

17.12.2010

Decisionof the Bundesrat

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future

COM (2010) 672 final.

In its 878th session on 17th December 2010 the Bundesrat adopted the following Resolution pursuant to §§ 3 and 5, Act on Cooperation between the Federation and the Federal States in European Union Affairs (EUZBLG):

General commentsI. Introduction

1. The Bundesrat takes note of the Commission's Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "The CAP towards 2020: meeting the food, natural resources and territorial challenges".
2. The Bundesrat welcomes the fact that the Commission recognises agriculture as a crucial component of Europe's economy and society. Agriculture and forestry, together with the associated upstream and downstream economic sectors, including the food and timber industry, make a significant contribution to creating and securing jobs in rural areas and to attaining the goals of the "Europe 2020 Strategy" for intelligent, sustainable and integrative growth.

3. The Bundesrat emphasizes that the comprehensive reforms of agricultural policy since 1992 have led to considerable modernization of the Common Agricultural Policy (CAP) and have confronted agricultural enterprises with great challenges. Today's CAP is goal-oriented and performance-oriented, yet this does not cause market distortions. Further development of the CAP moving towards 2020 must concentrate on making this policy fit for the future and promoting its social acceptance and must produce demonstrable benefits for consumers, farmers, rural areas and the environment.

II. The Financial Framework

4. The Bundesrat welcomes the fact that the overwhelming majority affirmed support for a strong CAP in the future too on the basis of the two-pillar structure in the public hearing on the future of the CAP.

The Bundesrat is also pleased to note that the Commission recognises the importance of agriculture for a sustainable European economy and continues to support the two-pillar model for the CAP.

Furthermore in this context the Bundesrat also welcomes the own-initiative report from the European Parliament on the future CAP, in particular the call for appropriate financing to be continued in the EU Multi-annual Financial Framework.

5. In order to succeed in addressing the challenges of the future, the CAP will need to have an appropriate agricultural budget on the basis of funding currently earmarked for this policy area.

Appropriate and reliable funding for both pillars of the CAP must also be guaranteed in the context of a reformed financial system.

The Bundesrat calls for an effective CAP with a two-pillar structure in order to tackle the future challenges arising from the conflicting priorities involved in producing high-quality food and non-food crops competitively, as well as responding appropriately to societal expectations pertaining to the environment, climate, water management and biodiversity, along with conservation of crucial rural areas.

6. Questions relating to the specific financial framework for future agricultural policy must be reserved for examination during negotiations on the Multi-annual Financial Framework, which are scheduled for 2011/2012.

III. The CAP reform path

7. Like the Commission, the Bundesrat is of the opinion that the European agricultural model and the CAP's market-oriented reforms have proved their worth. Today the CAP makes a decisive contribution to ensuring a good territorial balance in development of rural areas and fosters environmentally friendly agriculture in the EU. Funding is linked to a considerable number of legal requirements in the fields of consumer protection, protection of animals, environmental protection, conservation and mitigation of climate change. The Bundesrat draws attention to the fact that Germany has made more progress than all the other Member States in modernising agricultural policy. By 2013 Germany will have fully decoupled payments and will have switched regionally to equal payments for arable land and grassland. This signifies an enduring improvement in the CAP's environmental impact.

8. The Bundesrat concurs with the Commission that ending public funding might intensify production in locations with favourable conditions whilst marginalising production in locations with less favourable conditions. This policy option would have far-reaching, negative economic, social and ecological consequences for rural areas.

IV. Future challenges

9. The Bundesrat concurs with the Commission that in particular

- sustainable food supply,
- environmental protection and climate change, and
- balanced territorial development

constitute important future challenges. The Bundesrat welcomes the Commission's position that these challenges call for a competitive and dynamic agricultural sector. Furthermore, particular attention must also be paid to responding to the consequences of demographic change in Europe's rural areas.

V. Why do we need a reform?

10. The Bundesrat underscores the Commission's finding that European

agricultural policy has always continued to evolve. At the same time however the Bundesrat also considers that there is a need for further adaptations to equip the CAP to face future challenges, in particular competitiveness and

globalisation, increasingly volatile markets, food safety, biodiversity, water management, climate change and climate protection. The Bundesrat draws attention to the fact that a series of future challenges require strategies that are fine-tuned to respond to regional particularities.

11. The Bundesrat notes that the Commission is endeavouring to achieve a fairer and more balanced distribution of appropriations between Member States and farmers.
12. The Bundesrat agrees with the Commission's opinion that reform of the CAP must be set in the context of the "Europe 2020 Strategy" and of future environmentally-friendly growth in the agricultural sector and the rural economy. In this connection there is continuing scope for agriculture, forestry and the food industry to make a significant contribution to creating and securing jobs in rural areas and to conserving a high-quality living environment.

VI. Important goals of the future CAP

13. The Bundesrat affirms its support for the main objectives for the future CAP identified by the Commission
 - viable food production,
 - sustainable management of natural resources and climate action and
 - balanced territorial development.

In addition progress is also needed on the underlying parameters affecting agriculture, with a view to strengthening competitive European agriculture.

14. The Bundesrat takes the view that the many achievements of the European agricultural model of multifunctional agriculture cannot be taken for granted. The societal goals pursued through the European agricultural model can only be attained with a targeted, efficient CAP and a stable basic income for agricultural enterprises. In the future the CAP must therefore continue to make a significant contribution to securing a basic income for farmers, stabilising agricultural enterprises and rewarding services provided by agriculture that are in the public interest and are not remunerated through the

market.

VII. The future of direct payments

15. The Bundesrat agrees with the Commission that direct payments serve an important function in stabilising farmers' income and in securing a basis level of public goods. Against this backdrop the Bundesrat underscores that the principle of direct payments in the form of flat-rate remuneration for public goods and services provided by agriculture has worked well and should be developed further.
16. However the Bundesrat adopts a critical stance in respect of the Commission's endeavours to attain a "more equitable" distribution of direct payments between the Member States, both because of the likely reductions in funding for German agriculture and in the light of the German net payer position.
17. The Bundesrat notes that the Member States still utilise highly divergent direct payment systems. The Bundesrat calls for the new planning period to be used primarily for the requisite adjustment and harmonisation of these systems. The Bundesrat emphatically draws attention to the fact that Germany will have a strictly regional model with fully decoupled premium payments in 2013 and thus assumes a pioneering role in the EU. The Bundesrat calls vigorously for all Member States to continue to progress in moving towards fully decoupled direct payments. The Bundesrat recommends single area payments in the regions.
18. The Bundesrat is pleased to note that the Commission acknowledges the different economic and natural conditions in which farmers work across the EU. Demand-driven value-added in agriculture differs significantly throughout the EU, as do farmers' production and living costs. The Bundesrat therefore calls for the increased harmonisation between the Member States envisaged by the Commission in respect of direct payments to be based on the current allocation of resources. Furthermore, any such harmonisation must be limited in scope and implemented in a phased fashion over a fairly long time-frame. This might offer a particular advantage to Member States that currently have very low direct payments per unit area.
19. The Bundesrat supports the proposal of placing greater emphasis on the

principle of "public funding for public goods" in structuring future payments in all Member States, and emphasises that there must be a more pronounced and more tangible focus on benefits derived from agriculture that reflect society's aspirations.

20. The current two-pillar structure of the CAP provides a good starting point for this approach. This principle is reflected in the clear distinction between decoupled payments, direct payments in the first pillar conditional on respecting cross compliance (CC) provisions and between payments for specific activities linked to additional services under the 2nd pillar and should be developed further.
21. The Bundesrat supports the goal of enhanced integration of environment-measures into the CAP, but is concerned in particular that reform option 2 sketched out by the Commission would generate considerable additional bureaucratic costs without clearly increasing the benefits to society of the payments made. The proposals on obligatory "greening" of direct payments are therefore not convincing and significant additional explanations would be required.
22. The Bundesrat has serious reservations about the Commission's proposals to divide direct payments to farmers across the EU into a basic component plus obligatory and voluntary additional components and has considerable misgivings about this approach in the light of the following issues: clarification is required on these points:
 - The CAP would become less clear and comprehensible, and hence less convincing, as the sensible distinction between the first pillar (condition: basic requirements for management and good agricultural and ecological practice) and payments under the 2nd pillar (by way of compensation for additional services provided) would be lost.
 - Removing the clear distinction between the two pillars would make it difficult to distinguish between the activities and payments and would produce an additional bureaucratic burden for farmers and administrations; in the Bundesrat's view this could not be justified to farmers or the general public.
 - Uniform measures across the EU for obligatory and standardised "greening" would not be advisable due to the different farming and working circumstances in various agricultural regions across the EU (as described too by the Commission in its paper).
 - Expensive additional provisions for agriculture would significantly

reduce the requisite income impact of decoupled direct payments and would make it more difficult to achieve the objectives of income stabilisation and risk mitigation.

23. The Bundesrat would like to note already at this juncture that direct payments should be fully financed from the EU budget; this should also apply in cases of supplementary aid, payments or support measures.
24. In the light of the contribution made by large agricultural enterprises to employment in rural areas, the Bundesrat considers that thought must be given when examining the proposed cap on direct payments to the question of whether uniform EU-wide rules are appropriate in this context; alternatively, decisions on adopting this kind of provision, including provisions on reallocation of funding within each Member State, could be left to the Member States. Introduction of a capping mechanism must not lead to redistribution of funding between Member States.
25. The Bundesrat views measures for mountainous areas and disadvantaged areas as being of fundamental importance. The Bundesrat is opposed to abandoning the system of compensatory premiums for disadvantaged areas under the 2nd pillar. There are a number of unresolved financial and substantive questions in respect of the proposed option for an additional supplementary payment under the first pillar for farms in disadvantaged areas. The Bundesrat rejects this option as to date it has not been possible to identify any discernible advantages to this approach. The Bundesrat is also opposed to any form of renationalisation of the CAP by means of national co-financing of first-pillar payments.
26. The Bundesrat notes that all farms, irrespective of their legal form and agricultural structures, provide services that are in the public interest. The Commission's proposal to link payments to the size of farm/workforce would stand in contradiction to the German area payment scheme and is rejected.
27. The Bundesrat takes note of the Commission's idea of a greater focus on "active farmers" in the Single Payment Scheme provisions. The Bundesrat draws attention to the fact that current legislation on direct payment already offers scope for Member States to adopt this type of approach. The Bundesrat does not consider that further provisions are needed on this point. Changes to the legal framework must not give rise to uncertainty or new bureaucratic burdens. The details of the arrangements for a specific support provision for small farmers

have not been elucidated and this proposal is therefore rejected.

VIII. The future of policy measures

28. The Bundesrat supports the Commission's intention of maintaining the CAP's market-oriented thrust. It is essential to continue down the path of market orientation. However market instruments should comprise a safety net to buffer the impacts of extraordinary market crises in agriculture without permanent interventions in the workings of the market. This also serves the interests of EU consumers.
29. The Bundesrat supports the Commission's call to strengthen the position of agricultural producers in the food production chain. In the light of the increasing price volatility of agricultural markets, greater transparency and more market influence for producers in some sectors would be helpful. However the Bundesrat is strictly opposed to returning to a centrally planned system.
30. The Bundesrat advocates maintaining the current market instruments for sugar after 2015 – also with a view to avoiding further erosion of preferences for developing countries – and emphasises that by 2020 there should be a review of the contribution these instruments can make in the future to attaining the CAP's goals.

IX. The future of rural development

31. The Bundesrat, like the Commission, considers promoting the development of rural areas to be a central component of the CAP. In order to do justice to the requirements of integrated policy for rural areas and to meet future challenges, the existing structure of the 2nd pillar should be retained with the current spectrum of funding options, and made more efficient, with a greater focus on integrated rural development.
32. An incentive component should be reintroduced to increase the acceptance of agricultural environmental measures. The following structure of objectives should be taken as the basis for the 2nd pillar:

- ensuring that agriculture, the food industry, forestry and the timber industry are competitive, particularly by fostering innovation and further diversification, including non-food crops, as well as supporting human resources in agriculture;

- conservation and development of traditional landscapes, improved protection of the environment, water, climate, animals, as well as conservation and protection of natural resources;

- extending and preserving economic strength and infrastructure in the framework of rural development by making it possible to use territorially differentiated development and funding strategies.

In this context, particular attention should continue to be paid in the future to demographic change, securing and creating jobs, preserving quality of life in rural areas both in the agricultural sector and more broadly, and to forestry's contribution to mitigating climate change and protecting biodiversity. Experience gleaned from the LEADER approach should be taken into account in an open and unbiased way.

33. The Bundesrat considers that there is an urgent need for closer cooperation between the Structural Funds and the European Agricultural Fund for Rural Development (EAFRD) (e.g. VAT refunds, use of private-sector funding for co-financing), inter alia to promote simplification of the system. A cross-sectoral policy approach with distinct funds and distinct priorities for action should be adopted. At the same time the Member States and regions should be accorded greater flexibility in implementing rural development support measures. The monitoring and evaluation system must be considerably simplified and streamlined.

34. The Commission's proposal of adopting quantitative programming targets must not give rise to monitoring requirements, appraisal provisions or mechanisms for penalties that would be difficult to implement. The Bundesrat rejects the idea of a penalty mechanism.

35. The principle of co-financing for 2nd-pillar support measures has proved its worth and should be retained. The federal states call for retention of the current higher share of EU financing for measures relating to new challenges.

36. The Bundesrat views the Commission's suggestion for a new distribution of

funding between the Member States in the context of the 2nd pillar with concern. Any implementation of this option should be part of an overall concept for funding the 1st and 2nd pillar of the CAP and should be taken into account in the future EU agriculture budget, although it is important to ensure that sudden changes to the system are avoided. Due to the enormous variety of circumstances in rural areas (and therefore also in the goals and measures

relevant in those areas), it seems virtually impossible to formulate a generally valid definition of objective criteria for allocating funding, in particular as the development differential between rural areas and adjacent metropolitan regions plays a crucial part, over and above the differences in circumstances in various rural areas across Europe.

37. The Bundesrat insists that deployment of risk management measures should remain optional for Member States and insists that this system must not lead to reallocation of appropriations between Member States. The Bundesrat rejects the idea of introducing additional risk management systems in the 2nd pillar in the form of an income insurance programme, as this would distort competition between the Member States.

X. Reducing bureaucracy and further developing the tried-and-tested CAP instruments

38. With a view to protecting the EU's financial interests, policy objectives must include attaining the lowest possible error rate for utilisation of EU funds.
39. At the same time, efforts to move forward development of the CAP must be used to achieve significant simplifications in administrative enforcement, in particular pertaining to reducing the extent of CC inspections, as well as on-the-spot checks and administrative procedures. The Bundesrat strongly urges the Commission to increase its endeavours on this point, to address these issues specifically in ongoing discussions and to submit ambitious proposals.
40. Public administrations are already running up against capacity constraints and bureaucratic burdens are causing difficulties for farmers and applicants for funding in rural areas. In the context of further development of the CAP, the Bundesrat expects in particular to see the following simplifications:
- simplifications should be clearly identifiable in the CAP's fundamental design.
 - there is an urgent need for monitoring provisions geared to practical

needs with an appropriate cost-benefit balance. Reducing the frequency of on-the-spot checks, as well as utilising and/or introducing tolerance thresholds is crucial in this context. Administrative and monitoring systems in the Member States that can be shown to be working well must be rewarded.

- CC requirements should focus to a greater extent on the core spheres in agriculture.

41. The Bundesrat takes the view that targeted further development of the tried-and-tested CAP instruments is the right approach when tackling the social, economic and ecological challenges of the future. The Bundesrat believes that neither the idea of fundamental reshaping of the CAP's pillar structure nor the Commission's proposal of gradual phasing-out and/or complete abolition of market and income support are viable reform options.

42. It is of great importance for the Bundesrat that the steps needed to implement any changes are initiated very promptly. The Bundesrat notes that the German language, which is an important EU working language, is still not taken into account sufficiently. It therefore urges the Federal Government to take steps to ensure that draft Regulations (draft legislation and accompanying documents) are also tabled in German when examining these policy issues.

XI. Direct transmission to the Commission

43. The Bundesrat will transmit this Opinion directly to the Commission.