

Brussels, the 24th of February, 2011

**POSITION PAPER
ON THE FUTURE OF THE CAP AFTER 2013**

Coceral, the European association representing the cereal, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply trade, welcomes the Commission initiative to consult stakeholders on the future of the CAP after 2013 and hereby brings its contribution.

Coceral is in favour of an EU common CAP organised on two pillars.

- A Commission study¹ broadly endorses the maintenance of a strong single CAP sustained through public support. The maintenance of a direct, decoupled, single farm area payment contributes to the development of farming activities across all of Europe and paves the way to ensuring global food security.
- In order to ensure a proper functioning of the single market **single farm payments should continue to be EU-managed** and a renationalisation of the CAP has to be prevented. The CAP should remain a common policy in order to avoid market distortion and enhance the operators' ability to achieve the best allocation of resources to consumer demand. Other measures on environmental protection and the preservation of biodiversity should be approached holistically, in line with the basis of EU agricultural policy and its contribution to global food security.

Coceral supports the further review of market instruments in view of maintaining CAP's market orientation and is in favour of well-functioning futures markets with common EU rules.

Through earlier reforms, the CAP has considerably progressed over the past decades. The elimination of market distorting support systems has led to a better response to consumer demands for new features and products.

- Coceral strongly believes **that a market intervention system** should continue to function as a **safety net**. The instrument should be governed by clearer rules for all products and should be EU harmonised, allowing only very limited exceptions at local or regional level. The system should improve predictability for the sector, allowing farmers to take market based decisions, while driven by a more transparent market mechanism.
- Coceral is following with interest the legal developments for the milk sector, in particular the with regard to contractualisation and the additional flexibility for competition rules for producer and interprofessional organisations. **Coceral does not support such proposals for the cereal, oilseed and their co-products' markets, on account of their essential differences in comparison to the dairy market** and on the basis of existing regulation for the cereal and oilseed sector.

¹ "Provision of public goods through agriculture in the European Union", December 2009 Report, http://ec.europa.eu/agriculture/analysis/external/public-goods/index_en.htm

- Cereals, oilseeds and their co-products can be stored as such for an extended period of time and are traded on global markets, while milk is traded on local and regional markets only. Grains and oilseeds markets, as well as those of many of their derived products, are already well regulated with existing tools (such as futures markets and many frame contracts at national or international level, duly recognized and commonly used by all market users, with arbitration rules). As such, these markets do not require any additional compulsory contractual legislation.

Therefore:

- Enforcing compulsory contracts for the cereal sector, at EU or Member State level, would penalise the role of trade and will negatively impact the competitiveness of EU farmers and that of other stakeholders in the EU food chain. Contracts should not be introduced on a compulsory basis and impact assessments are necessary before pursuing further proposals for our sector.
 - Import and/or export operations of agricultural commodities, which represent often big shares of the EU agri-commodities exchanged volumes, are generally based on very short market changes related to commodity prices or exchange rates and cannot be linked to long term supply contracts with producers.
 - Market management by producer or interbranch organisations would fragment the single market and would lead to competition distortion, in favour of different economic actors. A collaborative approach between producers and wholesalers would prove more efficient in terms of expertise sharing and less burdensome to the CAP budget.
- **Instead, Coceral is in favour of consistent and well-functioning futures markets in order to ensure price discovery.** For grains and oilseeds, futures markets with clear rules are an instrument to cope with volatility for individual farmers, processors, traders or buyers of these commodities. Therefore the CAP reform should integrate requirements for better and strong-functioning futures markets, with harmonised rules within the EU, under the supervision of market participants. Coceral believes that the next CAP review should promote the usefulness of this tool in offering reliable price signals to farmers in line with the direction of the CAP towards more market liberalization.
 - Availability of relevant and precise market data from public authorities on production, storage, consumption, imports and exports of agricultural products would provide further predictability and is essential for the well functioning of markets. The provision of timely and quality information would stimulate investments in agricultural production and contribute to avoiding the supply/demand deficit.
 - Other mechanisms, such as disaster recovery payments, should not be left to Member State regulation, as this could bring supplementary market disruptions.

Coceral asks for a continued support for trade and its vital role in agricultural development, through the elimination of tariff and technical barriers to trade.

- Coceral supports EU's commitment to conclude the Doha Round, which would ensure a level playing field, overcoming the fragmentation of trade resulting from bilateral agreements. We also draw attention on the need to see that the agreements already in place are correctly applied by EU's trade partners. This objective would be achieved through an increased coordination among Member States' representations and Commission delegations in third countries and their constant consultation with stakeholders.
- The Commission's work on the simplification of the CAP and the quality of agricultural production should continue. Origin labelling for raw materials however doesn't bring an added value for the final consumer and should remain voluntary for bulk commodities.

- In the context of a growing world market, the CAP after 2013 needs to further support the competitiveness of agricultural production also through the dismantling of trade obstacles and barriers.
- As the EU is not self sufficient for a series of raw materials and as cost-benefit analyses repeatedly showed, imports should not be restricted for a series of products for which a domestic production strategy would be more costly. The EU should continue to cooperate with its trade partners in order to ensure that supply of commodities is able to meet internal demand.
- Furthermore, as the food demand will considerably increase especially on the world market in comparison to the EU, European exporters should be supported in capitalising this export market potential. In view of current and foreseeable food supply challenges, the future CAP should ensure a level playing field for both domestic production and trade.
- Restrictive EU legislation on sanitary and phytosanitary issues has become an obstacle to the free trade of agri-bulk commodities and should be tackled accordingly. In addition, in order to ensure compliance with the EU sustainability requirements, transparent, practical and non-discriminatory criteria should be negotiated with EU's trade partners. Such provisions are necessary for the execution of imports and the reduction of administrative burden.

The future CAP should not endanger the competitiveness of the food, feed and non-food chain and ensure a balanced supply of agricultural products.

Coceral supports EU farmers' access to technological advancements, namely GMOs, precision farming and other technological innovations. In order to achieve a sufficient level of agricultural production, the CAP after 2013 should support the increasing use of modern technologies in agriculture and of productivity gains.

Coceral reconfirms that the future CAP has to remain a common EU policy and acknowledges its role as main provider of public goods. Facing the challenges ahead, Coceral asks for a CAP endowed with better legislation and instruments which would ensure sufficient supply of goods and stimulate the competitiveness of EU agri-bulk trade.