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The Future of the CAP – Competitive and Sustainable

1. Introduction

Agriculture lies at the heart of the economic, ecological and social challenges of tomorrow: population growth, growing demand for crops and feeding stuff, economic globalization and urbanization, resource limitations, climate change, food market and price volatility, social problems such as competition for land, aging of farmers and securing the future of the countryside, as well as other uncertainties such as the support, timing and application of innovations. The degree to which these challenges affect agriculture and need to be taken into account within the CAP has been underestimated.

This means that the enhancement of agricultural productivity and competitiveness becomes more important. The productivity of the world economy has increased by a factor of 20 since 1850, the mechanization of agriculture has allowed this sector to play an important part in that regard. It has given a dramatic boost to labour productivity and has allowed land managers to contribute to meet world food, feed and fibre demand at diminishing prices. According to the recently updated “Factor Five Study”, a fivefold increase of efficiency is available in all sectors that are particularly difficult from an environmental point of view: not just in buildings, heavy industry and transport, but also in agriculture. Greater efficiency helps both productivity and sustainability including public goods.

The EPP, the foremost European political party, welcomes the initiative of the European Commission to launch a public debate on the future of the CAP before the tabling of a new reform proposal and underlines the necessity of a further development of the CAP. If anything, it considers that the place reserved to this key common European policy in the Europe 2020 strategy - which barely mentioned it - overlooks the key role that agriculture and rural development play with their manifold interconnections with most other economic sectors of relevance to the environment. Additionally, the EPP supports the measures which could help farmers to communicate with society and with research institutions. A global policy approach is necessary to ensure that communications about farming is increased and consumers' understanding of the CAP is improved.

Europe faces many economic, ecological and social challenges today. Agriculture, as one of the key sectors of European strategy and policies, is at the core of these challenges. The EPP believes that there is no future for Europe without rural areas, and there is no future for rural areas without agriculture. And agriculture provides far more to the citizens of Europe than just food:

- it supplies safe and high quality food at reasonable prices to 500 million of European citizens;
- it stimulates economic activity and thus the creation of jobs in rural areas and in the whole agribusiness chain;
- it uses instruments to stabilize markets for farmers and consumers;
- it guarantees the survival of countrysides, which is home to half of EU citizens;
- it preserves the cultural appearance of the countryside;
- it provides energies with the production of renewable energies resources;
- it produces public goods like maintenance of landscape;
- it produces biomass as raw material for various industrial needs;
- it contributes to reducing of greenhouse gas emissions;
- it prevents environmental degradation, particularly in areas of high nature value;

- it supports innovation.

This “Added-Value-Concept” includes farming and processing of agricultural goods.

The EPP intends to contribute to the elaboration of the future CAP with the purpose to make Europe’s agriculture more efficient, more competitive, and more sustainable while taking into account that only a strong and common policy is able to better respond to the challenges listed above.

2. The development of the CAP

The EPP always believed that the Common Agricultural Policy (CAP) must develop and change in order to be fit and effective for the challenges at the time. And ever since signing the Treaty of Rome in 1957 the Common Agricultural Policy (CAP) has been a cornerstone of European policy and integration, but it also has consistently developed. Since the 1950s the CAP has been subject to important changes due both to Europe’s relationship with the world and to the difficulties in balancing the interests of the agricultural sectors of the different Member States.

In the early stages of the CAP, coming out of the aftermath of the Second World War, the main focus was on food security, with a strong emphasis on supporting production. Despite that the objective remained, the emphasis gradually shifted towards income support. This was followed by a greater market orientation. Currently, we are on the verge of another transition, namely improving further steps to ensure sustainability of production that is more closely linked to socially desirable values and public interests.

From an early period of the CAP dominated by the control of the market through a price support in form of guaranteed prices or intervention prices to producers and an unconditional withdrawal of produce from the market leading to uncontrolled and unsustainable stock of commodities stored at Community with a huge budget strain came the 1992 MacSharry reform. The MacSharry reform of 1992, widely seen as the first significant reform of the CAP, brought a drastic change to the system. Intervention price were considerably reduced, bringing the EU prices nearer to the levels prevailing on world markets. A system of direct income support for farmers was introduced known as compensatory payments. These payments followed the general principle of compensation for intervention-price reduction due to the reform.

The Agenda 2000 reform continued the MacSharry reform course. These measures were regarded as direct support to the farmers related to the environment and not directly concern the Common Market Organization of the market. The Agenda 2000 coined the term Second Pillar of the CAP, which introduced rural development policy with support of farming in less favoured areas, environmental management, efficient farm and forestry restructuring and more diverse rural economic and cultural activities. Furthermore, it brought a lot of benefits for the European consumers and farmers and provided policy responses to the new challenges of globalization. Under the Agenda 2000, the financial perspective was agreed until 2006.

The Mid-Term-Review reform of 2003, became necessary because of the WTO agreement (greenbox) and the public demand on compliance with landscape and nature management considerations, food safety, animal and plant health, and animal welfare standards and increased funding for rural development and accompanying environmental measures had to be introduced.

In 2006 the financial perspective was agreed from 2007 to 2013. It was a clear fundament for the two pillars of the CAP.

The most recent change of the CAP took place with the Health Check in 2008 by ending the main part of coupled payments by 2011, abolishing some instruments such as intervention for certain sectors, confirming the end of the milk quota in 2015 accompanied by an gradually increase of milk quota till 2014, an element of modulation to fund the increased demand of the Second Pillar, and by introducing new challenges to the CAP.

The development of the CAP showed that despite all criticism there is a steady progress in the development and improvement of the CAP. At the same time further development of the CAP and the discussion in the society are needed. In this regard the EPP welcomes the initiative of the European Commission to launch a public debate on the future of the CAP. As the biggest political party in Europe we are ready to take responsibility and to participate in the development of the efficient agricultural policy, which will essentially contribute to “EU 2020” strategy. Today, the CAP is the single most common policy of Europe.

3. Why do we need European agriculture?

Europe needs an agriculture that produces market goods and public goods, an agriculture that fulfils this multifunctional role and covers the whole European rural areas. European policy has to guarantee a well balance between food security, environmental security and social stability. This concept of sustainability is based on the Lisbon Treaty and has also to be part of the “EU-2020” strategy.

Food Security

A world population increasing at a rate of 80 million per year and expected to have a total of 8 billion people by 2025, is placing greater demands on food security, mainly but not only in the developing world. Additionally, we have to consider that there are important changes in consumption patterns. This will assign new responsibilities for the EU. Especially under the circumstances of the climate change Europe is a continent that due to its climate is well suited for agriculture production. In an international perspective, it is therefore crucial that the cultivated areas in Europe are available for food production or other production that can easily be replaced with food production. Rising food prices have focused attention on how the EU can ensure a supply of good quality, affordable food for its citizens. In this context we should be aware of increasing gap between the rich and the poor, which exists also within the EU. Farmers across the world face huge challenges. Within the EU, they are being asked to produce more food against a background of increasing costs, restriction on production, increased competition on the world market and environmental constraints. Stabilisation of food prices is very important aspect of agricultural policy, which was present there from the beginning. The multi-functional nature of EU agriculture demands strict compliance with environmental, animal welfare and food safety standards, which are at a particular high level in the EU.

The European Union, which already has a high level of energy dependency, cannot afford an increasing dependency on food import as well. Europe therefore needs a strong, efficient and sustainable agricultural sector. If we want to meet the demands of a globalized world and to protect Europe’s citizens we must: a) ensure the production of high quality products in the EU, taking into account the demands of farmers and consumers; b) ensure competitiveness at local/regional, European and global level; c) contribute to the global food balance, and by doing so, contribute to world food, energy security and climate protection, and be present in the markets of the future. Moreover, we need an increase of plant and animal production for staple foods and bio-energy by applying the following measures:

- avoiding set-aside within the EU, and providing a better analysis of current EU environment/land use policies;
- accelerating moves to production and utilisation of second and third generation bio-energy, and;
- researching and developing new technologies for food, animal feed and welfare as well as energy production.

Environmental Security

The CAP can do much for environmental security provided European agriculture remains competitive and offers reasonable levels of farm income, without which it cannot continue to produce efficiently and enhance its environmental performance at the same time. But reasonable farm incomes cannot be preserved with increasing environmental constraints and demands for greater sustainability if the

total EU expenditure for agriculture would fall below the current amount. The goal of greening the CAP cannot be reached simply via environmentally friendly regulations, which involve costs. These costs need to be compensated via market or via public spending.

The world and Europe face many new challenges today, such as food security, sustainable energy supply, biodiversity, protection of soil and natural resources, landscape, water management and pollution, economic growth of rural areas, climate change effect, and deforestation that accounts for 25% of greenhouse gas emissions. All these challenges affect agricultural productivity and human health. In this regard agriculture is both part of the problem and part of the solution.

Based on knowledge and innovation, agriculture is contributing to an appropriate response for tackling climate change being a source of renewable energies itself. The production of renewable energy is one of the key functions of agriculture and is a part of the strategy towards sustainability and reaching the climate targets of the EU, where renewable energy should have a share of at least 20% of the energy mix in the EU by 2020. An essential part of the renewable energy mix is biomass, where agriculture and forestry play a vital role. Moreover, Europe is currently well placed in the markets for innovative bio-based products. Through the wider use of the bio-based products the European citizens will greatly benefit from reduced dependency on fossil products. Additionally, agriculture contributes significantly to the reduction of greenhouse gases, through a 20% reduction between 1990 and 2007 in comparison to an 8% reduction in other sectors. Besides, it can also play an important role in safeguarding biodiversity, protecting water and soil quality. At the same time, the agricultural sector is one of the major sectors that is directly affected, depends on climatic conditions and has to face increasing natural disasters. Climatic changes are likely to increase both the volatility of markets and the economic disparities between rural areas.

The EPP suggests that reducing deforestation and forest degradation, erosion and degradation of soil and ensuring sustainable afforestation and reforestation, provides a cost-effective contribution to mitigating greenhouse gas emissions and to conserving biological diversity, promoting sustainable forest management and enhancing security of livelihoods. Sustainable forest management fulfils multiple functions, e.g. carbon sequestration and storage as well as utilization of biomass for renewable energy production.

Furthermore, the EPP believes that the future CAP reform should take into account all these challenges and to propose a clear model, which combines sustainable farming, healthy food and healthy environment. It is important to stimulate sustainable farming, landscape preservation and habitat and biodiversity conservation, all of which ultimately protect our environment.

We are convinced that sustainable development means to strike a balance between economic, social and ecological development, involving also international partners, especially in developing countries, for future generations.

Supporting the development of rural areas and productive farming

European society needs attractive rural areas, which bring stability and social cohesion to the regions. Rural areas in Europe are very diverse in terms of climate, regional characteristics and socio-economic conditions. Jobs in rural areas represent a key part of the EU economy, accounting for 19.2m jobs (9% of total employment) and for 4.3% of GDP in EU-27. The whole society benefits from the CAP through food, land-use management and a healthier environment. According to a standard definition of the European Commission, more than 91 % of the territory of the EU is "rural", and this area is home to more than 56 % of the EU's population.

In order to develop viable, dynamic and diverse rural communities the following steps are needed:

- to make rural areas more attractive for young people through fostering economic development;
- to prevent depopulation of rural areas;
- to increase training opportunities, higher education, employment in rural communities;

- to revise aid scheme for farmers in mountain areas and areas with natural handicaps to ensure agriculture activity across Europe.

The EPP recognizes that the new generation of farmers deserves our support for a viable framework in which to farm by supporting economically viable and competitive farming, which ensures a decent standard of living. This comes in exchange for the provision of essential public goods, and by widening the spectrum of alternative employment possibilities outside farming.

With underdeveloped market prices and sector income as well as growing price volatility the continuation of support and compensation schemes is necessary.

4. Why do we need a European Common Agricultural Policy?

There is widespread support on all levels of society, across the political spectrum and the stakeholders for a European model of agricultural policy that takes into account all the multifunctional roles agriculture provides, in contrast to industry based agriculture. To that end, the policy must be common to avoid distortion amongst Member States and between farmers.

European Common Agricultural Policy gives us a real European added value.

Guaranteeing a European level playing field

The framework – for policy, regulations, and financing – will need to be formulated at a common European level because:

- establishing of common rules and level playing field will help to avoid distortion amongst farmers in different Member States;
- regulations for the environment demand a cross-border approach because neither ecosystems, environmental compartments, nor pollution are constrained by national borders;
- imposing joint standards for animal health and welfare in the light of trade considerations demands a supranational approach;
- it is in the interest of the European society to have stable and reasonable food prices for consumers, availability of food at any time;
- it is in the interest of all concerned in European agriculture to develop a sustainable manner for the environment, developing countries, and future generations; and
- European level playing field requires a guaranteed competition law.

Securing European farmers and protecting consumers

In order to perform stronger, to secure European farmers and to protect European consumers agricultural policy needs to ensure a common set of rules and principles at EU level. This common approach towards supporting EU agriculture targets at four primary objectives:

- to permit the European Union to influence markets for agricultural products, providing market stabilization;
- to support the incomes of farmers, meaning that farmers have a reasonable income, and that consumers have a secure supply of food at reasonable prices;
- to help to harmonize rules and standards in the field of food safety, animal and plant health, animal welfare and environmental requirements;
- to facilitate agricultural activity throughout Europe, even in areas with less favorable weather and land conditions.

Sustaining food safety

Where food is concerned, EU citizens are more and more demanding with regard to the nutritional quality of agricultural products and their safety. The EPP pays special attention to the right of the consumer to decide for him or herself, especially as regards the legislation on food labelling, nutrition and health claims made about food. Information and education are essential to enable our citizens to make informed choices. We underline that EU citizens have the right to: high-quality food, especially

regarding hygiene and safety; transparency and traceability of the food chain; clear, precise and informative food labelling; traditional and regional specialities, cuisines and food production; and information and education on healthy lifestyle options.

The European People's Party requests:

- Strong support for the 'farm to fork' approach throughout the food chain.
- Support for the polluter-pays principle concerning the hygiene, handling and production of food.
- EU standards, which are very high for food quality of the world, applied also to imported feed and food.
- Careful use of approved pesticides, fertilisers and animal health products.
- Correct, accurate and consumer friendly food labelling.
- Information campaigns in the Member States aimed at promoting healthy lifestyles, supported by the EU. Consumers should be empowered to make responsible lifestyle choices for themselves and their family.

Maintaining fair and stable income for the sector and securing jobs

A strong and competitive agricultural sector is of great value to the economy, as well as a source of employment and prosperity. Over the past few decades, agriculture has developed into a highly productive and knowledge-intensive sector of the economy. However, the average income of farmers is far below of the average income of the European citizens. The EPP recognizes the contribution of agricultural producers and of the people in rural areas to an economically and environmentally sustainable way of life. The new generation of farmers is oriented towards the future and deserves our support for a viable type of farming. Especially young farmers need stability and planning security. Our agricultural policy must support the competitiveness of the agricultural sector, both economically and as a provider of attractive jobs, and ensure a decent standard of living for farmers.

Income via market should be still the main element of total farm income. With continued low market prices and sector income as well as persisting price volatility the continuation of support and compensation schemes is necessary. Predictable sources of income must help to provide an economic basis for agricultural activity. Fair income opportunities must be provided, in exchange for the provision of essential public goods, and by widening the spectrum of alternative employment possibilities outside farming.

The EPP believes that the agricultural sector will play an important role in overcoming the current economical crisis and in reaching the targets of "EU 2020" strategy towards full employment.

Performing stronger on the international arena

The EU, in order to be a credible international actor, must reconcile its current position as the world's biggest importer and exporter of food products with the role that it wants to play as a leader in global development. We have to support European agriculture worldwide and to defend a European model on the international arena. The cohesion of various EU policies will allow EU to negotiate as one on the international arena.

The CAP was often accused of being in conflict with the objectives pursued by the EU in relation to third countries. However, at the same time the EU's record of importing agricultural products from developing and least developed countries is greater than the USA, Japan, Canada, Australia, and New Zealand together. Priorities for the financial EU support for the Least Developed Countries have to be reviewed in order to strengthen food security and rural development in those countries.

Europe plays an important role in ensuring food security worldwide, however, at the same time the EU should provide more efficient development policy in order to provide fundamental basic structures on food security in developing countries. The CAP has evolved, is becoming greener and more market-orientated, and has dramatically reduced its impact on developing countries. Europe has made an important contribution to international fairness. The EPP demands that international rules of

trade and competition must be fair for EU agriculture and not endanger these achievements. Moreover, the EPP in favour of strengthening the WTO line, however, bilateral agreements undermine the spirit of WTO.

Our high standards in food production, animal feed and renewable resources as well as in environmental and animal welfare, food security and hygiene or social aspects of modern farming must be taken into account. Higher quality usually comes at higher production costs, and must not be endangered by importing low-quality competition. Therefore it is important to respect WTO rules (non trade concerns). EU agriculture must remain competitive with well-subsidized trade partners, such as the US, Japan, Switzerland or Norway, in order to ensure that the EU has the raw materials to produce high-value European food products, which can win a greater share of the world market.

5. Simplification of the CAP

The CAP legislation and its administration is rather complicated, reflecting the need to meet a wide range of agricultural conditions and administrative traditions, and both internal and external policy objectives. Therefore, it is essential to simplify this policy by reducing the administrative burden, thereby allowing farmer to do what they know best – farming. As part of the ongoing efforts to reduce unnecessary bureaucracy, a major simplification of the CAP aims to reduce red tape for both farmers and administrations by making rules more transparent, easier to understand and less burdensome. As a fully integrated common policy, the CAP obviously replaces a large quantity of national legislation, which would otherwise exist.

However, the EPP shares the concerns increasingly expressed by farmers over the burdens of red tape. For this reason, the concept of "technical simplification" aims at complementing the agricultural reforms by focusing on revision of the legal framework, administrative procedures and management mechanisms to achieve streamlining and greater cost effectiveness, without changing the underlying policies. The EPP considers the unification, transparency as well as a user friendly designed conception of the rules as a key point.

To meet the future challenges and in the framework of a realignment of the CAP, the simplification of the CAP has to strengthen the competitiveness, to maintain employment and to create new jobs and hence to contribute to a smart, sustainable and inclusive CAP.

6. How can agriculture contribute to “EU 2020” strategy?

“EU 2020” strategy bases its main strategic approach on the increase and development of smart, sustainable and inclusive growth. The agriculture has to be a part of it and the CAP’s contribution to “EU 2020” strategy has to develop in the same manner a smart, sustainable and inclusive farming:

Smart Farming: This concept considers further development of knowledge and innovation to ensure food security on a high level as its key priority, since natural resources are limited and the global population is increasing. New technologies like biotechnology should be considered as a possible option in this context. At the same time affordable prices for consumers and the stabilization of farmer's income has to be taken into account considering highly volatile prices.

Sustainable Farming is based on a more resource efficient and "greener" approach. The consumer demands a healthier, safer and more varied food at the same time as the agricultural sector faces fewer resources. Sustainability also focuses on the potential of increasing competitiveness under the condition that fair competition is ensured on the world markets. It contributes to the economic strength and territorial cohesion of rural areas as well as to the preservation of biodiversity. Moreover agriculture is able to contribute to tackling climate change by being a source of renewable energies and fixing carbon.

Inclusive Farming: Indicates a holistic approach, which takes diversity into account and the wealth that it represents. In order to achieve the optimal results for Europe as a whole, the new challenges like food security, sustainable renewable energy, biodiversity, protection of soil and natural

resources, water management, economic growth of rural areas and, naturally, climate change must be faced at the Community level. Moreover "inclusive" means that agriculture can not be seen as being separate from other socio-economic fields, must be an integrated part of the whole picture. In this respect the preservation of rural areas in particular can be considered as a core element of inclusive farming, which could potentially contribute to high employment economy.

Agriculture therefore has a substantial role to play for the attainment of the Europe 2020 objectives. It must seek a sustainable balance of food security, environmental security and social security. And it must promote green growth, do more to increase resource productivity, enhance the protection of the environment and nature and help mitigate and adapt to climate change. Through such an alignment the CAP will be able to increase its contribution to healthier air, soil and water.

New goals and motivations for CAP support should help maintain the budgetary resources at a reasonable level also after 2013, and need to be accompanied by adjustments also in other policies that can contribute to the greening of the CAP. We need more sustainable CAP which promotes EU cohesion and strengthens the integration of the Single Market.

7. Two Pillars for one CAP

Farmers produce food, feed, fibre and fuel. By producing it in a sustainable manner farmers "produce" also sound environment, open and beautiful landscape, protect natural resources and strengthen rural areas. Regarding maintaining landscape farmers can provide the most cost efficient way for society.

Farmers therefore produce "market goods" and "public goods" – they are playing a multifunctional role and expect a fair income for these functions.

The EPP is deeply convinced that this multifunctional role will get even more importance in the future. Therefore a strong CAP needs a strong foundation – the two pillars "Market Policy" and "Rural Development". Both pillars have different functions, but are of crucial importance:

- first pillar serves the financing of market instruments and obligatory public goods, second pillar serves the financing of voluntary efforts based on public-private-partnership;
- first pillar follows a top-down-approach, second pillar is based on a bottom-up-approach;
- first pillar is financed by EU-budget, second pillar is co-financed.

7.1. Market Policy

We need a strong First Pillar in order to safeguard the basis of our production for a secure supply and preservation of natural resources and to reward higher standards and public services provided by farming.

Market orientation is part of the CAP, but further market orientation should not mean full liberalization, as this is not suitable for the European agricultural model.

EPP believes that in order to use market chances effectively, the following steps should be applied:

- market instruments are needed, but their applications are dependent on various markets and market situations;
- existing structures have to be newly created or adjusted;
- for more transparency market data must be better and faster processed;
- the potential of innovation and research must be fully exploited;
- a full functioning advisory system has to be established;
- well targeted investment scheme should be applied;
- well structured promotion program to conquer new market should be employed.

It is essential to use the opportunity of the upcoming reform of the CAP to reinforce the economic production role of farmers under the First Pillar and to achieve this through three actions: using

existing market measures, the competitive position of farmers and the producers' position in the food chain.

Another aspect is that the market power of producers needs to be strengthened. This can be achieved by strengthening of cooperatives or other producer organizations as well as through an increased transparency along the supply chain. For that reason it is necessary to set up a voluntary code of conduct in a supply chain. This should be coupled with a fairer distribution of prices along the supply chain.

On top of all this, certain market instruments are needed. A crucial element in the future is market volatility, which has been observed in almost all agricultural sectors. To cope with it under extreme circumstances an effective safety net is needed. This safety net should operate at a low level to safeguard from declining prices and to help to prevent speculations. Particular the speculative activities during the recent crisis contributed to drastic fall in prices of major commodities.

Insurance schemes are also an option, especially for climate risk, plant and animal diseases. Income insurance shall be employed in a way to be compatible with the WTO rules.

Direct payments will remain an integral part of the CAP, as they are the most efficient mean of income support to farmers. The various provisions of public and social goods, which are provided for through agriculture and for which the market cannot and will not pay for, as well as the keep of an EU wide agricultural landscape can only be paid for through direct payments. EPP is convinced that farmers must have a secure income from agriculture to safeguard production capacity of the sector. And with the current level of 40-60% of the income coming from direct payments, it seems inconceivable that these payments will be severely reduced. Moreover we believe that the direct payments bring first of all important direct benefits to the EU citizens: namely, food security, stability, sustainable production, employment, the economic viability of rural areas and an attractive diverse landscape.

A fair system for all Member States based on objective criteria is pivotal, which has to be fully decoupled.

Market relief measures, such as intervention, private storage and export support remain a part of the CAP. All these instruments have to be validated for their function as a safety net, in order that they do not influence prices in advance. These instruments should be set at zero and only be activated in a time of crisis.

7.2 Rural Development

In respect of the multifunctional role of agriculture, Fischlers' CAP reform in 2000 established the Second Pillar as a new element of the CAP to strengthen their environmental and structural mission and is based on the following principles:

- one Program for each region;
- a single fund;
- a single control and enforcement concept;
- bottom-up-approach, and;
- axes structure.

This decision was key both for farmers, consumers and the society as a whole. It was the offensive approach to tackle the challenges of the new WTO rules.

The EPP is deeply convinced that a strong Second Pillar is of an utmost importance for farmers and consumers, for a stable and strong rural development and serving public demand as environment, natural resources and healthy food.

EPP believes that also in the future the main elements of the Second Pillar must be applied:

- efficient farm management;

- supporting environmental activities of farmers;
- compensating farmers in less favoured areas;
- financing rural development concentrating on the contribution of agriculture;
- accelerating structural changes, modernisation, improvement in product marketing and competitiveness, and;
- providing environmental public goods, and strengthening cohesion and reducing gaps in development inside the enlarged EU;
- investment schemes and supporting integrated production chains;
- supporting renewable energy (biomass) and measures against climate change;
- supporting educational programs.

Also Structural Funds have to play their role to keep rural areas stable and strong.

8. Financial Perspective

The CAP is facing a range of new challenges and these challenges can only be successfully achieved, if a sound financial framework is in place. The EPP is committed to preserve the existing CAP budget equivalent to the current for the period after 2013. At the end of this period the proportion of agriculture and the whole European budget is below 40%, which is less than 0,4% of GDP. To fulfil the requirements, even additional once, is only possible if the level of the budget for agriculture stays as it is now.

Reasonable farm income and stable rural areas cannot be preserved with increasing environmental constraints and demands for greater sustainability if the share of agriculture in total public expenditure falls below the current level. Member States are urged to uphold their current percentage.

We consider that in this way, an effective CAP can be guaranteed. It seems sensible that the next financial perspective should cover at least the period until 2020, if not for a longer period for agricultural policy, because farmers need planning security.

The European Parliament is a key actor in setting the financial perspective. With its increased powers on budgetary issues it must be acting to defend the current budget and to keep it at the equal level, especially to defend it from claims of other political priorities. Then if the budget is falling, not all challenges can be met and the effectiveness of the CAP is weakened.

However, besides the issue of Member States contribution, it is unlikely that the current distribution of the CAP budget will remain the same. EPP insists that both pillars, the First and the Second Pillar of the CAP will be set on an independent sound financial footing, making modulation obsolete.

In order to cope with all future challenges of CAP the EPP calls to retain a strong First and Second Pillars.

First Pillar of the CAP will be the common part of the CAP it will be 100% financed by the EU, mainly to support farmers with direct payments. But even here, it is likely that over time the distribution between farmers and Member States will be changed. The EPP is in favour of sufficient transition policy for farmers to adapt.

In contrast, the Second Pillar will be co-financed. In here the co-financing rate might differ, according to priorities and programs. The level of co-financing should vary, but the system needs a framework on EU level in order to safeguard a level playing field.

The CAP is the symbol par excellence for pan-European integration and fulfils a wide range of other policy objectives within its framework. The concept of the development of the CAP, as elaborated in this paper, will allow tackling the new challenges and will contribute to a secure future of Europe as a whole. The EPP is, therefore, convinced that it is necessary to have a strong ring-fenced budgetary framework for the future CAP.