



First comments on the Communication on the CAP towards 2020

Brussels, 23 November 2010

The Commission Communication on the CAP towards 2020 published and presented by Commissioner Ciolos on 18 November provides broad lines and general options for a future Common Agriculture Policy. The content has now to be filled up by detailed measures and instruments identified in a further debate.

Herewith, CELCAA makes a first contribution to the upcoming debate. CELCAA members are the European associations representing cooperative and non-cooperative importers, exporters, storers and internal traders of agricultural products at wholesale level and butchers at the retail level.

CELCAA fails to see in the Communication a strong commitment from the European Union to a well functioning single market with common rules. Agricultural traders are concerned with regard to ideas in the communication which might lead to a weakening of competition rules and a fragmentation of the single market. Furthermore, CELCAA would favour a more pro-active agricultural trade policy in view of the international dimension of future challenges for agriculture and the competitiveness of the agro-food supply chain.

CELCAA emphasises that the main objective of a common agriculture policy is to ensure an active and competitive agriculture in Europe supplying raw materials of animal and plant origin for feed, food and non-food consumption. The major future challenge for agriculture production will be to ensure food security for a growing population at global level in a sustainable way, i.e. without endangering the planet's ability to provide the same for future generations. This challenge can only be solved through innovation and optimal allocation at a global level improving productivity of scarce resources.

For agricultural and agri-food traders options for market measures are of particular interest. The path towards market orientation of the CAP should be continued letting market forces determine commercial decisions as much as possible.

Common rules are essential for a proper functioning of the internal market, preventing national protectionism and the distortion of competition between actors in the food chain. Extension of market management by producer or interbranch organisations to other agricultural sectors than those for which they already exist has to be submitted to a thorough impact assessment as they may result in a fragmentation of the European single market leading to market distortions. Differences in national aid as well as differentiation of subsidies between economic actors at the same level of the food supply chain (e.g. between non-cooperative agricultural wholesalers, cooperative wholesalers and producer organisations) lead to competition distortion. In addition, CELCAA is questioning the efficiency of using

scarce public funds for subsidies aiming at strengthening producer organisations. These will be competing with cooperative and non-cooperative agricultural wholesalers, of which many are economically viable without subsidies. A collaborative approach between agricultural producer, their organisations and cooperative and non-cooperative agricultural wholesalers would be more beneficial as it would provide market intelligence and marketing skills to agricultural producers without public subsidies. Furthermore, agricultural traders have strong reservations concerning possible changes to competition rules as these would disrupt markets and would lead to a reduced competitiveness of the European food supply chain. Measures isolating agricultural production from a competitive and open market would lead to suboptimal allocation of resources and prevent the innovation needed.

Price volatility on agricultural markets is now addressed by a common intervention policy in certain sectors, which aims at offsetting price extremes and the improvement of predictability for the agricultural sector. A temporary duty reduction in moments of price peaks could be imagined if no intervention stocks are available. For certain commodities, futures markets with clear rules are an instrument to cope with volatility for individual farmers, processors, traders or buyers. Liquidity is a key for futures markets to be successful. Generic and timely provision by public authorities of market data on production, storage, consumption, exports and imports of agricultural products could help operators in the management of their business and in planning their activities. Availability of relevant and precise market data is also important for the well functioning of futures market.

International trade is essential for European agriculture and the competitiveness of the European food supply chain. As the biggest importer and exporter of agri-food products worldwide, the European Union has a central role to play in coping with the challenge of global food security. A pro-active agricultural trade policy by the EU is crucial for ensuring competitiveness of the European food chain just as open and competitive agricultural markets are vital to stimulate innovation. As the EU is not self sufficient for a series of raw materials and as comparative advantages in producing certain agricultural raw materials lay in third countries, imports should not be restricted for a series of products for which a domestic production strategy would be *more costly*. In order to keep an international level playing field, all trade distorting export subsidies have to be phased out simultaneously, i.e. refunds, state trading monopolies, export credits and food aid. As WTO negotiations are currently stalled, the tool of export refunds should be maintained as long as no clear commitment is taken by trading partners for the simultaneous phasing out of all export subsidies.

Improving market access by reducing import tariffs, by alleviating non-tariff barriers and by negotiating Free Trade Agreements does not immediately translate into improved sales of European agricultural products in third countries. A more active promotion of European agricultural products in third countries informing on European quality schemes and standards could be used for opening up new markets.