. The productivity gains result mainly from increased labour productivity, while yields have not grown significantly. **Research and innovation** are the main factors that could reverse the declining trend of productivity growth in agriculture. The potential is large, as estimates of costs and benefits of agricultural research show rates of return on investment of around 45% - each 1 € spent gives 0.45 € gain per year in the future. It does not appear to be a problem of public spending on research. In terms of Agricultural R&D, Eurostat data show that EU public spending on agricultural research (GBAORD)[10] accounted for close to 3.2 billon € in 2007 (double that of the USA and quadruples that of Japan) and showed a rising trend of 5.4 % growth per year since 2000. However, the process of knowledge dissemination and adaptation should be improved.

In the context of low profitability and diversified structure, EU agriculture has witnessed a slowdown of productivity growth which will reduce the potential of the sector to overcome current problems and develop in long-term perspective. Agricultural knowledge and innovation systems, including extension services, are fragmented and insufficiently responsive to evolving needs which hampers the implementation of research and uptake of innovation by the agriculture and the food sector.

2.3. Challenges to the current policy tools

A certain continuity is required to preserve what has already been achieved, but at the same time the reorientation towards a wider role for agriculture needs reinforcing.

The CAP is not a blank slate and the three broad types of CAP policy instruments: direct payments, market measures and rural development provide a starting point for discussions on the shape of the policy.

The decoupling of direct payments had successfully changed the focus of the policy from production to broader challenges. However, the actual support levels are still largely linked to historical type and level of production, resulting in large disproportions between farmers. The accession of EU-12 added to the imbalances. As the payments are not sufficiently targeted, they provoke strong criticisms and are difficult to justify to the general public. The main challenge is to achieve more equity between Member States and between farmers while strengthening the role of direct payments in the provision of public goods. However, more equity will not necessarily improve the targeting of the support. A particular challenge may therefore be to design targeted instruments that are considered as fair among Member States and farmers.

The market measures have been profoundly changed in previous reforms, which transformed their role from support to a safety-net function by lowering reference prices and removing tools which were inefficient. The 2009 dairy crisis has shown that market measures generally function well as a short-term relief in situations of very low prices.

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[10] Government Budget Appropriations or Outlays on Research and Development (GBAORD) are all the appropriations allocated to R&D in central government or federal budgets.

However, the high price volatility has prompted questions about the relevance of more risk management tools and a more global approach to the functioning of the whole food chain.

Rural development policy has evolved from measures accompanying the reform process to an independent set of regionally adapted tools that, by virtue of its planning and financing, require strategic thinking in its approach. This has to be aligned with the EU 2020 strategy to benefit from synergies between different policies and reinforce the European added value of the policy. There is also a need to strengthen the delivery mechanisms to make it more effective.

There are also two cross-cutting issues, which will have to be taken into account when considering the effectiveness of the policy. Firstly - how to respond to the diversity of EU agriculture to provide tailored support without losing the common character of the policy. Secondly - how to assure further CAP simplification, while moving towards better targeting maintaining sound financial management and controllability and enforcement.

3. OBJECTIVES

The Lisbon Treaty has confirmed the relevance of CAP objectives of increasing agricultural productivity, ensuring a fair standard of living for the agricultural community, stabilising markets, assuring the availability of supplies and ensuring that supplies reach consumers at reasonable prices. **Yet, the challenges to EU agriculture have become broader (beyond the agricultural markets) and more complex (due to inter-linkages of economic, social and environmental issues and their global dimension).** Indeed, this greater breadth and complexity is reflected in changes to the Treaty since the first appearance of the CAP objectives by integrating additional obligations such as the environmental and public health concerns, territorial cohesion and the development cooperation objectives of the Union into other policies.

Therefore the policy tools have to address both the short-term viability and long-term competitiveness of European agriculture (low profitability and diverse structure) and its potential contribution to wider societal concerns (including food safety and quality, contribution to climate and energy policies, environmental sustainability, cohesion). A possible way of translating these is through the following objectives:

Maintaining the agricultural production capacity throughout the EU

- Attenuating volatility and its effect on incomes, fostering the development and growth of agricultural markets and better functioning of the food chain in order to help farmers derive adequate market income while contributing to high public health level.

- Enhancing the competitiveness and productivity of the agricultural sectors and fostering green growth through innovation in adopting new technologies and processes, developing new products and markets and supporting the transfer of research results to agriculture and the food sector, in view of the challenges and opportunities presented by evolving consumer preferences and increased trade liberalization.

- Contributing to reduction of the gap between agricultural and non-agricultural income in an equitable manner and compensate for difficulties in areas with natural handicaps, which are valuable from environmental or social sustainability perspective

Ensuring the provision of environmental public goods such as the sustainable management of natural resources and the preservation of the countryside

- Contributing to the provision of environmental services, such as the sustainable management of natural resources, the delivery of ecosystem services and the preservation of the countryside, as well as reducing environmental damage by agriculture

- Integrating and promoting climate change mitigation in actions supported by the CAP and enhancing agriculture's resilience to the threats posed by a changing climate

Contributing to the vitality of rural areas and territorial balance throughout the EU

- by allowing for structural diversity in the farming systems, improving the conditions for small farms and developing markets for higher value-added specialised and local products

- by improving the general economic and social conditions in rural areas and promoting diversification

In order for the CAP to meet these objectives in the view of the challenges outlined above, the purpose of the reform is to rethink the existing policy instruments along the following lines:

- increase the role of instruments relating to the objective of ensuring the provision of environmental public goods and the preservation of countryside

- broaden the policy framework for agricultural markets to help farmers manage their risks better and derive adequate income from the market

- adjust current income support instrument so that it corresponds better to the needs in diverse economic, social and environmental conditions throughout the EU and complements market income

- Moreover, the reforms of policy instruments have to take into account the EU obligations as regards international trade agreements, coherence with development policy goals, impact on public health, budgetary efficiency, as well as simplification and reduction of administrative burden.

4. POLICY SCENARIOS

Various ideas about the reform of the CAP towards 2020 have been expressed in the public debate, including the debate within EU Institutions. These ideas have been grouped here under three broad policy reform scenarios, which will be analysed in the Impact Assessment and compared to two reference scenarios (status quo and no policy).

The three reform scenarios sketch alternative structures of the policy, within which possible reforms or introduction of individual instruments will be considered.

All three policy reform scenarios respond to the objectives of the reform and follow the ideas outlined in the EU Budget Review. What distinguishes them is the weight they give to particular objectives, the way of achieving them (EU-wide or local, generalised or more targeted) and their expected impacts. Between them, a complete evidence base will be provided as to the impacts of reforming the policy.

All scenarios are, to a different extent, anchored in the Europe2020 strategy contributing to:

sustainable growth by promoting resource efficiency, maintaining the food, feed and renewables production base, increasing competitiveness, providing environmental public goods, fighting climate change and biodiversity loss;

inclusive growth by unlocking local potential, diversifying rural economies, developing local markets and opening up alternative opportunities to accompany agricultural restructuring;

smart growth by supporting innovation, technology and skills, improving uptake of research, and developing high value added and quality products

In essence, the adjustment scenario continues the current policy path of gradual adaptation, while the other scenarios propose an increased effort to respond to the objectives of smart, sustainable and inclusive growth, either, by incorporating them better in the first pillar (integration scenario) or, in by concentrating efforts on strengthening the second pillar (re-focus scenario). In all scenarios, efforts would be made to make the policy more efficient and simple.

4.1. Adjustment scenario

As the challenges to sustainable agriculture in Europe are not new, the previous reforms have already allowed the adjustment of the policy to address them. This scenario assumes the continuation of this process with further gradual changes to the current policy framework. The main feature of future CAP reform under this scenario would be to lead the Single Payment Scheme (SPS) of direct payments towards a significant harmonisation in the level of payments throughout the EU (through a general flat rate payment or one adjusted by objective social end economic criteria), with further strengthening of rural development policy to target the challenges identified as priorities (resource efficiency and innovation) and streamlining of market measures (exceptional measures, public intervention and private storage).

This scenario would allow retaining a stable policy framework, while addressing the most pressing issues of payment redistribution and maintaining an economic viability of farming. A limited increase of funds to the second pillar would be available for climate change, water, biodiversity and renewable energy actions, going a certain way towards addressing the EU objectives of smart, sustainable and inclusive growth. The focus would remain on income support for farmers across the EU, given the low profitability of farming. More balanced payments across the EU would give impetus to EU-12 agriculture, where this sector is relatively more important for economic and social reasons.

Analysis will show the degree to which this would allow sufficient leverage for the EU to properly respond to environmental and social problems without undermining the long-term economic performance of the sector, with the risk of creating more pressure on income support.

4.2. Integration scenario

The approach assumed under this scenario is to project the type and scale of problems that agriculture will be faced with in the coming decade and anticipate them with a thoroughly revised policy framework, which integrates the three objectives in both first and the second pillar of the CAP, reinforcing their complementarities.

The SPS system would be divided into a basic income component (capped to avoid large payments to single beneficiaries) and additional payments targeting environmental issues applicable throughout the EU territory through generalised, non-contractual and annual environmental actions linked to agriculture (such as permanent pasture, green cover, crop rotation and ecological set-aside) with enhanced conditioning through cross-compliance. The option would be left to Member States to commit a certain part of the financial envelope to compensate specific natural constraints and address selected economic and social challenges. Rural Development would be aligned with EU priorities as provided in Europe2020 strategy and targets, with the objectives interpreted through guiding considerations of environment, climate change and innovation. It would be managed through a strengthened strategic targeting approach with an emphasis on outcomes rather than measures, in a common strategic framework for EU funds. Market measures would be reinforced as a safety-net with more focus on the whole food chain, through strengthening of producer and inter-branch organisations. A wider range of risk management instruments will be offered to farmers, helping them to cope with price and production risks (including those related to animal and plant health) through better access to insurances, mutual funds and income stabilisation instruments.

The new elements in the SPS would reinforce the support for the provision of environmental public goods in the first pillar by providing an EU-wide instrument for actions which would concern all farmers, whilst reducing negative climate change and environmental impacts. It would be supplemented by local level actions through Rural Development, with a wider possibility of alignment with Europe2020 strategy. Basic income support would provide a more equitable support for farmers. Market measures would focus on avoiding extreme price fluctuation and improving farmers' position in the food chain to help increase market revenues. The current balance between the first and the second pillar will be maintained, thus risking that the local responses will not sufficiently match future needs.

4.3. Re-focus scenario

With direct payments representing the bulk of CAP spending, the current policy has a strong focus on income support. This scenario assumes the gradual re-focus of support solely around ensuring the environmental and climate change objectives through the rural development policy strategic framework, thus fostering sustainable growth. It assumes that production capacity can be maintained without support (albeit with an accelerated and strong restructuring of the sector). The objective of contributing to the vitality of rural areas and territorial balance would be achieved by the cohesion policy.

The SPS system would be progressively phased out to allow a smoother adjustment within the timeframe of 2020, with parallel abolition of the remaining market measures. Funding for Rural Development would be increased significantly and redistributed between Member States based on objective criteria. It would be focused on climate change and environment aspects with certain temporary measures to support the phasing-out of direct payments, fostering innovative approaches and with a simplified management system.

By providing significantly increased funding for environmental and climate change issues, this scenario would encourage the creation of regional strategies for addressing these issues in order to assure the implementation of EU objectives at a local level.

However, the difficult income situation in the EU agriculture could result in lowering the effectiveness of the environmental incentives as the farming sector concentrates and intensifies production in the most competitive regions with the aim of receiving adequate market income. This scenario allows significant CAP savings for the EU budget, but, depending on the impacts, may leave open the sources of compensation for expected income losses via national policies.

4.4. Status quo

This reference scenario examines the effects of current trends as regards environmental, social and economic factors affecting EU agriculture if current policy framework was maintained. It allows the illustration of the main problems and adaptation needs and serves as a benchmark for other options.

4.5. No policy

This reference scenario examines the effects of current trends as regards environmental, social and economic factors affecting EU agriculture if no policy framework were available, except for general common market rules. As a counter-factual scenario, it provides an insight into the role of policy in other scenarios.

5. QUESTIONS

The above description of issues, objectives, options and scenarios tries to sum up various ideas that were put forward in the public debate. It represents a certain choice with regard to issues tackled, main objectives and possible policy evolutions. This consultation process calls on interested parties to express their opinion on the relevance of the described elements, the consistency of approach and possible improvements that could be made.

The public consultation also allows to acquire a broad range of information and knowledge on the expected effects that each broad policy scenario and consequent changes to the CAP instruments. The stakeholders are invited to provide factual, analytical contributions that will complement other sources of information in assessing the impacts of policy reform. In order to guide and structure the contributions, the following questions were prepared by the Inter-service Steering Group:

Policy scenarios

(12) Are the policy scenarios outlined consistent with the objectives of the reform? Could they be improved and how?

(13) Are there other problems apart from those set in the problem definition section of this document that should be analysed when considering the architecture of the CAP in the post 2013 period? What causes them? What are their consequences? Can you illustrate?

(14) Does the evolution of policy instruments presented in the policy scenarios seem to you suitable for responding to the problems identified? Are there other options for the evolution of policy instruments or the creation of new ones that you would consider adequate to reach the stated objectives?

Impacts

(15) What do you see as the most significant impacts of the reform scenarios and the related options for policy instruments? Which actors would be particularly affected if these were put in place?

(16) To what extent will the strengthening of producer and inter-branch organizations and better access to risk management tools help improve farmers' income levels and stability?

(17) What environmental and climate-change benefits would you expect from the environment-targeted payments in the first and the second pillar of the CAP?

(18) What opportunities and difficulties do you see arising from a significant increase of the rural development budget and a reinforcement of strategic targeting?

(19) What would be the most significant impacts of a "no policy" scenario on the competitiveness of the agricultural sector, agricultural income, environment and territorial balance as well as public health?

Monitoring and evaluation

(20) What difficulties would the options analysed be likely to encounter if they were implemented, also with regard to control and compliance? What could be the potential administrative costs and burdens?

(21) What indicators would best express the progress towards achieving the objectives of the reform?

(22) Are there factors or elements of uncertainty that could significantly influence the impact of the scenarios assessed? Which are they? What could be their influence?

6. PRACTICAL INFORMATION:

Consultation is open until 25th January 2011. Contributions should be sent either:

– through the electronic form to be filled on the consultation webpage:

http://ec.europa.eu/agriculture/cap-post-2013/consultation/index_en.htm

– or to a functional mailbox: agri-cap-towards2020@ec.europa.eu

Please address any inquires to:

agri-cap-towards2020@ec.europa.eu

or:

The European Commission
ISSG CAP post-2013
c/o Pierre BASCOU
130, Rue de la Loi
B 1049 Brussels
Belgium

The Impact Assessment will take into account the contributions to the consultation. Relevant elements will be integrated in the Impact Assessment report and a chapter will be dedicated to the consultation process, main results and participants. The report is foreseen for the summer 2011.

For regularly updated information on progress of the Impact Assessment exercise, please consult the CAP post-2013 webpage:

http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm