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**My vision on the CAP post 2013**

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1. **Preliminary remarks**

In my view, there is still need for a CAP. A total renationalization of the agricultural policy is unthinkable. CAP is a strong instrument of European cohesion and unity. However, I will make a plea for more federalism, more national responsibility, following the principle of subsidiarity.

I favour a pragmatic – not a revolutionary – approach, building on the existing situation and instruments.

EC-money for the CAP is more likely to diminish than to increase.

1. **Main elements of CAP with no – or only minor – changes**
	1. **Common market**, i.e. free flow of products, no internal border protection; and by that

**2.2 Common market orders** (regulations), price and tariff policy (import protection). But in this field we will have more liberalization (WTO), less market intervention, less supply control (abolition of milk quota?) and less – or even zero – export subsidies.
But this also means more instability, more farm price fluctuations, more surplus and shortages.

**2.3** The land retirement program will continue and be adapted to market situations (surplus or shortage of food). The same can be said for the production of energy from agricultural products, i.e. depending on the respective prices.

**2.4** The common policy on food quality and safety and on similar fields must continue, even be strengthend.

**2.5** The support ofrural development policies, second pillar measures, co-financed, will increase. But here we need: a clearer strategic vision, less bureaucracy and a better separation (distinction) from regional policy. For more on this see my paper for Tirana Conference (1).

1. **Reform of the Direct Payment System** (DP pillar 1)

In my view there is still need for a decoupled, i.e. not production linked DP-system.

* 1. **We distinguish** **3 groups of DP**:
1. Generalized DP for all farmers, called SFP by Franco Sotte (2)
2. DP for farmers in less favoured areas, e.g. mountain farmers
3. DP for special (precious) ecological measures and production methods.

Here I will not dwell on DP nr. (2) and (3), because they are widely accepted an must remain co-financed. For more information see also a new Report of the Swiss Government (3) and (5).

* 1. **Why generalized DP are still needed**

The concept of multifunctionality of European agriculture has been introduced by the Swiss in the GATT Uruguay-Round (1986-94) and is today broadly accepted – in the CAP and in the scientific community, i.e. among agricultural economists: European agriculture produces high quality food, gives food security and delivers public goods (with no market price), such as a nice landscape, a good environment etc., it is part of our cultural heritage and rural settlement. Our society wants these goods and services, and is willing to pay for it.

But with the international market liberalization, farm prices went down, below the higher costs of production of European farmers. There are many reasons for higher costs: more requirements on ecology, animal protection, food safety etc. and higher costs connected with the multifunctional characteristics and demands (see 3, 4 and 5). Furthermore, we will have more market instability (see above). Farm incomes go down, and not even efficient farmers would survive in the long run without DP.

This income argument implies, that by an eventual future long run rise in farm prices, DP would have to be reduced or even abandoned. Therefore, I favour a flexible DP-system.

* 1. **A new DP-concept: 2 step Co-Financing**

For the financing of the DP post 2013 I propose a 2 step Co-Financing:

First, a basic payment from the EU-budget (e.g. 50 % of the actual payment) with, secondly, the option for each country to add a certain (but maximal) amount of DP, financed from its own treasury, and decided by its own Parliament. The criteria for the EU basic payment would have to be non-discriminatory (equal treatment for each country). The EU would set up certain basic rules for the DP such as

* minimal production standards, i.e. requirements on ecology, animal protection, food safety etc.
* elements of social justice, such as e.g. maximum payments per farm or per unit of farm labour, and/or income ceilings (in Switzerland since 1992)
* WTO-conformity, i.e. not production linked
* An adequate national administration and controlling.
	1. **Advantages of such a reform,** main arguments:
* DP are conceptually a payment for public goods produced by farmers. The demand for these goods as well as its costs of production differ from country to country. In countries, where society is willing to pay a higher price for these public goods and services, they should be allowed to do so. With the EU-basic payment, the EU solidarity is assured.
* The administration of the payments, and to a large extend the choice of the criteria could be left to each country, and thereby be better adapted to its natural, social and economic conditions.
* The national influence and also responsibility for the DP would increase – less bureaucracy from Bruxelles, a gain for democracy.
* The argument of renationalisation is not valid, since the major elements of the Common market (see chapter 2) remain unchanged.
* But we would have a system better adapted to the countries conditions and demands, closer to the farmers, and a better understanding and acceptance by them as well as by the whole society.

**References**

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3. Schweizer Bundesrat: Weiterentwicklung des Direktzahlungssystems, 185 Seiten, Bern, 6. Mai 2009 (also in French)
4. GdB: The dilemmas of globalization, Towards a re-valuation of agriculture, 237 pages, Bureau Kirja, Hoogwoud NL, 2008
5. Hans Popp: Le Siècle de la Révolution Agricole, La politique agricoles suisses au 20e siècle, 111 pages, AGRI, Av. des Jordils 1, 1000 Lausanne 6, CH, 2000

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