

Speech by the Netherland's Minister of Agriculture,  
Nature and Food Quality, Ms. Gerda Verburg, at the  
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## The Future of the CAP

### [Introduction]

Ladies and gentlemen,

- Allow me to start by thanking Henrik for his invitation and for giving me the opportunity to discuss with you the future of the Common Agricultural Policy beyond 2013.
- Thinking about the future means thinking about implementing effective changes to meet increasing demands from society and to respond to the huge challenges that lie ahead.
- Change in itself always has a considerable impact on the human mind:

*"To the fearful it is threatening because it means that*

*things may get worse.*

*To the hopeful it is encouraging because things may get better.*

*To the confident it is inspiring because the challenge exists to make things better."*

- You'll understand that the last are the closest to my heart!

#### **[The CAP to the present day]**

- We must respect and cherish the collective achievements of the CAP so far
- It has brought us improved food security, higher productivity, increased agricultural income, very reasonable food prices and a stable and open internal market.
- The CAP is a cornerstone of European cooperation. It was so in the past, it still is today and has to be so in the future.
- We should always bear in mind that we had very good reasons why we created a **Common Agricultural Policy**,

why we did it **together** and why we did en do need a  
**level playing field.**

### **[Why changing the CAP?]**

- So can we simply continue with the CAP as it is?  
I firmly believe we cannot.
- The CAP is facing a number of major challenges, both at the European and the global level.
- The financial and economic crises have shown the need for competitive strength;
- The recent food crisis has once underlined the important role Europe has to play in the future world food supply and sustainable food production.
- Finally, agriculture can and must be part of the solution of other global issues. A solution in our fight against climate change and biodiversity loss, in our efforts to improve water management and in building viable and attractive rural areas. In that perspective the CAP and Natura 2000 should go hand in hand.

### **[We need a strong CAP built for the future]**

- The Netherlands is in favour of a strong, future-orientated CAP.

- A CAP that meets the demands of its time, and future not of the past.
- And I do not hesitate to add: a strong CAP that is sufficiently funded to meet those demands.
- How can we achieve this?
- Let me start by presenting what I think should be the objectives for the future CAP, followed by some general observations on other important issues.

### **[New objectives for the future CAP]**

- I think that in the long run we should transform current direct payments into targeted payments.
- Not only to increase the productivity, competitiveness and sustainability of European agriculture, but also to compensate market failures.
- I see three main objectives for the future CAP.

**[Objective 1: improving productivity, competitiveness and sustainability]**

- Increasing the market orientation of European agriculture can be seen as a logical continuation of the 2003 Reform. I believe we must continue along this path.
- I therefore believe that the first objective for the future CAP – and in my view the most important one – is to improve the competitiveness and sustainability of European agriculture, through knowledge, innovation and investment.
- Agriculture, Nature and Food is a knowledge intensive domain. Europe has a role to play in promoting research and innovation, building a Knowledge Based Bio Economy.
- Our farmers must become as innovative as possible, responding to market signals and conditions.
- The future CAP should facilitate agricultural development and guide structural change in rural areas, like infrastructure and farm modernisation.

- It should also promote the implementation of new, efficient and sustainable technologies on the farm and on the land.
- I see good reasons for further adjustment of the current market instruments, in line with an inevitable WTO Agreement to phase out all export subsidies by 2013.
- However, also after 2013, we need a proper safety net for serious market distortions, for example as a result of natural disasters.
- But such measures should last only as short as possible and never for longer than absolutely necessary!

#### **[Objective 2: Supporting agriculture in valuable areas]**

- The following two objectives are closely linked to market failures.
- In my view an important objective should be to pay farmers for the delivery of public goods and ecosystem services in valuable areas.
- These are areas where we need land-based farming for

economic and ecological reasons. We need farmers to stay on the land, to maintain the land and the landscape properly and to preserve biodiversity.

- As these public goods and services are delivered collectively by all farmers in these areas, an area payment is probably the most appropriate and efficient distribution mechanism.

**[Objective 3: The delivery of public goods by individual farmers]**

- And as the third objective, we should reward every individual farmer who delivers public goods or ecosystem services to society. As long as these public goods are delivered actively and represent above-statutory performance.

- Payments are justifiable if farmers make extra non-marketable efforts regarding for example environmental quality, soil management, water management, agri-environmental measures, animal welfare, landscape management or cultural heritage.
- Payments should not be made for activities or public goods and services that can be privately financed, such as agro-tourism and health care services on the farm or any other private agreements.
- Summarizing, we should promote a transition towards a more competitive and sustainable agro-food sector combining high productivity with minimal environmental impact and a sustainable use of our natural resources.

- To achieve this, we need both the second **and** first Pillar, although we must set new objectives for the latter. Article 68 already provided a very good first step in better targeting direct payments.

### **[General observations]**

- I would now like to share with you some thoughts on other important issues, such as food security, food quality and food safety, the future of direct payments, the transition period and the simplification of the CAP.

### **[Food security, food safety and food quality]**

- More than ever food security and our relationship with agriculture in developing countries are high on our agenda. Research has shown that investing in a strong, viable and competitive agriculture – in Europe and by developing countries – offers the best guarantee for food security worldwide.

- Food safety and food quality are best served by setting EU standards. Enforcement of these standards either by self-regulation or by national authorities is effective and enough.

### **[Future of direct payments]**

- We are rethinking the future and justification of direct payments. It might prove to be one of the most difficult issues to agree on.
- Over the past few months we have seen and discussed a number of different justifications.
- Some parties believe securing agricultural activity as the core of the present and future CAP. In their view current direct payments must be continued to preserve agriculture as a viable economic activity for food production.
- Others refer to social policy, income, employment, migration and retirement issues.

- I believe that direct payments should no longer be based on production or subsidies received in the past. Farmers, being agricultural entrepreneurs, should generate their income primarily from the market.
- Agricultural production is after all their core business. It is why they became farmers and it is what they're good at. They should know best how to make the most of market opportunities.
- Bottom line is that they can make a good price for their products, in order to maintain their business and family. I hope that the High level group will come forward with concrete proposals vis à vis with transparency, food prices and competitiveness.
- As I see it, there is a future for direct payments. They must, however, become more targeted to promote competitiveness and sustainable production and to reward farmers for the public goods and services they provide to society.

- Public goods that are not rewarded by the market and that our market mechanisms alone cannot provide.
- The public debate about the CAP has shown that taxpayers want more value for their tax money. Our farmers can meet that demand.
- Adequate payment is justifiable and appropriate for the farmers who contribute to maintaining valuable landscapes, preserving biodiversity, help to mitigate climate change and to protect the environment.

#### **[Transition period]**

- Of course we can not change the system overnight. We must allow for an appropriate transition period to transform generic direct payments into targeted payments.
- This raises the question of which distribution system would be best in this transition period.
- I am sure you all agree that the historic model has become obsolete.
- A more regional distribution model seems to meet best

to expectations at this moment.

- But there is a huge risk that we should be aware of.

Research has shown that flat rate payments do not increase production nor improve product or environmental quality.

- Sooner or later, a flat rate payment will result in higher land and lease prices, ultimately only benefiting the land owner. The money will no longer be available to the farmer to invest in the necessary innovative and sustainable management techniques as we would wish him to do. It will become dead money, merely increasing production costs.

### **[Simplification]**

- As you all know, I am in favour of further simplification of the CAP.
- We should aim to build a CAP with a simple and flexible framework, one that is risk-based in its control system, and outcome-based in its monitoring system and accountability systems.

- More specifically, I think that in a system of only targeted payments we must ask ourselves to what extent cross compliance is still necessary as a sanctioning tool. I believe this question is already relevant for second pillar payments.

### **[Closing]**

- Finally, I believe that we can only move forward if we continue to have debates like the one today. And I would like to stress that we ultimately need to focus on what is good for Europe, for European agriculture and for the major challenges that lie ahead. This is a joint effort. We can only stand strong together, better than alone, in groups or better than divided. And with the safeguard of a level playing field.
- Of that I am confident. And this confidence feeds my inspiration because - to return to my quote - "*the challenge exists to make things better*".
- Thank you.