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Commissioner Dacian Cioloş
European Commissioner for Agriculture and Rural Development
European Commission
Rue de la Loi 200
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Dear Commissioner

The Common Agricultural Policy after 2013

We have given detailed consideration to the proposals which the European Commission presented in October 2011 for the reform of the Common Agricultural Policy (CAP) after 2013, and I am writing to you now to set out our views on those proposals.

As you know, last year we completed an inquiry into innovation in EU agriculture, publishing a report in July 2011; we were pleased that representatives of the Commission played a key part in a follow-up seminar on the report which we held in November. The conclusions which we reached in that report have provided the basis for our consideration of the October 2011 proposals.

As an overall assessment, while we welcome the positive changes proposed to Pillar 2 (European Agricultural Fund for Rural Development) in the direction of innovation, we are very disappointed by the overall lack of ambition shown in the reform package. In the light of current economic and climatic challenges, new approaches are required, and we strongly regret that the opportunity appears to have been missed to introduce them. The risk of even greater disruption to European economies cannot be ignored; were this to materialise, long-standing budgetary models such as the CAP could become obsolete overnight.

So we are pleased at the proposal that funding for investment in agricultural research should be more than doubled (under the Horizon 2020 budget), but we consider the failure to make any substantial reduction in the overall agricultural budget very disappointing. We acknowledge that some cuts have been made to direct payments, but we would support a greater reduction, alongside more ambitious modulation of funds to Pillar 2.

One of the original justifications for direct payments was as a risk management measure, in recognition of the fact that the industry can face unforeseeable and significant risk derived from adverse climatic events and animal or plant diseases or pest infestation. As a short-term counterweight to reduced direct payments, we consider some form of temporary risk management measure to be important. Over the longer term, however, such state-funded support should not be necessary. The October 2011 proposals include a variety of risk management measures: under Pillar 2, the CMO Regulation and the Global Agricultural Risk Management Fund. We do not see the need for all of those measures but we strongly agree that financial support should be available on a time-limited basis to cover premiums for crop, animal and plant insurance against economic losses caused by the risks described above. This already forms part of the new Risk Management Toolkit in Pillar 2.

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

The proposal to cap direct payments has been much discussed. While the practicalities of such a cap may be challenging, there is nonetheless an important issue of public perceptions, particularly if the funding is hypothecated towards innovation funding under Pillar 2. We are therefore inclined to support the proposal.

The proposed Pillar 2 Regulation contains much that we welcome, particularly:

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

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

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

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

Yours ever
John Roper

The Rt Hon the Lord Roper
Chairman of the European Union Committee