

Our position

The future of European agriculture

Five principles to guide the reform of the CAP



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €2 trillion in 2016, directly supports more than 4.5 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Introduction

The American Chamber of Commerce to the European Union (AmCham EU) continues to broadly support the ongoing reform of the EU's common agricultural policy (CAP), which will be critical to moving toward fairer and greener European agriculture. AmCham EU members look forward to contributing input and expertise as the European Commission's communication on *The Future of Food and Farming* is translated into concrete legislative proposals.

In this paper, we identify five priority areas in which we consider it essential that the upcoming CAP reform deliver: market orientation, innovation, a more sustainable and environmentally friendly agriculture and the international dimension.

The global context

According to the Food and Agriculture Organization (FAO), the world's population will reach 9.1 billion by 2050, 34% higher than today. It could exceed 11.2 billion by 2100. The population increase will mainly occur in developing countries while urbanisation will continue at an accelerated pace. In 2050, 70% of the world's population will live in cities (compared to 49% today). Income levels will also increase as will the demand for food, especially meat, putting more pressure on natural resources.

In order to feed this larger and richer population, food production must increase by 70% by 2050. According to FAO forecasts, annual cereal production will have to rise to about 3 billion tons from 2.1 billion today. The annual meat production will need to rise by over 200 million tons to reach 470 million tons in order to meet the world's demand. This implies that Global Agricultural Productivity will almost have to double by 2050. At the same time, agriculture has to improve its environmental performance through more sustainable production methods, while farmers increasingly have to adapt to challenges stemming from climate change.

The reform of the CAP offers an opportunity to reorient EU agricultural policy towards tackling these challenges. **In order to do so most effectively, we believe attention should be paid to the key principles laid out in this paper.**

1. Further enhancing the CAP's market orientation in a global world

AmCham EU is a firm believer that a market-oriented Common Agricultural Policy (CAP) offers the best opportunities to farmers, supply chain partners and consumers. AmCham EU has welcomed the successive reforms and stepwise liberalisation of the CAP and continues to promote the continuation of these trends leading to the further integration of European agriculture into the global market.

The current direct payments system of support protects EU farmers against income and production volatility and ensures a steady supply of agricultural raw materials to industry, ultimately enhancing food security. Post-2020, direct payments should continue being an integral component of the CAP as long as they do not distort the market. As a necessary condition, the agricultural sector not needs only to attract investments and further innovation but also to make itself attractive for the younger generation.

The increased exposure of EU's agriculture to international markets and to unpredictable climatic events have put the management of risks associated with agricultural production at the centre stage

of the policy debate. AmCham EU encourages an enhancement of farmers' resilience by facilitating increased access for farmers and all market participants to financial markets and a broader toolkit of public and private risk management solutions.

2. A strong Single Market and a truly common agricultural policy

To have a more competitive, productive and sustainable agriculture, it is paramount that any support system is managed at the EU level. The common nature of the CAP is also essential to achieve the EU added value of public spending. The re-nationalisation of policies impacting the decision of farmers on what to grow or that negatively impact intra-EU trade of agricultural raw materials or food products would eventually lead to a less competitive agriculture and should be avoided.

When safeguard measures such as intervention, or those put in place in case of an unforeseen crisis in the markets, are considered, they should be transparent, predictable and avoid distortion of price signals to farmers.

Finally, a truly common and ambitious agricultural policy will require a common budget with an adequate funding also after 2020. Current discussions on Brexit but also reflections around EU's budgetary resources will have important consequences in this respect.

3. A more environmentally sustainable agriculture

Agricultural activities rely on natural resources and thereby depend necessarily on climatic conditions. By promoting sustainable ways of production, we ensure more safety for farmers and less price instability.

However, with a growing population, the EU should not ignore productivity. The core of any future CAP must take into account both sustainability and productivity, as these are inseparably linked and are mutually enriching. For example, the environmental benefits gained from bio-diversity allow for increased productivity in the field due to higher levels of pollinators. Equally, higher productivity levels and effective and efficient use of land and resources through sustainable intensification is an important means to allow pressure to be taken off scarce resources such as land, water and soil fertility.

Whereas climate change threatens our fields, the sustainability of the agricultural market is also threatened by the ever-worsening problem of resistance to antimicrobials. In this respect, attention should be paid to animal husbandry practices and nutrition. These are part of the solution to address societal challenges, such as climate change and anti-microbial resistance. Together with breeding, animal nutrition has been the engine of continuous improvement within the EU livestock sector for decades.

At the same time, vaccination could be a sustainable tool for farmers to protect animals from disease and preserve the usefulness of antibiotics. Prevention is better and cheaper than cure. Lack of financial support for vaccine uptake remains a key barrier for most farmers in the EU. In this respect, the future CAP could foresee additional funding for those farms that can demonstrate implementation of comprehensive vaccination programmes.

The upcoming reform should take due account of the new UN Sustainable Development Goals and the Paris Climate Agreement. The CAP should also be consistent with EU policies on the circular economy and waste, and help farmers and industry achieve the EU 2030 climate commitments.

Good agricultural practices are a fundamental feature of today's CAP, with farmers having to respect cross compliance as well as 'greening' measures in order to receive direct payments. Instead of rigid 'greening' requirements, the future CAP should support a more results-oriented policy with measurable goals giving farmers positive incentives and the freedom and flexibility to achieve those goals. AmCham EU welcomes the new approach outlined in the November 2017 CAP Communication.

4. Further support to research and innovation in the CAP

Research and innovation and the further adoption of innovative tools and technologies by the farming sector have a key role to play in achieving sustainable and productive agriculture.

In this respect, EU policies should cater for a conducive policy environment that allows the agricultural sector to embrace new opportunities for innovation including new technologies, products and practices following the best available scientific evidence.

Meanwhile, the digitalisation of agriculture is transforming the sector, helping farmers to better anticipate events and enabling them to act more effectively. The future CAP should continue to pave the way for the introduction of much-needed digital and precision agriculture technologies in the farming sector and to provide the adequate stimulus and means in order to enhance the further adoption of digital technologies in the farm.

5. Factoring in trade and the international dimension

The past years have seen the European agricultural supply chain exposed to a more stringent legislative and regulatory environment than their peers in third countries. This increases the administrative burden on farmers and operators in the EU agricultural chain and has the potential to hamper consumption of EU produce on global markets. Attention should be paid to levelling the playing field at international level and increase efforts to agree adequate production standards at global level.

Regarding the trade implications of future agricultural policies, it must be emphasised that the EU is not self-sufficient in a range of raw materials. As several cost-benefit analyses show, imports should not be restricted for those products for which a domestic production strategy is proven to be more costly and less efficient. For commodities such as soybeans, where imports are needed in order to fulfil EU's protein deficit, the EU should, therefore, continue to cooperate with its trade partners in order to ensure that the EU demand is met.

AmCham EU looks forward to engaging with the EU institutions and other stakeholders as the legislative proposals for the post-2020 CAP are unveiled in the coming months.