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THE COMMON AGRICULTURE POLICY POST-2013 PRIMARY FOOD PROCESSORS' (PFP) POSITION

1. PFP (Primary Food Processors) would like to share its views on the CAP post-2013 in order to contribute to the public debate on the future of European agriculture.
2. The principal activity of PFP members is to purchase agricultural raw materials to process into a wide range of products or ingredients for food, feed and non food uses, to be used by “secondary manufacturers”. PFP members form a primary processing industry in the food supply chain with close and strong links to the EU farming sector. PFP members process approximately 220 Mio tons of raw materials (cereals, sugar beets, rapeseeds, soybeans, sunflower seeds, crude vegetable oil, starch potatoes...), employing over 120 000 people in the European Union.
3. Sustainable raw materials availability and supply is the main concern for PFP members¹, who must secure constant and regular access to quality and safe raw materials (mainly maize, wheat, soybeans, sugar beet, starch potatoes, rapeseed, sunflower seed ...) in sufficient quantities. High-quality and safe raw materials are essential for achieving high-quality end products and European primary food processors are keen to use EU raw materials whenever possible.
4. Currently, our industries are mainly supplied with European agricultural raw materials and many rely on the local availability of the agricultural raw materials they process. However, over time and after substantial EU agricultural reforms initiated in the 90's, the EU has increased its imports of raw material from third countries and is no longer self-sufficient for a range of commodities (sugar, oilseeds for example). Whereas the EU sugar and flour milling sectors supply approximately 80% of EU food needs with domestic production, in the EU Oilseed sector the figure amounts to 63% and depends on non EU countries for 37% of its supply. In case of shortages of agriculture raw materials (maize for example), access to imports is vital for certain EU areas, regions or countries.

¹ See our position paper on the issue on www.pfp-eu.org

5. Price hikes in food supply have recently shown how important food security is and it now seems to be higher on political agendas. These recent experiences have shown that keeping the right balance between EU domestic production and imports is essential in preventing import instability and extreme price volatility. The recent price hikes and increasing concern about food security have highlighted that responsible regulatory controls have to form part of a sustainable global balance. Market forces alone cannot ensure that the world's goals for food security, stability of supply and sustainable production are achieved. EU and global public and private sector cooperation is essential.
6. As a result, PFP believes that a Common Agriculture Policy is needed. Food is a strategic and vulnerable human necessity. It is vulnerable because it depends on unpredictable climatic conditions made even more uncertain by the advent of climate change. World population, and with it demand for food, is expected to increase substantially by 2050. Water reserves and land availability are predicted to be in increasingly short supply.
7. In such a context, PFP members believe that they can play a key role in supplying not only the EU domestic market but also other markets in third countries. Consistent rules implemented through a common policy are also needed to avoid internal market distortions within the EU: a single market of over 500 million citizens. Ensuring consistency between the objectives of the various EU policies, in particular regarding internal market and external relations, is crucial. This is particularly relevant for the relationship between the CAP and the EU's trade and development agendas.
8. Being one of the first 'common' policies of the European Union, the CAP is also complex and highly visible to public scrutiny. It has been gradually adapted over time. Past reforms of the CAP were made in a context of abundant supply and low world commodity prices. This situation has now changed. New challenges include climate change, sustainability, resource efficiency and food security.
9. For example, many PFP companies are covered by the Emission Trading Scheme Directive and will incur significant costs in paying for greenhouse emissions from 2013 onwards creating a real risk of carbon leakage. Ultimately, this will affect the primary food processing industry and also impact on the development of rural areas since many PFP companies -and eventually entire sectors, such as the sugar beet processing sector- have established their processing units in rural areas, near the agricultural raw material. While saving transport fuel emissions and contributing to the economic development of rural areas, those factories often face the typical infrastructure shortcomings of those areas.
10. These challenges have to be seen in the context of a much more difficult economic and financial environment, increasing energy prices and higher price volatility. It is essential for the EU to set its priorities and objectives for the future CAP (2014-2020) taking into account this new situation. Respecting the environment (restricted pesticide use, respecting low level presence of genetically modified organisms and

so on) and mitigating climate change have a cost which should be reflected in the stable and sustainable supply of safe products the EU consumers are demanding.

- 11.** For PFP, stability of supply to feed European consumers at reasonable prices remains a key priority and objective for the CAP. The initial objectives of the CAP included, as a priority, to assure the availability of supplies and to stabilise markets. This has been reconfirmed by the Lisbon Treaty. This implies that EU consumers' demand should be largely secured by a competitive domestic EU industry.
- 12.** More specifically, the CAP should also take into account the additional demand represented by emerging renewable energy markets. The new legislative framework should help secure access to a balanced supply of raw materials for the industry.
- 13.** The CAP should encourage PFP members to meet the EU's high social, environmental and processing standards, including traceability, while at the same time promoting an internationally competitive industry. Respecting and implementing these strict standards has cost implications for the EU. A level playing field is therefore needed to ensure that EU processors are not penalised compared to their competitors worldwide. The CAP, and associated trade policies, should ensure that the agreed environmental and social standards do not come at the expense of EU farmers and primary processors as compared to their international competitors.
- 14.** PFP members are of the opinion that a properly funded CAP should be decided for the next decade to set a stable and predictable framework needed by the EU first processing industry.
- 15.** PFP members have identified key priorities that the future CAP should cover and ensure
 - A level playing field. When supplying the EU market, regardless of the origin of the raw material, EU competitors and the EU first processing industry should be on a level playing field. Competitiveness and sustainability are linked. Sustainability within the EU requires meeting very strict standards socially, environmentally and economically.
 - EU supply management and safety nets. PFP believes that appropriate supply management systems are needed. Safety nets should be maintained to deal with increasingly unpredictable and volatile EU market conditions.
 - The EU should consider how best to contribute to stabilising markets and avoiding extreme price volatility. In such case, it is important to note that contractual arrangements between buyers and sellers contribute, among other tools, to stabilising supply.

- EU Market balance. Depending on the net balance of each market- be it in structural deficit or in time of crisis- it is essential to maintain an imports management policy which enables the EU to achieve its objectives for food security and sustainability, as well as accommodating the balance of past EU reforms outcome. In conjunction with other trading blocs, the EU should pursue a responsible imports policy in the WTO negotiations, including a sustainable eventual level of import tariffs and adequate protection against extreme volatility.

16. PFP members are increasingly confronted with more volatile and less predictable market prices. Futures markets could serve as a tool against unexpectedly changing prices. It is crucial that the revised Markets in Financial Instruments Directive (MiFID) take the specificities of agricultural commodities and food operators into account.

17. PFP members are willing to enter into a fair and positive dialogue with the EU institutions to achieve this within the context of a modernised and renovated CAP.