

Paris, January 19, 2015

Mr. Phil Hogan
European Commissioner for Agriculture
and Rural Development
Rue de la Loi 200
1049 Brussels
Belgium

Dear Mr. Hogan,

May I begin in extending our best wishes for this New Year 2015, which is beginning under uncertain auspices for farmers.

Upon assuming your responsibilities, you made the commitment to implement the CAP reform by focusing on the four following priority issues:

- Ensuring that the CAP is a driver of growth, investment and job creation;
- Guaranteeing the cost effectiveness of European agricultural expenditures;
- Working so that European agriculture becomes more efficient, while curbing carbon dioxide emissions;
- Considering ways to simplify direct payments.

However, the implementation of the new CAP is occurring in a strained international and economic context that has sharply been altered since its adoption in June 2013.

In fact, agriculture occupies and increasingly strategic position in the key concerns of the world major powers--United States, China, India, Brazil, Russia and Canada among others--due to the combination of several factors: the global population growth, repeated food crises, globalization, tensions in Eastern Europe, the new state of agricultural markets, their financialization and their increasing trends of instability.

Agriculture and food security are now representing major geo-policy challenges in the international area that will impact the independence and influence of the European Union.

It is in this spirit that our think tank Momagri was formed in 2005 to develop analysis tools, and foster the development of new ideas that are consistent with changing agricultural markets.

Today, the results of our research are leading us to contact you, because the CAP you are going to implement for the upcoming seven years is no longer adapted to the forthcoming challenges.

Worse even in a context of globalization and free trade, our new agricultural policy does not include adequate risks management tools to control the harmful effects of price hyper-volatility. At issue is an economic approach that underestimates the market risks impacting agriculture, and disavows the effectiveness of stabilizing mechanisms.

In fact, the European Union is the world's sole region to center most of its agricultural policy on decoupled direct subsidies, thus disconnected from economic realities.

Yet, all major producing nations have implemented risks management tools as a response to agricultural market instability. For example, the new American Farm Bill compensates for the risks of income losses due to climate hazards, and due to market instability through counter-cyclical mechanisms coupled to insurance systems.

It can even be said that introducing European agricultural activities that are so unprotected in free trade agreements seriously weakens the position of European farmers. The European Union already imports the equivalent of the French farmed area--27 million hectares or 66.7 million acres. It is now time to review the CAP to prevent a further escalation of the situation.

In addition, our economic model of agricultural market projections indicates that the instability of agricultural markets will increase in the coming years. This is why it has become urgent to raise awareness on the fact that the CAP can no longer remain a policy that goes against the flow of the world's other major agricultural policies.

The mid-term review of the European multi-annual financial framework in 2016-2017 could be an opportunity to launch a CAP reform that takes account of strategic, economic and social realities.

This is why Momagri is pleased to send you its White Paper--"A new strategic course for the CAP"--that proposes to readdress direct payments around a counter-cyclical system that

- Stabilizes farmers' revenues,
- Leads to lower budget costs than estimated multi-annual allocations,
- Respects the WTO principles to which the EU is committed beyond its regulatory obligations.

Thanking you in advance for the consideration you will give to our White Paper and our proposals, please accept the assurances of my highest consideration.

Pierre Pagesse
Chairman