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Franco German position for a strong Common Agricultural Policy beyond 2013

- New challenges and expectations for food, biomass and environment -

Agriculture is at the heart of the challenges our society faces: it feeds human beings, provides renewable raw materials, protects the environment, creates jobs and maintains the viability of the various regions of the EU (“multifunctional agriculture”). It is a strategic activity that takes fully part in the strategy “Europe 2020”. EU citizens and consumers expect that the European agricultural policy ensures a sustainable agriculture that can provide them with wholesome and quality food and biomass.

The original objectives of the Common Agricultural Policy (CAP) mentioned in the Treaty are still valid today. However, new challenges lead to an even wider vision of the CAP:

- The future policy should be adapted to the new global environment: increasing food and biomass demand; new competitors; volatility of prices as a result of globalization; increased sanitary risks; climate change; biodiversity; water management and nature protection.
- The future policy should better address the needs and demands of European citizens: food security and safety; quality and diversity of European agriculture; affordable food prices; protection of the natural environment and of animal welfare; active rural areas and innovation.

To achieve these goals, farmers have made and still make a lot of efforts to adapt their way of producing for the market and new societal demands. In order to be able to further invest and develop Europe’s agricultural potential, they need tools and policies at the European level to stabilize their income, to improve competitiveness and innovation capacity, to achieve fair relations between the partners along the value chain and to secure a fair level playing field with third country competitors.

Key principles for a strong Common Agricultural Policy for Europe beyond 2013

- The course mapped out by the successive agricultural reforms confirmed by the health check in 2008 must be continued. The course that has been chosen is aimed at strengthening the market orientation of the CAP and increasing the competitiveness and sustainability of the agricultural sector in the global context of the strategy EU 2020. However, recent years have shown that an adapted regulatory framework (i. a. direct payments for farmers, up-to-date market instruments functioning as a safety net, producer organisations) is needed to buffer devastating effects of growing price volatility and market crises.
- The European Union needs a strong CAP beyond the year 2013. There must be resources for action commensurate with our ambitions. Agriculture needs stability and visibility. A final decision on all questions relating to finances will be made when decisions are made on all policies and the entire EU financial framework.
- The two-pillar model for the CAP shall be retained to face the future challenges. Any changes of the current shape of the two-pillar model to improve the legitimacy of the CAP in the society (“greening”) must have clear advantages for farmers, rural areas and environment. It should not have any financial disadvantages for Member States and farmers. However, we encourage simplification and modernisation:
 - The repartition between the two pillars must be transparent and reliable. With a clear-cut and reliable financial base for both pillars of the CAP there is no need for any kind of annual reallocation of funds.
 - Existing instruments can be further developed in order to better address new challenges and objectives, such as the environment and the maintenance of agricultural activity, taking very carefully into account the financial implications for each Member State. The policy for mountains and less favoured areas is essential. Its political sensitivity requires extreme caution whenever changes to the present support are considered.

- France and Germany oppose any renationalisation of the CAP through the co-financing of single farm payments.
- Simplification of the CAP shall be a priority task. Without jeopardizing its efficiency, which is crucial for the legitimacy of direct payments, in view of regional and Member States' specific implementations of directives and standards further streamlining of the system of cross-compliance at the EU-level should be envisaged as far as appropriate, and by focusing on measures relevant to the core agricultural activity of farmers. Environmental certification systems should be examined within the integrated administrative and control system (IACS) e.g for the risk analyses of farms and then taken into account. The future CAP should also address the issue of controls. Without putting in question the political requirement of protecting the financial interests of taxpayers, they should not impose unnecessary burden on farmers.
- The European agricultural model, with its high standards reflecting consumers' demands and societal concerns (such as quality, health, environment and animal welfare), is a major part of our heritage to be preserved in the light of competitiveness in today's global market. In this context we acknowledge the need for a fair level playing field between the EU and third country producers. EU standards must be met by all imported products. In this regard, the Commission is invited with the objective of a balanced and reciprocal approach in trade negotiations to propose a set of renewed instruments, such as promotion tools, more efficient controls and – where appropriate – labelling.

Proposals

Adapted market instruments to strengthen the competitiveness of European agriculture

- The current market instruments (e. g. intervention, private storage) should be part of a safety net to protect the agricultural sector against the effects of major crises in the EU. Some of them could still be improved in order to become more effective in their application, and more simplified. A cross sectoral “exceptional measures clause” based on the measures already existing in the single market organization, would be useful and could cover and distinguish market and sanitary issues.
- Taking into account increasing price volatility on agricultural markets, in some sectors we need more transparency and more market power for the producer. European instruments to increase market transparency (e.g. as to food price and volumes monitoring tools: monitoring of price formation by analysing costs, processes and added value in compliance with competition law and the protection of commercial secrecy) could be improved without additional administrative burden. In order to strengthen producer organisations and interbranch organisations in Member States on a voluntary basis, the development of instruments, among them sets of standard contracts for the agro-food sector in compliance with single market rules are very important points, should be examined so that they can help to establish a fair balance between partners in the chain of added value. As in the other economic sectors they should be allowed, where it makes sense, to manage supply and to publish indicators on market trends, including prices.
- Instruments such as insurance and mutual funds in view of stabilizing farmer's income should be investigated and should be kept on a voluntary basis for Member

States within the national ceilings. They have to respect WTO-rules and should not harm a common level playing field at the EU-level.

More legitimate direct payments

- Direct payments provide remuneration for public goods that are not rewarded by the market, cover production cost caused by higher production standards desired by society and they contribute to the income of farmers and are an essential part of the risk reducing safety net for European agriculture. Decoupled payments have to remain central in any future system. France and Germany acknowledge the discussion on re-distribution of amounts between Member States in terms of fair and adequate allocation of financial funds. In this context, it has to be stressed that an EU-wide flat rate is not justified and does not comply with the economic situation in the EU. This debate must take into account the sustainability of member states financial position in the EU budget based on the current distribution key.
- Member States should retain the possibility of keeping, on a voluntary basis and within national ceilings, an “envelope of flexibility” dedicated to specific needs (such as sustainable development), provided it does not create distortions in the internal market and respecting our WTO commitments. In the same spirit, flexibility of the distribution of direct payments within a Member State should be possible.

A more efficient and sustainable rural development

- An integrated approach of rural areas, including measures for diversification of the rural economy, quality of life in rural areas or cross-sectoral policy approaches, has proved its relevance and should be kept as part of the future CAP. Simplification and a closer coordination between rural development and structural funds are nevertheless useful (programmation, implementation, harmonization of some management rules). Member States should be granted more flexibility in the implementation of support and be allowed to set their own priorities and solutions tailored to specific farms and regions. Beyond agri-environmental measures, rural development must pay special attention to new challenges. They include climate change, biodiversity and water management but also competitiveness of farms and more largely the industry linked to agricultural food or non-food products. Innovation and increasing of added value will be an imperative for the sector as a whole.

Wholesome and quality food for all

- The quality of our food depends to a great extent on our agricultural production system. In this regard, the CAP is partly responsible for what we have on our plates. Therefore, we invite the Commission, on the basis of Member States experiences, to develop links between agriculture and food policies.

Based on our convergences as well as our respective specificities, the common position of France and Germany is conceived as a contribution to the European debate, along with the discussions held in the Council under several presidencies and the recent contributions of the European Parliament and in the spirit of the Commission invitation to feed the debate on the future CAP. Our shared conviction is that our dialogue can help to work out solutions for the many complex issues we face at the

wider European level.

In this respect, the cooperation in the agricultural sector will be intensified in line with the Franco German Agenda 2020, notably by:

- issuing a market oriented, multifunctional and sustainable agricultural sector in the EU;
- developing exports to third countries emerging markets of food products by building up a strong cooperation between economic operators;
- promoting the cooperation on SPS issues at EU-level to build up a common Franco German view on sanitary risk evaluation;
- developing solutions for the new challenges of climate change, water resource management and biodiversity.