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**CAP post 2013:
What future for direct payments?**

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Informal Meeting in Brno

Brno, Czech Republic, 2 June 2009

Ministers,

Ladies and gentlemen,

I want to thank the Czech Presidency for organising this Informal Meeting and for putting forward this paper about the future of direct payments.

It is clear that the debate on the future CAP and, in particular, on the future of direct payments has already "informally" started under the French and the Czech Presidencies.

And this is rightly so, because we have a very tight time schedule ahead of us although the year 2014 seems to be far ahead of today.

In fact the next Commission would start the formal procedure by

- presenting a Communication in 2010 (in summer or early autumn) launching a public debate, and
- followed by legal proposals in mid-2011 together with Financial Perspective proposals.

This means that we have to prepare our options NOW.

In our debate today I will focus more on the general questions we will face with respect of the future of direct payments, than on attempting to provide any concrete answers.

The three questions that the Czech presidency has raised help me in this direction.

The first question is about the role and function that should be played by the direct payments scheme post-2013 with respect to income support to farmers.

Whichever way we address this question, I think we could all agree that, post 2013, the role and contribution of direct payments for income support to farmers should be different than what we have today. By that time, more than 90% of payments will be decoupled, the transition of the new Member States toward an EU wide scheme should be finalised. We also hope the economic crisis will be over and pressures on farm prices will hopefully be reduced.

If we all agree that changes in our present system are inevitable and that it is too early to see clearly all the details of the future system right now, we could nevertheless try today to identify the main issues we will have to resolve.

The first one relates to the reasons for which we should provide support to farmers. Opinions here differ since some Member States go all the way towards considering that only payments for the provision of public goods should remain in the future, although I believe they would also agree that we would need a long and smooth transition to arrive at such a goal. Others would argue that payments should also be granted for income purposes, even if their level and their distribution among farmers and Member States change.

Today we can say that the direct payment scheme, as a means of safety-net income support, has played a very useful role in allowing the transition towards a more market oriented CAP. For this reason I believe that some form of basic income safety-net will be needed, especially if we want to avoid more costly, and more distorting, forms of income support. But what this level will be is still very open, as well as the issue of whether and how it should be linked to payments for the delivery of the "basic" public goods.

I think that our debate could help to clarify this point, taking into account that currently European farmers are already providing public goods through the first pillar (cross-compliance) and second pillar of the CAP.

I agree that this idea of "public goods" should be explored for the future CAP, in particular they have to be properly defined. In my opinion a system in which payments are linked to the delivery of public goods has in any case to sustain farming in large areas of the European Union and to avoid further intensification and industrialisation of farming which could entail serious environmental, economic and social consequences.

The second question focuses on the relationship between the direct payments and other existing instruments – particularly market regulation measures and rural development tools.

After the agreement we reached on the Health Check at the end of the last year we can say that currently the CAP grants:

- Firstly, the ability of European agriculture to respond robustly to market signals – especially when those signals are telling us that the world needs to produce more food;
- Secondly, the need for the right kind of support for farmers so that crises don't turn into disaster for our agricultural production base;
- And thirdly, our response to a need for strengthening the competitiveness of farming and forestry, care for the countryside and the environment, raise the quality life in rural areas and respond to a number of crucial developing challenges such as climate change.

How direct payments relate to other instruments depends of course on the direction that direct payments will take in the future. If we opt for a system which would gradually move towards payments on public goods, our current rural development measures would need to be reviewed to guarantee consistency with our future system.

Similarly, if the income component of direct payments is phased out then we would have to consider whether some other income support would be needed to replace the current income safety net that direct payments provide.

Finally, in the third question the Czech paper asks what will be the best way forward to fulfil the Council's commitment to thoroughly examine the possibilities for development of the direct payment system in the Community and address the differing level of the direct payments between Member States after 2013.

It is all too true that there are differences in the levels of direct payments between Member States, whether such payments are measured per hectare or per beneficiary. This results from the fact that the level of direct payments in the EU-27 mirrors average production and support in a reference period and to some extent the very different structure of the agricultural economy of Member States.

We are all aware of this fact. This is the reason why the compromise on the Health Check includes a statement on the future of the CAP: The Council and the Commission are committed to thoroughly examine the possibilities for development of the direct payment system in the Community and addressing the different levels of the direct payments between Member States.

It is important to think about ways to rebalance the distribution of direct payments and target support better in the future.

With the Health Check we have already given the MS the possibility to move into a flat rate at a national or regional level. Should we engage in this process at EU level? Of course this will be one of the options together with others to be explored in the whole context of support measures in the CAP.

It is too early to lean towards a detailed option but based on the experience we have so far in direct payments in the EU I am convinced that in the future CAP we should go on keeping a common system of direct payment which provide an income safety-net for farmers. But should this direct payment scheme be totally decoupled from and without historical links? And should this direct payment scheme be targeted on active farmers?

At this stage it is clear that we have more open questions than conclusions but I think that these questions together with yours and your views will contribute to a fruitful debate.

Before concluding let me now turn to the quality policy, which has been one of the Commission's priorities this year. I am very pleased to present the Communication on agricultural product quality policy.

The Communication sets out a possible future framework for our quality policy for agricultural products and it marks a strategic shift aiming to better inform consumers about the contribution farmers and producers make to food and food quality.

EU measures already allow consumers to identify value-added product as well as product classes, place of farming, and systems of production. There are many calls for more information (like 'carbon footprint' or 'mountain product') and a realisation that a coherent and global approach is needed.

The aims of this Communication are firstly to improve information flow about product qualities from farmers to buyers and consumers; secondly to bring much-needed coherence to policy development, particularly with the emergence of several new schemes at EU level in the environmental and animal welfare areas, and to simplify standards and schemes to avoid consumer confusion and reduce red tape for farmers.

Geographical indications and organic farming remain in my view the flagship EU schemes. Development of the organic sector is already well underway and now we set out a framework for simplification and streamlining of the three geographical indication schemes.

Finally let me underline that there is also a link between our new quality strategy and the post 2013 CAP. Not only is the justification of the future CAP linked to a solid quality policy but quality is also the strongest card we can play on our export markets. The new quality policy for agricultural products will therefore be a cornerstone of our CAP after 2013. Now I am looking forward to listening for your opinions.