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Comments on the legal proposals on the CAP towards 2020

General comments

CELCAA, the European Liaison Committee for Agricultural and Agri-Food Trade welcomes the reform process towards a **market oriented, competitive and sustainable Common Agriculture Policy**, which was started with the reform in 2003.

It is of paramount importance that the future CAP ensures the active participation of traders of agricultural and agri-food products in the market place. Their involvement helps secure value for all participants in the supply chain and reduces price volatility. Deepening the modernisation of the EU agriculture sectors and its market orientation should remain the priority goal of this reform. Intervention or stabilisation measures should not prevail over the need for unceasingly pursuing the reorientation of the CAP investments towards more dynamic measures as a priority.

Allowing market forces to determine commercial decisions as much as possible and **facilitating global trade** is the most efficient and effective way to tackle market imbalances and securing a supply of food to consumers at the most efficient price level. Measures taken to prevent free movement of agricultural products in the recent spike in international commodity prices (2007-2008) have proven to exacerbate price increases of food touching in particular the most vulnerable parts of the global society.¹

The main objective of agriculture is to ensure **sustainable food security**² for a globally growing population at affordable prices without endangering the planet's ability to provide the same for future generations. Measures taken by agricultural policy to follow other objectives should be proportionate and should not impede upon this overall objective. Traders believe that greening measures should not deteriorate the objective of sustainable food security at competitive prices.

A major milestone in achieving this overall objective lays within innovation in agriculture and the whole food supply chain enabling to improve productivity and efficiency. **Innovation and Research & Development** should be a key pillar of the future CAP policy. The agri-food value chain needs an EU funding framework on R&D to bring it closer to the EU CAP policy objectives, with the aim to increasing the scale and impact of research investment, improving the level of coordination and integration, in addition to raising the technological content of value chain activities. CELCAA welcomes further the renewed attention given to agriculture and food production in the European Innovation Partnership. Adequate funding and training should be provided to all the actors in the agri-food sector as research is most productive if realised and applied throughout the food chain.

¹ See Price Volatility in Food and Agricultural Markets: Policy Responses - Interagency G20 report : <http://www.foodsecurityportal.org/interagency-report-g20-food-price-volatility-released>

² See definition of food security by the FAO: http://www.fao.org/ag/wfe2005/glossary_en.htm

Specific comments

As CELCAA represents agricultural and agri-food traders, the interest of its membership focuses on the legal proposal for the Common Market Organisation. As a preliminary comment, traders would request products with a proven track record of not needing any specific market intervention should not be further regulated in the current framework.

Public intervention

In a number of sectors, public intervention can be an effective instrument in providing a safety net securing a minimum income to agricultural producers of these commodities. However where applicable, it should be governed by clearer rules for the concerned products and should be EU harmonised, allowing very limited exceptions at local and regional level. The system should not prevent deepening further the market orientation of the agriculture sectors; it should instead improve predictability for the sectors involved, allowing farmers to take market based decisions, while driven by a more transparent market mechanism.

Agricultural traders welcome the maintenance of a buying-in system at a fixed price from the beginning for the major agricultural commodities (article 13.1). However, traders are somewhat concerned on the possibility to restrict buying-in by tendering to certain member states or regions of a member state (article 13.2). Such measures have the potential to create market distortions by creating different conditions per member state or blocking commodities in logistically remote regions of the EU.

Private storage

Private storage is an efficient and cost effective instrument of the market management tool box which helps smooth price fluctuations for agricultural commodities susceptible to strong price variability. CELCAA regrets its confinement to a safety net role but would rather encourage the extension of the list of eligible products in article 16. Traders would also favour to have automatic opening of Private Storage compared to the opening through a delegated act of the Commission as stated in article 17 as it would improve predictability of markets.

Marketing standards

CELCAA encourages aligning general marketing standards in the EU with applicable standards adopted by the relevant international organisations like the Codex Alimentarius and the United Nations Economic Commission for Europe as stated in article 56 (3). Such an alignment facilitates international trade and reduces costs.

Import and export licences

Traders support the Commissions intention to request licences only for the management of tariff rate quotas for imports from a third country, for the tariff rate quotas for exports into a third country and for the export of products receiving refunds. As licences represent a cost to economic operators they should not be used for the sole purpose of gathering statistical information. Agricultural traders note that there are other more cost efficient means of monitoring markets and collecting statistical information on export and import than the issuing of licences.

Tariff Rate Quotas

There are often well-motivated sector specific conditions which require the need for import tariffs and TRQ's. But in general, the granting of tariff reductions in international negotiations is generally seen by traders as more appropriate as they are more predictable and provide better market stability.

Export refunds

CELCAA approves the maintenance of export refunds for the major agricultural commodities as indicated in article 133. The current rules for granting export refunds should be adapted to today's trading practices and paperless customs procedures practised in the majority of export destinations. This issue has not only to be seen in the European but also in the global context. In order to keep globally a level playing field all trade distorting export subsidies for the major agricultural commodities have to be phased out simultaneously, i.e. refunds, state-trading monopolies, export credits and food aid. As WTO negotiations are currently stalled, export refunds should be maintained as tool as long as no clear commitment is taken by trading partners to phase out their trade distorting measures.

Competition rules and producer organisation

CELCAA has followed with concern the recent legal developments for the dairy sector (milk package), in particular with regard to contractualisation and the additional flexibility for competition rules for producer and interprofessional organisations. Agricultural traders note that next to the vertical competition in the food chain also the horizontal competition between producer organisations, cooperative and non-cooperative wholesalers has to be considered. Should the support to producer organisations be given, it will have to be transparent and non-discriminatory while competition rules have to be respected. Moreover, the peculiarities of the agricultural sector of reference will have to be taken into consideration. Indeed, market management by producer or interbranch organisations if not responding to the structure of the supply chain, would fragment the single market and would lead to competition distortion, in favour of different economic actors. A collaborative approach between the key players in the branches involved like producers and wholesalers, depending on the specificities of the different sectors, would prove more efficient in terms of expertise sharing and less burdensome to the CAP budget.

In this context, traders highlight their concerns on article 144 of the proposal and its application. The article grants sole power to the Commission to adopt by means of implementing acts, a decision which will exempt producer organisations from having to respect basic competition rules. The objectives allowing the Commission to grant such derogations are vague and give leeway to interpretation. The competition rules from which exemptions are granted not only heavily distort competition on a horizontal level but have also a considerable potential of causing market failures and of harming the competitiveness of the European food sector.

Exceptional measures

CELCAA supports the horizontal article 154 authorising the Commission to take exceptional measures against market disturbances. The conditions of the use of such a "safeguard tool" should be determined more precisely in order to improve predictability of the measures.

CELCAA is the umbrella organisation representing at European level associations and companies active in the sector of agricultural and agri-food trading. Its members include cooperative and non-cooperative wholesale traders (collectors, distributors, storers, importers and exporters) delivering agricultural and agri-food products as feed materials to farmers and compound feed industry, as well as raw materials to food industry and food and drink to retailers (meat, potatoes, eggs and wine). On retail level CELCAA represents the Butcher Crafts sector.