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CAP reform must focus on quality, efficiency and market orientation

The American Chamber of Commerce to the European Union (AmCham EU) continues to broadly support the ongoing reform of the common agricultural policy (CAP), moving toward fairer and greener European agriculture. However, AmCham EU calls for reform proposals to include greater focus on quality, efficiency and market orientation.

The AmCham EU Agro-Food Committee brings together stakeholders throughout the value chain, from seed producers and input providers to service providers to food manufacturers. Though farmers are not represented among AmCham EU's members, they are a vital part of the food chain on which all our businesses depend.

We would like to draw attention to four points that we consider essential to enable CAP reform to deliver on quality, efficiency, market orientation and sustainability goals:

1. Amendments that undermine the EU's tried and tested principles of competition should be rejected;
2. Remaining quotas should be removed as planned (with regard to sugar in particular);
3. Facilitation and funding of research and innovation should be promoted; and
4. Greening measures should be clear and effective.

Amendments that undermine the EU's tried and tested principles of competition should be rejected

Greater market orientation is rightly a core objective of CAP reform. Markets that work well deliver quality and choice at fair prices. CAP reform should enable markets to work to the benefit of all participants throughout the food chain, from farmer to consumer.

AmCham EU supports **the development of producer and inter-branch organisations** sharing knowledge and strengthening negotiating positions. We believe that this should contribute to getting balances of power right and achieving sustainable development. We are **concerned about moves to exclude such organisations from the scope of the EU's general competition policy**. Effective application of the principles of competition policy has been one of Europe's major successes in delivering market economies with wide-spread benefits. We therefore urge EU policy makers to ensure that the sound principles of EU competition policy are applied to the agricultural sector.

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If producer organisations are given the means for cartelistic behaviour, consumers will lose out, with price increases leading to higher inflation. In the current economic crisis, where so many Europeans are struggling to make ends meet, policies that could result in higher food prices should be avoided.

In addition to creating problems for consumers, a lack of market orientation would affect global competitiveness and the maintenance of wealth and job creating activity in Europe. If food manufacturing costs become out of balance with world markets, especially if agricultural raw materials become relatively more expensive, then Europe will become uncompetitive. In addition, downstream manufacturers that currently export from Europe may have to relocate production to places where the costs enable them to produce and export competitively. This would be a huge loss to Europe and could lead to a situation where a lack of competitiveness removes incentives for innovation and efficiency.

Food manufacturing is one of the few remaining sectors where the EU has competitive advantage and is a net exporter. The EU has a great combination of climate and knowledge to play a role in feeding the world. The high value-added of food exports allows the industry to support a large number of jobs in Europe. Europe has excelled in food manufacturing during the last decades, from the artisanal to the mass production of safe and high quality products, benefitting a vast array of related input and service industries, as well as consumers.

It is vital to get the policy mix right so that farmers earn a fair living, consumers get fair prices and Europe remains competitive. **We do not believe that excluding producer and inter-branch organisations from competition policy will deliver these goals.**

The only remaining quotas should be removed as planned: The case of sugar

The quota regime for dairy products will be abolished in April 2015.

Continuation of sugar quotas would be contrary to the objectives of competition policy and the Lisbon Treaty. The last CAP reform provided for the abolition of sugar quotas by 2015, and there is no good reason to delay this. Sugar quotas were introduced as a temporary measure to prevent excess production and supply. The situation today is a far cry from that: at present the quotas are set to levels that are well below European consumption. This has caused supply problems and **resulted in a 40% price increase¹ last year**. This situation is not conducive to fair competition. Europe cannot afford these supply problems and cost increases for basic food commodities. While it is good for the profit margins of sugar manufacturers,² it is not coherent with stated political objectives of reducing price volatility, ensuring supply security and enabling

¹Commission's official data: http://ec.europa.eu/agriculture/sugar/presentations/price-reporting_en.pdf

² Publicly available annual accounts of leading sugar manufacturers

actors in the supply chain to react to market signals. Partners along the food production chain need reliability and predictability. Sugar production in Europe has been rationalised and is now in a position to compete effectively on global markets. There should be no delay in abolishing quotas.

Facilitation and funding of research and innovation should be promoted

AmCham EU supports the increased importance given to research and innovation in agriculture, and calls for **the €4.5 billion currently proposed by the Commission in the research budget to be ring-fenced during the MFF and CAP funding negotiations**. We believe innovation has a key role to play in the sustainable intensification of the quality and quantity of agricultural production.

AmCham EU also **supports measures for greater convergence between Member States**, recognising that there is a vast discrepancy within agricultural advancement between new and old Member States. The new CAP should be better targeted toward supporting farmers' income and meeting sustainability objectives in Member States that need to catch up with the rest of Europe.

Greening measures should be clear and effective

AmCham EU continues its call for productivity and sustainability to be at the heart of the CAP, and sees greening requirements linked to payments as a step in the right direction. We **support a sustainable agriculture sector in Europe** as we depend on high quality and sustainable products from EU farmers. Ecological Focus Areas (EFA) are important and policy makers should focus on the quality of greening, not only on the quantity, **where genuine environmental benefits can be seen**. The management of flower margins serves as a good example.

AmCham EU **supports measures to further reduce the administrative burden of the CAP**. For example, agri-environmental-climate schemes could be recognised under the mandatory greening payment as long as they cover the entire farm and comply with the three mandatory greening aspects of the first pillar. This would simplify the system for farmers, as they would qualify for greening payments under the first pillar when they are enrolled in an environmental scheme in the second pillar, thereby avoiding double payments.

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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 U.S. investment in Europe totaled \$2.2 trillion in 2010 and directly supports more than 4.2 million jobs in Europe.

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