



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

on

THE FUTURE OF THE COMMON AGRICULTURAL POLICY

AFTER 2013 - POSITION OF THE ORGANISED

CIVIL SOCIETY IN BULGARIA

(own-initiative resolution)

Sofia, 2011

The President Board of the Economic and Social Council (ESC) decided to develop a resolution on the topic of

The Future of the Common Agricultural Policy after 2013 – Position of the Organised Civil Society in Bulgaria.

ESC President - Professor Lalko Dulevski, submitted for discussion to the Plenary Session the draft resolution adopted by the President Board.

At its meeting on 28.06.2011 the Plenary Session of the ESC adopted this Resolution.

The Common Agricultural Policy (CAP) of the EU is an integral part of the Treaties establishing the European Community (EC) and is based on three fundamental principles: free trade within the Community based on common prices, incentives for European production on the Common Market, as well as a common financial responsibility. Its main objective is to provide an acceptable standard of living for farmers, providing quality food to consumers at reasonable prices, keeping the European heritage in rural areas and help preserving the environment.

In this Resolution the Economic and Social Council (ESC) presents the position of organised civil society in Bulgaria on necessary amendments in the Common Agricultural Policy concerning trade incentives for farmers and the rural development policy, highlighting problems characteristic of Bulgaria as well as future developments. This resolution is also a natural extension of the active work of the ESC on key EU policies and the Europe 2020 Strategy.

1. GENERAL CONCLUSIONS AND RECOMMENDATIONS

1.1. The Economic and Social Council expresses its overall support for the propositions of the European Commission (EC) for reforms in the Common Agricultural Policy (CAP) after 2013, in the context of the Europe 2020 Strategy, and arising challenges to the policy, which have an impact not only on farmers but also on all citizens of the European Union (EU). The new circumstances require that the European Union should take strategic decisions about the future of agriculture and rural development in the long run.

1.2. ESC agrees with the opinion expressed during the discussions that CAP should remain a strong common EU policy, based upon its two mutually complementary pillars which in synergy with the Structural Funds may help create suitable conditions for farmers, a well functioning common market, and fair competition within the EU.

1.3. ESC agrees with the European Council that a sustainable, productive and competitive agricultural sector will be a valuable contribution to the implementation of the Europe 2020 Strategy, the potential for growth and employment in rural areas and ensuring conditions for fair competition.

1.4. ESC recommends that the future Common Agricultural Policy should be provided with not less than the current financial resources, which should be envisioned in the EU budget for 2013 to guarantee the achievement of the policy's three strategic objectives:

- 1.4.1. Maintaining the potential for food production throughout the EU in order to ensure food providing security for European citizens in the long run and meet the growing demand for food worldwide;
- 1.4.2. Support for rural communities that provide European citizens with quality, valuable and varied foods , thereby ensuring the dynamic development of these areas and their long-term economic viability;
- 1.4.3. Maintaining viable rural communities, where agriculture is an important economic activity which provides employment at the local level, which will have a positive impact on many aspects of the economy, society, environment and territorial management.

1.5. ESC endorses the position of the European Economic and Social Committee (EESC) that it is urgently necessary to integrate CAP in all other EU policies (business; climate action; horizontal policies; economy, finance and tax; employment and social rights; energy and natural resources; environment, consumers and health; external relations and foreign affairs; regions and local development; science and technology).

1.6. ESC expresses its common position on the need to overcome the historical reference periods in determining the amount of aid, while maintaining the importance of direct payments under the Common Agricultural Policy and the European model of agriculture.

1.7. According to ESC, with the abandonment of historical reference periods there is a need to define a new criterion for determining the maximum amount of direct payments for each Member State. In this respect, ESC supports EESC's appeal the European Commission to consider pragmatically the situation in different Member States and take into account criteria other than national agricultural area, especially those related to living standards, employment and the differences in agro-climatic conditions.

1.8. ESC C stresses that simplification and improved application must be among the main principles underlying the proposals for reforming CAP in terms of regulatory framework and in implementing the policy in place.

1.8.1. Moreover, ESC recommends that adequate solution should be found to the proposals of Member States so that the future CAP 2014-2020 may become generally simpler and cheaper for administering national authorities and administrative costs for beneficiaries may be reduced;

1.8.2. According to ESC, it is necessary to apply an approach based on risk to any control over the administration and beneficiaries, to give Member States leeway and flexibility in programming, and to promote the use of new technologies.

1.8.3. ESC calls for providing full transparency and clarity of all roles and responsibilities in monitoring, and applying greater proportionality of control and fines.

1.9. Achieving these ambitious targets with respect to the Common Agricultural Policy, which is of such particular importance for the EU, is unthinkable without the active participation of all stakeholders. Their involvement also in the process of setting goals and planning actions for their implementation is a guarantee for an active commitment to achieving these goals. In this regard, the Economic and Social Council welcomes the ongoing active public debate, which includes representatives of the whole European society within the European Union and individual Member States.

2. COMMON BACKGROUND AND DEVELOPMENT OF THE COMMON AGRICULTURAL POLICY IN THE EU

2.1. Agricultural land comprises the main part of the land in the European Union (EU), occupying 47% of its entire territory. Across the EU there are 13.7 million agricultural holdings, producing goods worth over 337 billion Euros, 15% of agricultural area (about 26 million hectares) is located in mountainous regions where natural flaws hamper agricultural activities.

2.2. EU is the largest producer of food and beverages in the world. Currently, 13.6 million people are directly employed in the sectors of agriculture, forestry and fisheries, another 5 million people work in the food

industry. This represents 8.6% of total EU employment and creates 4% of its GDP.

2.3. As a result of recent EU enlargement, seven million farmers have joined the workforce employed in agriculture and the agricultural area increased by 40%.

2.4. High quality products are at the core of production, the export potential of the European Union, and form a very large share of its international trade. EU exports products that have asserted themselves on the market and possess substantial economic value due to their protected geographical indications and indications of provenance. The net value of these products and foodstuffs is 14 billion annually (excluding wines and spirits).

2.5. ESC recognises the importance of the CAP and the key role it has played in increasing food production and population in Europe after World War II. The Common Agricultural Policy was the first common policy of the EEC and paved the way for European cooperation and integration in other policy areas.

2.6. ESC notes with concern the findings of the published report of the European Parliament that the share of the CAP gradually decreased from 75% of the total EU budget in 1985 to 39.3% in 2013, representing 0.45% of EU GDP. Moreover, ESC notes with concern that after the accession to the EU of 12 new Member States, the amount of Community support for each farmer individually has decreased.

2.7. The average income from farming in EU-27 is 50% lower than the average income in other economic sectors, while production costs for fertilizers, fuel and electricity reached their highest levels for the past 15 years which significantly impedes agricultural production. ESC also notes with concern the fact that for the past 10 years, real agricultural income per capita decreased by 12.2% in EU-27 to the levels of 1995.

2.8. The Council also found that reducing the budgetary costs associated with market measures, is more significant - 74% of the total cost of the CAP in 1992 to less than 10% at present. The purpose of CAP expenditure has gradually shifted from providing market support and the provision of export

subsidies to payments, decoupled from the actual production and the support for rural development.

2.9. ESC believes that rural development is an integral part of the structure of the CAP and should remain an important element of future CAP.

2.9.1. A well conceived strategy for the development of rural areas should also contribute to improving the environment; the modernisation and restructuring of agriculture; the cohesion of rural areas in the EU; the revitalisation of underdeveloped areas and areas threatened by depopulation; the improvement of market supply of agricultural produce and its competitiveness on the common market; the preservation and creation of new jobs in rural areas.

2.9.2. At the same time, the new strategy must meet all the challenges identified in the review of the CAP in 2008 such as climate change, renewable sources, water management and biodiversity.

2.10. The main instruments of the CAP are direct payments and market support to farmers who form the first CAP pillar and the politics of rural development - the second CAP pillar.

2.11. CAP reforms, launched in 1990 and continuing until today, are aimed at farmers in the EU, so that they can respond and react to market signals and conditions. ESC believes that the reform process should continue in this direction, but given the specific characteristics of agricultural production it is still necessary to apply some market measures.

2.12. ESC notes that subsidies by quantity of produced agricultural products are almost entirely replaced by direct payments to farmers. They guarantee them a decent income, provided they fulfil certain requirements such as compliance with standards for environmental protection, safe food production and good health of animals and plants. At the same time farmers are expected to maintain their land in good condition to maintain the countryside environment, its flora and fauna.

2.13. CAP market instruments, specific for each sector, have a fundamental role and are now used as "precautionary measures" to help

reduce market volatility and provide stability for farmers. ESC agrees that the changed market policy has not led to reducing the dependence of farmers on buying organisations.

2.14. ESC considers that the shift from support for production to support for farmers does lead to a fairer world trade, as the direct support to farmers reduces the risk of market distortion. This reform also prepare the EU for negotiations on the Doha Plan of Action within WTO Where the EU has proposed the elimination of all forms of export subsidies by 2013 Even without further trade liberalisation, the EU is the largest importer of food in the world and the largest market for food products produced in developing countries.

3. CHALLENGES TO THE COMMON AGRICULTURAL POLICY AFTER 2013

The main challenges for the future common agricultural policy can be summarised as follows:

- lack of transparency concerning the actual costs of the CAP;
- inequality between old and new EU Member States and tension arising from the unfair competition between them;
- climate change;
- financial and economic crisis;
- prerequisites for dumping prices generated by the application of CAP;
- lack of transparency concerning the actual costs of the CAP.

3.1. The purpose of the CAP, as referred to in Article 39 of the Treaty on European Union (TFEU), is increasing productivity, ensuring a better standard of living for the agricultural community, stabilising markets, ensuring security of supply and the process of their reaching consumers at reasonable prices. So far, CAP has achieved its goals to a considerable extent and has participated in efforts to push forward EU integration, territorial cohesion in Europe and the single market.

3.2. It appears that CAP has contributed only partially to a better standard of living for the agricultural community and has failed to stabilise agricultural markets. ESC recognised the current state of the markets, which jeopardises the food security of the EU, as a challenge to CAP.

3.3. ESC believes that further efforts are needed to allow CAP to meet its objectives and at the same time contribute to preserving the environment. The EU needs to make significant efforts to meet the food needs against the availability of less land, less water, reduced energy use due to the impact of climate change, which is a challenge to Europe's capacity to increase supply.

3.4. ESC identified as particularly challenging the shortage of agricultural workers, owing to the demographic situation in rural areas, and the fact that only 7% of European farmers are under the age of 35, but expectations are that 4.5 million of them aged over 65 will retire by 2020. According to this trend, if the number of farmers continues to decline, the future of farming may be placed at risk.

3.5. There is a tendency for the average size of farms to grow as a result of the restructuring of the industry, but nevertheless small farms with average size of 12.6 hectares continue to dominate the EU. In this respect, ESC considers as a particular challenge the preservation and development of family farms, especially in new member states like Bulgaria, where they provide employment for half of the total workforce in this sector.

3.6. ESC shares the expectations of consumers to ensure food security and respond to their demands for higher quality standards, greater animal welfare, and better value for money.

3.7. While ensuring the higher quality of products, it should be taken into account that the sectors have specific needs, their competitiveness has to be guaranteed, including the need for effective protection of geographical indications and labels of origin protected by the partners in third countries.

3.8. In agriculture there has already been made significant progress in reducing greenhouse gases and more generally for dealing with environmental issues (water, soil, biodiversity, biomass, etc.). ESC believes that these efforts should continue and production methods should adapt to become more sustainable as well as economically, environmentally and

socially more efficient.

3.9. ESC's position is that the future CAP should provide specific solutions and support for the threat of land abandonment, rural depopulation and ageing of the rural population in the EU by providing sufficient support and funding to ensure long term sustainability in European rural areas.

3.10. ESC highlights the existing inequitable distribution of subsidies after the last enlargement (2004 and 2007) as a major challenge facing the EU.

4. THE FUTURE CAP 2014-2020 - CHALLENGES AND OPPORTUNITIES FOR BULGARIA

4.1. ESC believes that the future CAP should take into account differences in the structure and the need to modernise agriculture in the enlarged EU in order to achieve an equal levels of cohesion and balanced development on the whole territory of the Union.

4.2. ESC calls for fair distribution of CAP payments during the the period 2014-2020 among farmers in new and old Member States. At the same time, there should be an equitable distribution of resources for the first and second pillar among Member States as well as among farmers within every single country. Moreover, ESC urges that parity should be achieved in the balance of resources between the two pillars in the old and the new Member States.

4.2.1. The relative weight of the CAP in total payments from the EU (excluding administrative costs) is distributed very unevenly between different regions of the European Union, there are major differences even in the EU-15.

4.2.2. There are also considerable differences between Member States in terms of the allocation of financial resources between the two pillars. The ratio between the first and second pillar in the new Member States is 56.1% : 43.9%, while in the old ones it is 87.2% : 12.5%. It should be noted that in the first pillar funds are received through

simplified procedures and some countries have benefited from this. Meanwhile, in new Member States where the funds under the second pillar are more, farmers receive them under more complex procedures. This leads to significant distortion in the actual utilisation of allocated funds and therefore to unfair competition between farmers in the old and new Member States.

4.2.3. ESC insists that social characteristics of individual Member States related to agriculture, such as employment and farmland, should be taken into consideration. It is obvious that both in terms of arable land and of employment the philosophy of the CAP generates tremendous polarisation and unfair competition in the payments between new and old Member States.

4.2.4. The multi-annual financial framework of the CAP is further distorted during its implemented owing to the slow progress under the second pillar in the new Member States. In this regard, ESC recommends that these facts be taken into account, because due to unfair competition in Bulgaria there are possible risks for the development of certain subsectors of agriculture.

4.2.5. There are differences between old and new Member States in terms of the implementation of CAP payments per hectare of agricultural area. For example, for the EU-15 payments range between EUR 300 and EUR 400 per ha, for Greece and Malta they are respectively EUR 822 and EUR 789 per ha, while in new Member States they are around EUR 200 per ha. For Bulgaria and Romania these payments for 2009 were around EUR 100 per ha, for Bulgaria in particular they were EUR 82 per ha.

4.2.6. ESC recommends that in times of economic crisis action should be taken in support of Bulgarian farmers and the rate of subsidies for them should reach the amount determined for a country of such size in the beginning of 2014, instead of in 2016. Bulgarian farmers now receive reduced subsidies amounting to 50% of the annual financial envelope of the country and reaching the full amount of the national ceilings for direct payments in 2014 will signal the equal position of Bulgarian farmers in the common European market.

4.3. ESC recommends that direct aid from the first pillar of the CAP should continue to be funded entirely from the EU budget and rejects attempts to convert them to national funding, which might undermine fair competition within the EU single market.

4.4. ESC supports the transition from farm-specific historical reference values for direct support of individual producers to regional or national single premium based on the size of the agricultural land. ESC also recognises that the situation in individual Member States is very different and this requires special measures depending on regional particularities and schemes that allow a better balance between payments in the plant cultivation and livestock breeding. This is particularly true of Bulgaria where the direct support scheme based on the size of agricultural land is not applicable in the case of livestock breeding.

4.5. ESC expresses its position that in the case of direct support it is necessary to introduce the basic guarantees for small farmers and calls for the introduction of thresholds of support.

4.6. The data for Bulgaria show that only 4% of farmers receive 78% of the subsidies provided for the whole country, and this gives strong competitive advantages to a very small number of farmers over the others or to one sector over another. According to ESC, a matter of priority for Bulgaria is to achieve a balance between the sectors of crop and animal production in terms of targeting of EU funds to them.

4.7. ESC supports EESC in its proposal that the European Commission should develop a definition of the "active farmer," applicable throughout the EU, which is based on the requirement for production and sale of agricultural products (including direct sale to local markets) and creation of community benefit.

4.8. ESC supports the EESC in its request that the European Commission should clarify the criteria that are to be adopted for determining "small farmers." In this regard, ESC recommended taking into account specific structural differences that characterize agriculture in different Member States.

4.9. ESC recognises the need for taking effective measures to ensure fair and equitable distribution of profits in the food chain.

4.10. ESC supports the preservation of the concept of sustainable and competitive agriculture which can maintain the particular character of separate sectors and agricultural holdings in order to guarantee to the population a sufficient source of safe and healthy food at reasonable prices as well as ensure the supply of raw materials to the food processing industry.

4.11. The funds for specific support that Member States may provide under Article 68 of Regulation 73/2009 EU should be used mainly for measures relating to territorial cohesion and the restructuring of key agricultural sectors (e.g. the production of milk from sheep, goats and buffaloes). In relation to this ESC believes that in Bulgaria it is necessary to provide sector support to less developed industries such as dairy farming, cultivation of fruits and vegetables, etc.

4.12. ESC proposes that the CAP after 2013 should allow Member States (where necessary) to provide land to animal breeders which should not be considered state aid.

4.13. ESC considers that water management in the EU is an important component of the CAP and expresses its unanimous position that it is necessary to initiate the adoption of a unified strategy for the development of water resources in the EU.

4.14. ESC supports specific measures to compensate farmers in disadvantaged areas, such as natural areas with determined difficulties, mountain areas, remote regions and ecologically sensitive areas and/or areas most affected by climate change. This will guarantee the provision of agricultural activity across the EU, reducing land abandonment, while contributing to balanced territorial governance on the whole territory of the Union as well as a clever development of agricultural production.

4.15. ESC believes that farmers should receive from the EU direct payments as complementary environmental component of the basis of the size of their land by means of regular multi-annual contracts, as a result to

their participation in certain compulsory agri-environmental measures which correspond to the highest degree to national specificities. In Bulgaria these payments may be made for traditional environmental activities such as crop rotation and set-aside

In conclusion, ESC proposes that a broad public discussion be held in order to define a clear strategy for the future development of the agricultural sector and creating an effective model for agricultural production in Bulgaria. This discussion should involve a wide range of representatives of the legislative and executive powers, social partners, experts, agricultural produces' associations, NGOs, and other stakeholders.

With this Resolution ESC joins the public consultations for the creation of a strong position targeted on long-term sustainable development of Bulgaria in the context of the future Common Agricultural Policy of the European Union.

/s/

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