

The CAP after 2013

Views of
the Finnish Ministry of
Agriculture and Forestry



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The need for a common policy

The Common Agricultural Policy of the European Union (CAP) is the most highly integrated policy sector of the EU, with the most detailed rules and regulations. The aim of the common rules, is to ensure **smooth functioning of the internal market** as well as uniform and equitable competition conditions in the Community. These tasks are still important, both in the present and in the further expanding Union.

The CAP has made a significant contribution to improving the **competitiveness** of agricultural production and the food chain. The policy measures concerning the maintenance of quality standards, compliance with hygiene rules, modernisation of farms and improving the farm structure, research and development, quality of life of the rural population, development of diversified business activities in the countryside and increased co-operation between the producers are still valid and the work on these needs to be continued and further developed.

In recent years the CAP has been developed to make it even more market-oriented, which is a natural and positive trend. There are, however, certain issues which opera-



Field of cereal in southern Finland

tion of a free market cannot fully address. By means of the two pillars of the CAP we can ensure the production of various **public goods** vital to the society which would not be produced in a completely free market situation. Such public goods include the environmental benefits generated by agriculture, enhancing biodiversity and preserving the viability of the rural areas by maintaining agricultural production, thus helping to preserve rural heritage landscapes. In the increasingly market-oriented environment we must still make sure that also the weakest, peripheral regions stay populated and their production conditions are preserved.

The CAP has contributed to balancing the Community food market in the long term, in the case of both oversupply and shortage situations. Thus the common policy has guaranteed **reasonable consumer prices and access to food** within the whole Community despite the fluctuations in world prices and various kinds of crisis situations. In the future the world markets will be more open than before, agricultural products from third countries will gain better access to the EU market while the WTO agreements make it increasingly difficult to promote exports, globalisation proceeds and changes the main production areas in the international context, and extreme weather events will become more frequent as the climate change progresses. These result in even greater fluctuations in agricultural product prices and uncertainty of the market, which means that the role of the CAP in **balancing the market** is still highly relevant.

On the global scale the EU is a major importer and exporter of foodstuffs. By maintaining a balanced and functioning agricultural market of its own the Community makes the best contribution to the stability of the global food market and to the prevention of various kinds of crises relating to access

to food. As the world population grows (the estimate is 9 billion by 2050), food production must also increase. The only way how the EU can help to eradicate world hunger is by ensuring that its own production potential is properly maintained.

In the EU **higher standards** than in most other parts of the world have been set for primary agricultural production and the food sector concerning, among other things, food safety and quality, animal welfare and the related controls. Compliance with these standards increases the production costs of European producers. Actions under the CAP to maintain Community preference (such as direct payments and common border protection) are needed to **equalise the competitive situation between the production within the EU and that coming from third countries**.

The CAP influences the **income level** of agricultural producers and the whole rural population, which in many EU countries is still quite large. CAP payments stabilise farmers' incomes in case of changes in market prices or rapid rise in the input costs, which means that they are very important as a kind of basic income for the producers. Ensuring proper services and opportunities to earn a living for the rural population reduces the pressures to migrate to urban areas, which in certain countries might involve growing social problems. Therefore actions under the two pillars of the CAP have significant impacts on **regional development** as they promote cohesion both within and between the regions. In a peripheral and sparsely populated country like Finland these considerations have a very special role for the settlement of the country and national security.

The objectives of the Common Agricultural Policy

In view of the numerous tasks of the CAP there is an obvious need for an effective and efficient common policy also in the long term. The common policy must, however, be developed to take better account of the needs of the different regions of the Community, including less favoured regions with adverse natural conditions and, through this, to ensure a fairer allocation of the resources. From the perspective of farmers, companies as well as administration, serious efforts are needed to simplify the policy and improve its predictability.

According to the view of the Finnish Ministry of Agriculture and Forestry, the main long-term objectives of the CAP are:

① **Preserving sustainable food production based on family farming also in the less favoured regions of the Community in accordance with the European model of agriculture.** This objective comprises:

- ensuring food security in all regions of the Community also in exceptional market situations
- ensuring the functioning of the Community agricultural market, balancing the market and improving the competitiveness of the EU production
- ensuring the income level of farmers
- ensuring food safety, keeping animal and plant diseases under control and ensuring and promoting animal welfare
- ensuring sustainable use of renewable natural resources in the EU



Lake landscape in Häme region



Dairy cows in southern Finland

② **Preserving the viability of the rural areas and promoting balanced regional development.**

This objective comprises:

- maintaining and managing agricultural and rural environments, promoting water protection
- mitigation of and adaptation to climate change
- improving energy self-sufficiency of the EU by utilising e.g. the opportunities for bioenergy production

③ **European contribution to the global food supply.**

This objective comprises:

- stabilising the market and maintaining the level of food production in Europe, which also contributes to stabilising the global food market
- promoting the food supply of developing countries
- promoting agricultural research and development

Views on the content of the Common Agricultural Policy after 2013

The Community implements policies on the different sectors in accordance with the objectives set for these in the Treaty Establishing the European Community. The financial allocations in the Community budget set a framework also for the policy measures under the different headings of the budget. This means that the upcoming decisions on the financial framework and the content of the CAP after 2013 are linked to each other. However, based on the tasks and objectives for the CAP listed above, the Finnish Ministry of Agriculture and Forestry considers that the CAP after 2013 should be constructed upon the following elements:

- EU needs also after 2013 an efficient agricultural policy, a common policy as regards both financing and content, which evens out the differences in production conditions between regions. One of the main objectives must continue to be the preservation and promotion of diverse agricultural production in all regions of the Community.
- The competitiveness of the whole food chain in the Community must be continuously developed, with the aim that the improved competitiveness benefits the producers, consumers and the food industry. This calls for better reconciliation of the agricultural policy measures of the Community and actions in other sectors, including research and product development and promoting innovation.
- Maintaining the current structure where the financing of agriculture and rural development takes place under the two pillars is well justified to ensure a comprehensive view of agriculture and rural development and the consistency of the measures. The first pillar would continue to comprise the EU-funded single payment scheme and market support, with the co-funded rural development measures in the second pillar.



Grass and cereal in south-eastern Finland



Reindeer in Lapland

- In the EU as it is at present the total Community funding for agriculture and rural development should stay on the current level. Funding under the second pillar of the CAP is highly significant and needs to be ensured to allow a balanced development of rural areas. Funds transferred from the first to the second pillar through modulation should be transferred to the second pillar on a permanent basis.
- The direct payments of the Community (single payment scheme) should be gradually developed towards the regional flat-rate model in all the Member States. Key priorities include the simplification of the single payment scheme, better efficiency and increased transparency, and reducing the administrative costs of the scheme.
- Decoupled single payment scheme, which should be seen as compensation for the provision of public services, will be also in the future be the main rule for the direct payments under the CAP. Alongside it, however, particular coupled elements are needed in sensitive regions where there is the risk that production might either stop completely or the diversity of farming would be seriously reduced. It should also be examined whether certain forms of CAP support could be further differentiated between different types of farms or regions (livestock farms/crop farms).
- The Community must have at its disposal sufficient means which can be applied at a short notice for balancing the agricultural markets in exceptional circumstances, because the instability and uncertainty of the markets have increased and climate change increases the frequency of extreme weather events. Developing tools for managing various kinds of risks is also highly important.
- In rural development the Member States should have extensive competences in defining the measures based on their own needs and special conditions. It is also important that in the reform concerning the less favoured areas both the areas and the level of payments are determined on the basis of objective criteria and calculations concerning the natural handicap, and no artificial ceiling for the payments is set in the Regulation. The criteria to be applied must reflect the differences in the production conditions caused by the different natural conditions.
- The agri-environmental scheme must be maintained, but it must be developed further and focused more clearly to ensure the encouraging nature of the scheme and the effectiveness of the measures. In the future, too, the special priority areas include water protection and reducing nutrient loading of the marine areas, mitigating climate change and preserving biodiversity. Considering the objective to improve the energy self-sufficiency of the Community and increasing the use of biofuels, promoting bioenergy production is also important.
- The need to reduce development disparities between rural and urban areas applies to all Member States. Taking advantage of the development potential of the rural areas and preserving their viability calls for further development of the EU rural policy instruments. Supporting the local self-initiative of the rural residents and measures that support services and the quality of life would benefit all who reside in the countryside.

- In the Community as a whole, efforts are needed to ensure better functioning of the market to guarantee an equal negotiating position for all parties in the chain and a fair share of the return obtained from the market. Alongside with the Community measures, the Member States must be allowed to apply national aids which do not disturb the functioning of the internal market and which support the general objectives of the Community policy, such as preserving agriculture in all regions of the Community. The de minimis limit for support in agriculture must be raised to ease the administration of small-scale support schemes.
- The Community must ensure a high level of food safety and improve this even further, prevent animal and plant diseases and see to the welfare of production animals.
- The quality policy on foodstuffs in the Community must be developed so that there is no increase in the administrative burden, but the views of the consumers are fully taken into account. This comprises, for example, further improvement in the traceability of food products and correct information to the consumers on the origin of foodstuffs and production methods (including GMOs) so that the consumers can base their choices on proper grounds.



Beef cattle in eastern Finland

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