

4 June 2010

Mr Anastassios Haniotis  
Director  
Economic Analysis, Perspectives and Evaluations  
DG Agriculture and Rural Development  
European Commission  
B-1049  
Brussels

Dear Mr Haniotis,

**PUBLIC CONSULTATION ON CAP AFTER 2013** (Ref: 12.C.001)

**nabim** (the National Association of British and Irish Millers) which represents the interests of the flour milling industry in the United Kingdom and the Republic of Ireland, presents its views on the Common Agricultural Policy (CAP) post 2013 in order to contribute to the public debate on the future of European agriculture. **nabim** members purchase more than 5 million tonnes of wheat each year; about 90% is from within the EU and 10% imported.

Yesterday, we responded to the on-line public consultation but this letter provides a more detailed response.

Association members consider that consistent rules implemented through a common policy are needed to stabilise markets and assure the competitive access to wheat and rye in the quantity and quality required. The future CAP will focus on its initial and fundamental target, which we believe is stabilising markets, whilst assuring the existence of local agriculture to feed European consumers at reasonable prices.

CAP reform must ensure that food processors, such as millers, have both the availability of supply from outside the EU and also access to third-country markets for the finished products. Any future system must not have the effect of restricting access to, in particular, high quality wheat from outside the EU. There should also be a simplification of administrative procedures on imports and the elimination of securities. This will deliver benefits to both national administrations and food processing companies.



## **1. Why do we need a European Common Agricultural Policy**

Agriculture is unique in that it benefits from an integrated EU policy that makes a substantial financial contribution to the sector. It is of major importance to individual farmers.

The CAP has undergone massive reform since its inception. In England this is typified by the progressive move towards area-based payments by 2012. Further reform will be necessary not only because of the current financial difficulties in the EU but also because many farmers want to reduce their reliance on public support.

The CAP is important for many reasons and the importance of these will vary across the member states of the EU. Its basic importance is that it helps to prevent market failure where farmers do not receive fair and profitable returns. It is clear that without an EU CAP member states would probably implement their own schemes which would vary greatly and probably not deliver the equivalent range of benefits.

Other benefits of the CAP include:

- Ensuring long-term food security within the EU.
- Assists farmers in producing high quality, safe food for EU consumers.
- Permits a Europe wide production platform.
- Safeguards rural employment (in many areas)
- Ensures that agricultural production is environmentally sustainable.
- Protects key landscapes, especially those in marginal areas.

## **2. What do citizens expect from agriculture**

The answer to this will vary across member states. Countries with large rural communities that are close to agricultural production will probably take a very different view to those with more urbanised communities which have little direct contact with agricultural production.

Citizens have a number of general concerns. At times of financial austerity, they will require reassurance that expenditure on CAP is not 'excessive' and that it provides them with tangible returns. These may take the form of safe, affordable nutritious food or more general benefits such as environmental protection, pleasant landscapes etc.

## **3. Why reform the CAP**

The CAP still forms a major element of the EU budget. At a time of massive financial crisis across Europe (and beyond) it is clear that any EU policy must provide tangible benefits to the entire community whilst giving value for money to taxpayers and consumers.

The CAP has undergone a progressive reform from its inception and the reform of 2003 was both radical and substantial. In the UK, this process was even more marked since farmers experienced the full impacts of the decoupling of direct support payments and

voluntary modulation. The latter had the effect of moving more resources into rural development programmes such as the RDPE. However, most farmers have a vision whereby they have less reliance on public support. The main problem with achieving this appears to come from global factors such as those relating to world-trade and the massive issues surrounding the impacts on production of climate change.

Although these challenges are significant, the EU must maintain its current direction of travel towards the goal of EU agriculture that is less reliant on public support, produces what EU consumers require and reacts to changing markets by adding value to all agricultural outputs. Linked to this is the requirement to safeguard the agricultural environments and the countryside benefits that have resulted from previous phases of reform.

#### **4. What tools do we need for the CAP of tomorrow.**

The future CAP must have a number of key foci that:

**a) Find ways of allowing agricultural markets to function more efficiently so that European farmers gain adequate incomes for their efforts.**

This will include ensuring that unilateral and stringent Regulations on pesticides & fertilizers (nitrates), eco-conditionality and other costly issues of production are compatible with open borders in the absence of international harmonization. The EU should seek international recognition of all its standards at WTO level and be more proactive in promoting EU cereal-processed products produced in accordance with EU standards on the internal market. As far as we know, cereal-based products have never been listed as eligible products for information and promotion campaigns' co-financing on the internal market.

**b) Increase European agricultural production and at the same time be in a position to play an even greater role in global food production. Food security, both at a European and world level must be given greater emphasis.**

This will require steps to utilise all available science to increase yields and protect the quality of crops produced. In order to meet future demand, it is crucial that the Commission and member governments stimulate productivity improvements. New processes and methods of production using biotechnology, such as genetically modified organisms (GMOs), have triggered deep concerns in Europe. It is important that citizens can be convinced that the social benefits of safe new technology are real. In order to restore trust, the EU should improve its communication and clearly explain its vision on the issue.

Practically speaking, the European flour millers are among food industry groups calling for European policy makers to find workable solutions to the current problem

of accidental low level presence of GM events authorised outside the EU, both in food and feed.

Finally, a few impact analysis studies from official institutes and authorities (the UK Pesticides Safety Directorate, the Nomisma Institute in Italy, Arvalis in France) on the recent adopted thematic legislation on Plant Protection Products emphasized the predicted difficulties in managing the risks of resistance of pests and diseases when few active substances would remain. The new legislative framework is said to bring about losses up to 25% in cereal yields in EU countries. The grain chain needs a range of plant protection products to protect their crops. If these are not available, yields will drop, prices will rise and it may be impossible to grow some crops in some EU countries, in particular in a context of climate change that is expected to increase the presence of pests in grains. So far, the Commission has failed to produce a full impact assessment of the proposal.

**c) Combat some of the volatility that has been experienced in recent years that has caused levels of market collapse that undermines individual farm incomes.**

Flour millers are also increasingly confronted with more volatile and less predictable market prices. Futures markets can serve as a tool against unexpectedly changing prices. It is however crucial that the revised Markets in Financial Instruments Directive (MiFID) take the specificities of agricultural commodities and food operators into account. We expect full support from DG Agriculture services on this dossier.

**d) Supports all measures that allow farmers to be more competitive.**

This is likely to embrace measures that allow farmers to reap the benefits of economies of scale and to better understand the needs of both processors and consumers.

As part of this, there will be a need to continue the use of the intervention system for most sectors but possibly in a modified form. For example, intervention itself could be stopped but legal instruments could be maintained as a safety net using crisis management tools. However, the consequences of dismantling market instruments should be assessed under pessimistic scenario regarding the impact of climate change, fluctuations in energy prices, exchange rates and the possibility of highly managed trade by exporters such as China, Russia and Ukraine in a context of increasing demand.

The Commission is keen to encourage the development of risk management tools for producers to face difficult times. However, the Commission should also consider that mid- and long-term contracts between producers and industries are not practically feasible, given the uncertainty of constraints in agriculture.

e) **Continue to limit the consequences of competition between land use for food production and energy (biofuels).**


Biofuels have the potential to introduce competition generate for land use but, so far, the consequences have been limited for the EU since the weak dollar has offset some of the effects of higher prices. A reversal of this trend may add a further push to Europe's booming farm and food prices. Continued public subsidies and allowing derogation to the intervention price principle for the sale of intervention cereals for non-food applications is likely to distort the internal market and is not desirable. The second generation of biofuels could alter this situation but the associated technology has yet to become cost-effective. However, it is our view that public expenditure would be better used to fund further research into the production of food crops rather than the promotion of existing biofuel crops.

Please do not hesitate to contact me if you require more information or clarification on any of the points raised.

Yours sincerely,

A large rectangular area of the document is redacted with a solid grey box, covering the signature and name of the Trade Policy Manager.

Trade Policy Manager

c.c. , European Flour Millers, Brussels.