

**Speech by Prof. Vigilijus Jukna, Minister of Agriculture of the Republic of Lithuania,  
at the Meeting of the Chairpersons of the Committees on Rural Affairs**

**Common Agricultural Policy after 2013**

“Speaker of the Seimas of the Republic of Lithuania,  
Dear Colleagues,  
Ladies and Gentlemen,

It is my pleasure to take part in this Meeting of the Chairpersons of the Committees on Rural Affairs and share with you my thoughts on the Common Agricultural Policy after 2013.

As you know, Lithuania took over the helm of the European Union from Ireland on 1 July. This is a great challenge and an historical event for Lithuania, since it is the first time ever that we hold the Presidency of the Council of the European Union. We are aware that it is a huge responsibility. But we also take this as an opportunity to show to everyone that we are capable of coping with daily tasks and problems both qualitatively and effectively.

Referencing to the Common Agricultural Policy, I would first of all like to express my appreciation of the secured inter-institutional political agreement on the CAP reform package that was finally reached at the end of June after intense debates.

Thus now the task ahead of us, as the Presidency of the Council, is finishing the work related to the approval and timely entry into force of the CAP reform package. Another no less important task ahead of us is discussing and adopting the proposal on the necessary transitional rules for certain elements of the CAP reform. The transitional rules will be applied in 2014. As you know, the aim of the proposal is smooth transition from the CAP regulations of the current financial period to the new CAP reform legislation.

Taking this opportunity, I would like to note the active engagement of the European Parliament and its significant contribution to the CAP reform with the view to achieving our common goal, which is a sustainable and effective Common Agricultural Policy.

I have no doubt that the national Parliaments of all the EU Member States and their parliamentary committees on rural affairs in particular have been engaged in active discussions on the CAP reform over the recent years.

The very substance of the CAP reform is to help farmers adjust to the changing market needs and ensure reliable supply of food products, environmental protection and sustainable rural development. The CAP reform provides for significant changes necessary to respond to the new challenges that have emerged in the EU agriculture and the rural areas of the EU.

I will try to overview in greater detail the opportunities for European farmers envisaged in the reformed CAP.

First of all, allow me to mention a few essential changes with respect to direct payments.

The agreements on internal and external convergence of direct payments is a major step forward seeking to ensure fair market conditions and fair competition to all farmers across the EU. They will allow to establish uniform conditions for all farmers and will contribute to fairer distribution of direct payments on both European and national levels. As Minister of

Agriculture of the Republic of Lithuania and representative of respective interests of all Lithuanian farmers, I cannot be fully happy with the situation, because unfortunately, as a result of the deals reached at the European Council in February 2013, Lithuania will continue to be on the list of EU Member States receiving the lowest direct payments in the EU. Of course, we are happy that we managed to agree on higher payments, compared to the ones offered at the beginning of the negotiation process. Thus by 2020, all Member States will have to ensure the minimum threshold of direct payments which is at least € 196 per hectare.

Of course, in this context, we should not forget that the CAP reform provides for a possibility to redistribute funds flexibly between Pillar I and Pillar II, which allows every Member State to take its own decision on the higher value added on the EU funds.

I believe that while addressing the issue of generations in the agricultural sector, one of the successful decisions is the introduction of payments to young farmers and the agreement on the latter's mandatory character across all the Members States. We are well aware that there are only 6% of farmers younger than 35 in the EU. Therefore, this decision will help to attract more young people to the agricultural sector and will grant them extra economic opportunities.

We welcome the recognition of the role of small farmers in the European agriculture and rural development by envisaging a support scheme for small farmers, which will allow the farmers to receive payments through the application of simplified requirements and a control mechanism. As we know, there are quite a few differences between Member States in terms of farm sizes. Therefore, every Member State will have an opportunity to assess the actual situation and make an individual decision on the support to small farmers.

The CAP reform provides that direct payments can only be made to active farmers. This is a significant achievement allowing to eliminate the so-called "slipper farmers" from the system of direct payments and diverting the flow of direct payments towards those farmers who use agricultural areas for production and who care for their productivity and sustainability.

I would also like to highlight that, the new model for distributing direct payments provides, if necessary, Member States with a possibility to continue with production-based support by allocating to production up to 13% of the national envelope of direct payments. This flexibility will grant an opportunity to Member States to respond to specific needs on their own territory and to support the sectors which currently face the greatest financial difficulties.

The Common Agricultural Policy after 2013 will aim at food security as well as at significant contributions towards achieving environmental goals. A new mandatory component, known as greening, will be introduced in the system of direct payments. It will promote greening in order to ensure better protection of natural resources and application of more sustainable farming practices. A Member State will have to allocate 30% of its national envelope of direct payments to finance greening measures. This kind of support will be tied to the following environmentally-friendly farming practices: crop diversification, retention of permanent pastures and establishment of ecological focus areas or application of other more or less equivalent measures delivering environmental and climate benefits. I believe that this approach reflects the variety of farming practices across the EU and grants farmers flexibility in terms of choosing the greening measures they find most suitable.

Besides, various environmental schemes will be financed through rural development measures, just as it has been up until now, by allocating for them at least 30% of funds of every rural development programme. Aiming to avoid double funding (through both Pillar I and Pillar II), agri-environmental measures will have to be more strictly imposed in rural development; they will have to supplement the greening measures supported under Pillar I while the programmes will have to be more ambitious and thus more environmentally efficient.

As far as market regulation is concerned, the principal measures that are currently in place will be basically preserved for the new CAP period. Those are public intervention, support to private storage and export refunds. Efforts are made to ensure that market regulation measures work as a guarantee of effective stability in cases of market distortions, fluctuations in prices and times of crises.

Certain inefficient and production-limiting measures will be eliminated. I believe that this decision will ensure greater market orientation in the long-run and will provide an opportunity to increase CAP efficiency and competitiveness of our farmers in both internal and global markets.

The negotiating powers of producer and inter-branch organisations will also be increased through extension of the scope of their activity to cover all sectors while supporting their establishment through rural development under Pillar II.

When it comes to rural development, it continues to remain a crucial and integral part of the agricultural sector which enhances the sector's competitiveness and ensures the viability of economically important, resource-saving and environmentally friendly practices in rural areas.

The new rural development policy will no longer group measures around 4 axes. It will provide for a more flexible system of rural development measures aimed at achieving three principal goals of the rural development policy through 6 priorities. Based on these priorities, efforts will be made to promote knowledge exchange and innovations in the agricultural and forestry sectors as well as in rural areas, increase competitiveness of farms, stimulate local markets, control the risks involved in agriculture, preserve agricultural and forestry ecosystems, save land and other natural resources and ensure reduction of social exclusion in rural areas.

What is new is the envisaged coordination of all five EU support funds, which influence rural areas, through the common strategic framework and partnership agreement, thereby seeking to attain sustainable territorial development goals, enhance a strategic approach and ensure greater effectiveness of European investments.

As for the rural development instruments, 40 instruments have been in place. Now they will be simplified and modernised. Their total number will be reduced to 20. This brings an opportunity for greater flexibility in coordinating and coupling them seeking to attain rural development goals.

Risk management toolkit will be included among the rural development instruments, aiming to mitigate the effects of production risks and prevent risk rather than deal with the consequences.

Rural development instruments promoting innovation in agriculture have been restructured and enhanced by establishing the European Innovation Partnership.

Agreement has been reached that this new reform will become effective as to the areas facing specific natural constraints according to the new 8 biophysical criteria by 2018 at the latest. Such agreement is beneficial to all Member States because more time is left for proper preparations. However, those Member States which will single out these areas based on the new criteria sooner will accordingly be able to start giving out payments under the new scheme earlier.

I would like to note that simplification of the CAP and reduction of administrative burden to beneficiaries and institutions administering the support in Member States are an important part of the CAP reform. I believe that sufficient consideration has been given to reliable but simpler management of the CAP.

For this purpose, all financial, management and monitoring provisions are covered by one legislative act – the horizontal regulation; management and control provisions on the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development are made as much uniform as possible; possibility for Member States to reduce the amount of on-the-spot checks has been envisaged. All of this will make the system more transparent and clearer and will allow to cut administrative costs.

Certainly, we have to admit that there will be more complex parts in the direct payments scheme of the new period compared to the current system. However, I believe that the enhanced farm advisory system will help farmers to deal with issues related to the implementation of the new CAP, should they encounter problems.

On the other hand, we appreciate the simplification of the system for small farmers.

In conclusion, may I say I am convinced that the decisions regarding the CAP that have been taken will help to maintain a stable and competitive agricultural sector and will ensure steady territorial development of rural areas across the European Union.

Thank you.”