

Brussels, 14 November 2012

**THE FUTURE OF THE COMMON AGRICULTURAL POLICY AFTER 2013**  
**COCERAL POSITION PAPER**

COCERAL, the European association representing the trade in cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply, welcomes the reform of the Common Agricultural Policy (CAP) to enhance competitiveness and sustainability of the EU agriculture. COCERAL would like to bring its perspective to the current discussions on the different elements of the CAP.

**EXECUTIVE SUMMARY**

- **The CAP after 2011 must support the competitiveness of agricultural production.** Guided by the overarching objective of sustainable food security, the reformed CAP should allow market forces to lead decisions based on market signals. Ensuring a level playing field for both domestic production and imported products is a necessary condition for increasing the EU agriculture competitiveness: trade obstacles and barriers should be dismantled.
- **Intervention mechanisms must be transparent, predictable and reliable;** therefore the criteria for triggering buying-in of cereals should not be based on variable factors and subjective decisions. Market intervention has proven an effective safety net for farmers, yet the intervention system should not prevent deepening further the market orientation of the agricultural sectors.
- **The system for administering import and export licences should rely on market-based principles and ensure a level-playing field for both domestic and imported products,** provided that they abide by the EU law, irrespective of their origins. Import and export licences still represent the most reliable means for collecting statistical information and thus monitoring markets; the current system should therefore be kept to fulfil this statistical function.
- **Producers organisations (POs), interbranch organisations and their associations can contribute to boost innovation in agriculture.** However, they should not perform functions which have the potential of threatening the well-functioning of agricultural markets, such as managing the supply of raw materials and placing production on the market. It is important that the rules for POs or their associations are not extended to non-members, and that their design takes into account the peculiarities of the sectors they refer to.
- **Producers organisations should not hold a dominant position and should abide to competition rules** as all the other market players, or these entities will heavily distort competition on a horizontal level and potentially cause market failure.
- **COCERAL members support sustainable farming systems which are not detrimental to the capacity of sustainably produce food, feed and non-food/non-feed materials.** Some of the measures proposed under the greening chapter of the Direct Payment Scheme, such as compulsory crop diversification and ecological focus areas, will reduce the production capacity of the EU without real benefits for the environment and climate.

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## Single Common Market Organisation

### *Public intervention*

COCERAL welcomes the maintenance of intervention mechanism as a safety net at times of crisis for the major agricultural commodities, as proposed by the Commission.

In a number of sectors, public intervention can be an effective instrument for providing a safety net securing a minimum income to agricultural producers at times of crisis. However, where applicable, it should be governed by clearer rules and should be harmonised at EU 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 policy.

#### Specific comments:

- The proposal of introducing variable reference prices for buying-in of common wheat based on criteria which are not yet agreed upon is very critical and has the potential to destabilise the agricultural markets with no benefits for traders or for producers. Public intervention represents a solid and predictable measure, necessary to take market based decisions. It should not, therefore, be based on variable factors and subjective decisions.
- The mechanism for triggering of public intervention for barley and maize, as well as for common wheat above the 3 million tonnes contingent should be transparent, predictable and reliable. A list of objective criteria for triggering this mechanism could be beneficial for the operators.
- Traders are concerned on the possibility to restrict buying-in by tendering to certain member states or regions within a member state, as proposed by the Commission (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.

### *Import and export licenses*

COCERAL supports 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. Licences represent a cost to economic operators; however they are an important mean for 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, yet licences should be kept to fulfil this statistical function until other means are in place.

The system for administering import and export licences should rely on market-based principles and ensure a level-playing field, provided that agricultural products respect the EU law, irrespective of their origins.

#### Specific comments:

- It must be avoided that products imported in the EU are requested to comply with additional criteria as compared to those produced in the EU.
- No special standards, e.g. social or environmental, should be applied to imports, on top of the requirement that are mandatory for EU products.
- The system of import licences must be predictable and cannot be suspended under conditions that are impossible to predict with the necessary notice, such as when market prices in the EU do not cover production costs.

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## *Producer organisations, and interbranch organisations, associations of producers organisations and of interbranch organisations; Contractual relations*

COCERAL is concerned about the extension of functions given to producer and interbranch organisations. Grain markets are global by definition and as such they are impacted by occurrences at global level. By strengthening producers organisations (POs) beyond their natural scope of activities there is the risk that producers may take distance from markets indicators that govern supply and demand, in particular during periods of instability and price volatility.

Whilst there are important areas where these organisations could bring a relevant contribute to the well-functioning of the EU agricultural system, the concentration of excessive management powers in these entities is likely to jeopardize the level playing field and to distort fair competition. This has the potential to offset the efforts that the EU has made in the years towards a more market-oriented policy.

Contracts imposing specific timing and volumes for the grain 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. The impacts of such type of contracts must be assessed before imposing them in the cereals and oilseeds sector. Grain markets, as well as those of many of their derived products, are already well covered by existing tools, such as futures markets and standard 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.

Whilst POs already exist in the fruit and vegetable sectors, cereals and oilseeds have very different characteristics: being non-immediately perishable commodities they are storable for extended periods of time, transportable over long distances and available all year round across the world as part of a global market. These peculiarities impose that the design of POs cannot follow the principle that one size fits all the purposes.

### Specific comments:

- The scope of actions for producers organisations should focus on research and innovation in agriculture, should promote education in adopting risk management tools as well as sharing good practices throughout Europe (also drawing from the initiative launched by the European Innovation Partnership<sup>1</sup>). Research for production and market developments would be beneficial for the farmers and consumers in the EU and worldwide.
- There are however a number of proposed functions for POs that will threaten the well-functioning of the EU agricultural markets: POs should not go as far as managing supply of raw materials and be entitled to place it on the market or to enforce compulsory contracts. This would create bodies that can limit production, set prices and exclude competition.
- Within the boundaries described above for the functions of POs, member states should have the discretion to recognise POs, interbranch organisations and their associations.
- It should certainly be avoided that the rules for a POs or their associations are extended to non-members of the organisations.
- The EU rules in terms of production and marketing are well established and respected. It does not seem sensible to allow POs to establish rules which are stricter than those at EU or national level.

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<sup>1</sup> European Innovation Partnership 'Agricultural Productivity and Sustainability':  
[http://ec.europa.eu/agriculture/eip/index\\_en.htm](http://ec.europa.eu/agriculture/eip/index_en.htm)

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- POs should not hold a dominant position on a given market since that would heavily distort competition on a horizontal level and potentially cause market failures thus harming the competitiveness of the European food sector. Therefore, COCERAL members are against the deletion of article 106(d).
- However, when exemptions are granted to the prohibition for POs to hold dominant position, these exemptions must go through an impact assessment. The consequences of abuse of dominant position for the arable crops sectors, for instance, are not foreseeable and could be detrimental for the whole food, feed and non-food supply chains. Before taking any such decision, member states must assess the impact, also through consultation with the national stakeholders.
- The applicability of competition rules is a principle on which the Union is based and should be respected by all entities, including POs, interbranch organisations and their associations. COCERAL members would like to highlight their concerns on article 144 (2) of the Commission 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 organizations from having to respect basic competition rules. The objectives allowing the Commission to grant such derogations are vague and give leeway to interpretation.

## Greening in the Direct Payment Scheme

### ***Payment for agricultural practices beneficial for the climate and the environment (“Greening”)***

COCERAL members support sustainable farming and all cultivation practices that are beneficial for the climate and the environment. However, this should not be detrimental to the capacity of sustainably produce food, feed and non-food/non-feed materials up to the capacity level of the EU arable land.

We are currently facing a period of high price volatility in agricultural commodities, also due to supply shortages for some crops worldwide. At the same time it is acknowledged that food demand will only keep increasing. International leaders, including the G-20, have called for an increased attention to food security, which is coming under threat. The only way to respond to it, while protecting the climate and the environment, is through sustainable management of natural resources, including land. This is what the new CAP should be striving for, in particular in the *greening* chapter of the proposal for direct payment.

COCERAL finds that the Commission proposal for greening the Direct Payment Scheme is too prescriptive: whilst the need to promote sustainable farming cannot be questioned, it is essential that farmers are left a degree of flexibility for managing the land and its production capacity. In this sense a number of amendments have been proposed by the European Parliament to strike the right balance between ensuring the appropriate levels of agricultural production without jeopardising farmers’ competitiveness, at the same time guaranteeing the protection of the environment.

#### Specific comments:

- COCERAL believes that the CAP direct payment proposal should clearly spell out that greening measures should not entail a drastic reduction of the production capacity of the EU.

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- Crop rotation and diversification is an agronomic principle that farmers apply to keep the fertility of their land. Imposing the number of crops and shares of land for crop diversification would be counterproductive and limit farmers' competitiveness.
- The imposition of arbitrarily taking 7% of the EU fertile land out of production is clearly in contrast with the principle of food security, and the intention of reducing food price spikes. In a time when the EU is considering the impact of biofuels crops in terms of indirect land use change<sup>2</sup>, this greening provision under the CAP is incoherent with the efforts that are being asked to the EU agricultural supply chain for reducing the greenhouse gas impacts associated with direct and indirect land use change.
- Increasing the minimum size of the farms to which the greening measures apply, e.g. crop diversification and ecological focus area, could avoid the drastic reduction of production capacity for the EU arable land. This could also be achieved by allowing a collective management of ecological focus areas or exchangeable hectares among farmers in the same regions.
- COCERAL is very well aware of the EU structural deficit of proteins necessary to livestock producers. However, if the cultivation of protein crops, i.e. leguminous, was to substitute performing crops such as wheat, this would dramatically decrease the overall productivity of European arable land and significantly reduce the amount of protein produced in the EU by about 20%<sup>3</sup>.

**COCERAL** is the European association of cereals, rice, feedstuffs oilseeds, olive oil, oils and fats and agrosupply trade. It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above mentioned agricultural products. COCERAL's full members are **31 national associations** in **19 countries** [Austria, Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxemburg, Poland, Romania, Slovenia, Spain, Sweden, the Netherlands and the UK] and **1** European association [Unistock] With about **2700 companies** as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses. COCERAL has an associated member in Switzerland.

<sup>2</sup> Commission proposal addressing Indirect Land Use Change:

[http://ec.europa.eu/energy/renewables/biofuels/doc/biofuels/com\\_2012\\_0595\\_en.pdf](http://ec.europa.eu/energy/renewables/biofuels/doc/biofuels/com_2012_0595_en.pdf)

<sup>3</sup> Wheat has an EU average yield of 5.3 t/ha and 14% protein: this results in a 742 kg/ha protein production. Peas have an EU average yield of 2.5 t/ha and 25% protein: this results in only 625 kg/ha protein.