

THE DANISH EU PRESIDENCY 2012

ROUTES TO BALANCED GROWTH





EUROPE NEEDS TARGETED FOCUS ON THE GLOBAL COMPETITIVENESS

The Danish Agriculture & Food Council wants Denmark to take steps to ensure that consideration for Europe's global competitiveness serves as the guiding principle for all new initiatives and regulations. Globalisation entails fiercer competition in the global markets, and growth is currently being realised outside Europe. Demographic trends will also represent a huge challenge for all EU Member States – not least in terms of government finances.

We cannot regulate our way out of that situation. Hence, the EU needs to respond strategically and in a targeted manner to solve the challenge of growth in Europe. We do not need small new measures, but to incorporate the element of the competitiveness of businesses into all common EU policies. A prime example is the EU's agricultural and food policy, which is to be tied to the EU growth strategy: Europe 2020. Only by doing so can the potentials existing in agricultural and food production as well as in the fields of climate and environment be harnessed.

If Europe – headed by the Danish presidency – does not show responsibility and drive, we can expect a future characterised by stagnation and recession. This being the case, the Danish Agriculture & Food Council recommends that focus be directed towards 10 strategic key priority areas over the next year.

10 KEY PRIORITY AREAS OF THE DANISH AGRICULTURE & FOOD COUNCIL

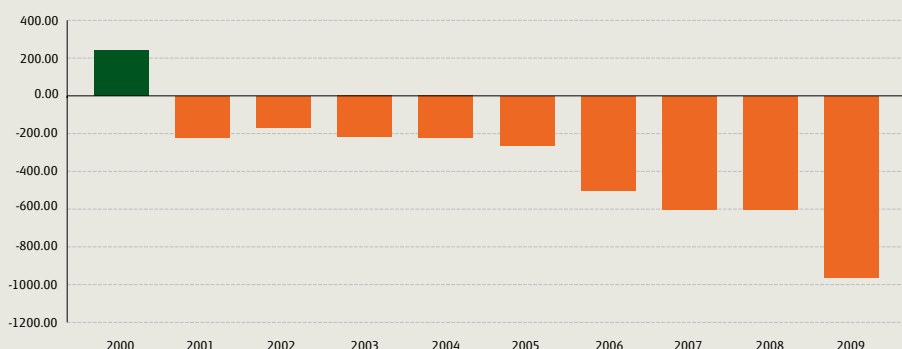
01

AN UNCHANGED, FLEXIBLE AND FUTURE-ORIENTED EU BUDGET IS CALLED FOR

In the eyes of the Danish Agriculture & Food Council, the EU's Multiannual Financial Framework should be a flexible instrument reflecting the political decisions and ambitions among member states. It is not to be used for detailed management for a long period into the future. The 2014-20 EU budget framework should be kept unchanged – not least in the light of the current economic and financial crisis and the need for tight management of public expenditure. However, changing the framework should be possible if, for instance, a decision is made to raise the level of activity in the EU, or if the EU is enlarged. More specifically, the Danish Agriculture & Food Council takes the view that:

- The EU budget must underpin the EU growth agenda as formulated in Europe 2020, which must also support a competitive and export-oriented agriculture and food sector.
- Denmark is the second-largest net contributor to the EU, and we must be certain that future reforms, e.g. in the area of agriculture, do not put Denmark in an economically inferior position. This can be achieved, for instance, through a fairer Danish share of the EU Rural Development Policy.
- It must be ensured that Pillar 1 of the Common Agricultural Policy remains fully funded by the EU. Funding through national co-financing entails a risk of renationalisation of the agricultural policy and distortion of competition.

DENMARK'S NET CONTRIBUTION TO THE EU BUDGET (EUR MILLION)



STRENGTHENING THE SINGLE EUROPEAN MARKET

The single European market is possibly the EU's greatest success ever, with free movement having generated growth and prosperity for the citizens of the EU. The idea behind the single European market and harmonisation is to create a level playing field where businesses compete according to the same rules and requirements regardless of the country in which they operate. However, the economic crisis has given rise to a tendency for member states to attempt discriminating against foreign competitors via special national schemes by securing more relaxed terms for their own businesses. We see a general tendency towards a well-functioning single European market in a number of harmonised areas, not least agriculture and food. Some member states try to secure competitive advantages for its domestic businesses via incomplete implementation of, for instance, common environmental requirements. The implementation of the Water Framework Directive serves as a good example of that.

The European food policy increasingly supports national preferences where unclear compromises pave the way for national interpretations and where specific authority for special national rules is granted.

Specific examples are the EU's general labelling rules and the EU Quality Package where focus is on the origin of food and which therefore leans in the direction of increased "nationalisation". This trend is to the detriment of the future competitiveness of Europe, the ability of innovative thinking and the creation of prosperity. This will ultimately harm the common European. Hence, the single European market needs to be strengthened to restore the European growth engine.

- Denmark and the European Commission must aim at ensuring that the member states actually implement, harmonise and enforce EU directives in national legislation. Rules and the terms of competition must be the same regardless of whether a business is located in Portugal, Romania or Denmark.
- The single European market must be optimised through dismantling of barriers, reduction of bureaucracy, simplification and maximum free competition.
- Common rules, administration and strict control over competition law and rules on state subsidies must be ensured in general to avoid national initiatives that distort competition.
- The Danish Agriculture & Food Council supports the European Commission in its intention to coordinate the rules on indirect taxes applicable in the EU to eliminate any form of indirect tax treatment which is unfavourable to cross-border activities.
- The Common Agricultural Policy aims at ensuring that the single European market for food is not undermined or distorted by state subsidies, other national special schemes such as interprofessional organisations authorised to prevent the free movement of goods in the single European market.
- Food regulation must help solve the challenges facing businesses in a global context. So international rules and standards adopted under the auspices of Codex Alimentarius, for instance, must be incorporated into EU law as far as possible.
- The Danish Agriculture & Food Council calls for a voluntary and market-driven food policy that promotes competition, innovation, nutrition and food safety. So we do not support a compulsory scheme of origin for food as such a scheme could be used as a measure to distort competition.
- The European Food Safety Authority (EFSA) must help ensure a scientific platform for regulating the food area. The existing rules on the application of nutrition and health claims must be directly applicable for businesses.
- Equal access needs to be established to using new biotechnological tools, including GMO in food production. Compulsory, national rules on co-existence should be laid down as a means to ensuring equal development opportunities for organic, conventional and GM crops.



03

FINANCIAL REGULATION CREATING GROWTH

Access to capital and financing of new activities are fundamental conditions for a sustainable corporate sector. Hence, it is paramount that financial regulation continues to stimulate the growth and development of businesses. As a consequence of the financial crisis, processes have been initiated on an international scale to pave the way for new financial regulation in a range of areas. Various processes are now running under the auspices of G20, the Basel Committee, the IMF and the European Commission. In the wake of the financial crisis, the Basel Committee has formulated a new regulatory framework for mortgage credit institutions, which proposes stricter requirements in terms of liquidity and capital. In adjusted form, the rules will be introduced in the EU through changes to the EU capital adequacy rules.

Moreover, after the financial crisis, a need arose to impose stricter control on the markets for financial products. Farmers and food companies apply commodity, foreign currency and interest rate derivative instruments for hedging against the price and currency risk arising in connection with their production and sale of products.

- The financial crisis has triggered a need for stricter financial regulation. However, stricter regulation should be balanced in the light of the increased burden on borrowers. In addition, regulation must not be at the expense of a future well-functioning market for loan capital and price hedging.
- The balance principle of the Danish mortgage credit system gives investors significant assurance. Therefore, it should be possible to assign Danish mortgage bonds the same rating as government bonds.



- Denmark should be given the possibility to treat financial institutions in the same way in connection with risk-weighting of outstanding accounts between banks and mortgage credit institutions.
- In the EU, the derivatives market is governed by the MiFID Directive and a special regulation on over-the-counter derivatives. Derivatives market framework and transparency must be enhanced to strengthen the markets' function as a hedging instrument. Market participants should be registered and a maximum be introduced on the positions held by financial investors. The existing exemptions for agricultural co-operatives should be continued.

NEW FINANCIAL REGULATION AFTER THE FINANCIAL CRISIS

AREA	NEW INITIATIVES
Financial statements	4
Capital	4
Liquidity	1
Equity elements	2
Securities trading	9
Corporate governance	3
Credit rating agencies	1
Crisis management	4
Supervision	1

SUSTAINABLE AND GROWTH-ORIENTED EUROPEAN RESEARCH AND INNOVATION POLICY

Denmark and Europe face significant challenges in terms of creating growth and boosting competitiveness while at the same time focusing on sustainability, climate and health. At the end of the day, only a well-educated population, creativity and development and implementation of new knowledge in production processes will allow us to generate new growth in Europe.

In the agriculture and food sector, Danish businesses have managed to step up productivity and increase the value of products thanks to targeted public and private focus on research, innovation and dissemination of knowledge, etc. This being the case, the EU needs to pursue an ambitious common research and innovation policy that will further the development of solutions and technologies required. Denmark must have the courage to set the agenda in the forthcoming reform of European research policy. The following is needed:

- Massive strategic concentration on research in the fields of agriculture, food and biotech (Knowledge-Based BioEconomy).
- Establishment of a stronger link in EU research programmes between research and innovation, with knowledge transfer to the corporate sector as a key parameter. This can be achieved, for instance, through continued support of European technology platforms (ETPs) and requirements of plans for knowledge transfer and business plans in connection with projects.
- Underpinning of joint programming initiatives that, bearing a strong Danish fingerprint, have been formulated for climate/food production, health and aquaculture and other exploitation of ocean resources.
- Expansion of Knowledge and Innovation Communities as they are likely to be one of the key tools in European research policy.
- The means to facilitate research and innovation should be seen in the light of a common strategic framework (FP8, EIT, CIP and structural funds).



05

FUTURE-PROOF REFORM OF THE COMMON AGRICULTURAL POLICY (CAP2013)

The Common Agricultural Policy plays a key role in terms of ensuring as identical framework conditions for agricultural and food production as possible. Moreover, the policy is essential when it comes to food quality, a better environment and nature, security of supply and rural development. However, increased focus on strengthening global competitiveness and supply of public goods is needed to future-proof the Common Agricultural Policy.

- The agricultural policy must be in keeping with the EU's Europe 2020 growth strategy to facilitate the competitiveness of the food sector in the global market. Europe is competing directly with countries like Brazil, the USA and China – countries that are generally subject to more relaxed requirements in the context of the environment, animal welfare and food safety.
- The distribution of farm subsidies among the EU member states, including structural and rural development funds, must be balanced between farms experiencing difficult conditions and a high-technology, export-oriented agricultural sector such as the Danish one.
- Environmental pioneers need to be recognised in relation to the European Commission's proposal for a "green component" in Pillar 1 of the CAP so that Danish farmers are not punished for having been producing subject to stricter national regulations.
- The Rural Development Policy must pursue a two-fold objective: An improvement of competitiveness with, for instance, focus on innovation and translation of new knowledge into practical solutions.

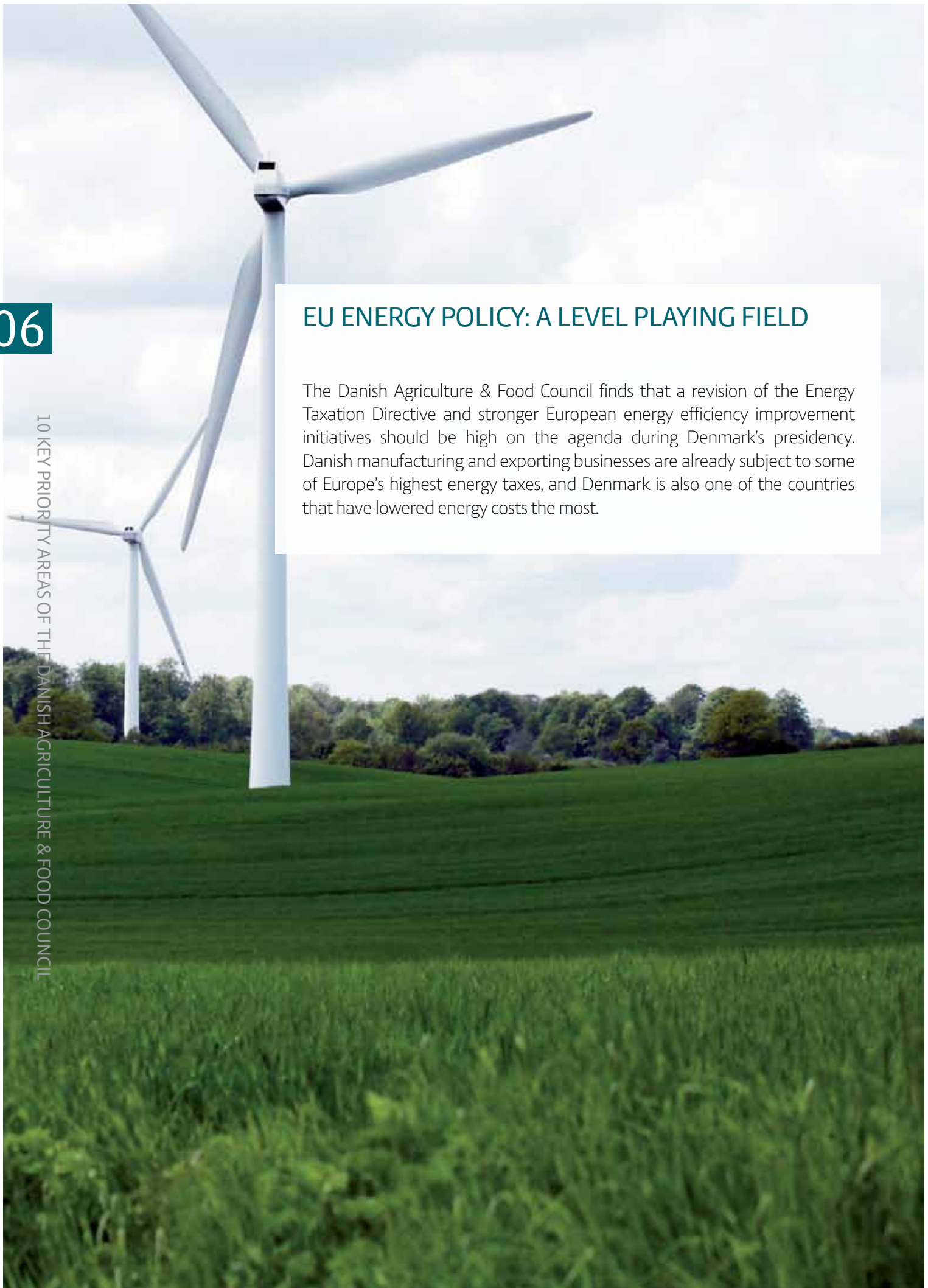


Support of sustainable agricultural production, with focus on the environment, organic farming, food quality, climate-friendly production and food safety. To achieve these objectives, Denmark needs to receive a fairer share of the EU rural development budget. Moreover, the Rural Development Policy must help ensure commercial activities in rural districts – e.g. in the form of increasing agritourism, local food projects, etc.

- The CAP must also contribute to ensuring the Green Growth target of a doubling of the area used for organic farming by 2020. The development of market-driven organic farming in Denmark depends significantly on the CAP continuing to provide an ample opportunity to stimulate both production and sales after 2013.
- A voluntary component must still exist to help ensure diverse agricultural production. For instance, such component must motivate extensive production, including grass-based production of milk and beef as well as organic production.
- The existing market instruments must be maintained and ensure an effective safety net for products already comprised by the existing market instruments. Furthermore, the introduction of new crisis and risk tools must not be at the expense of current tools.

EU ENERGY POLICY: A LEVEL PLAYING FIELD

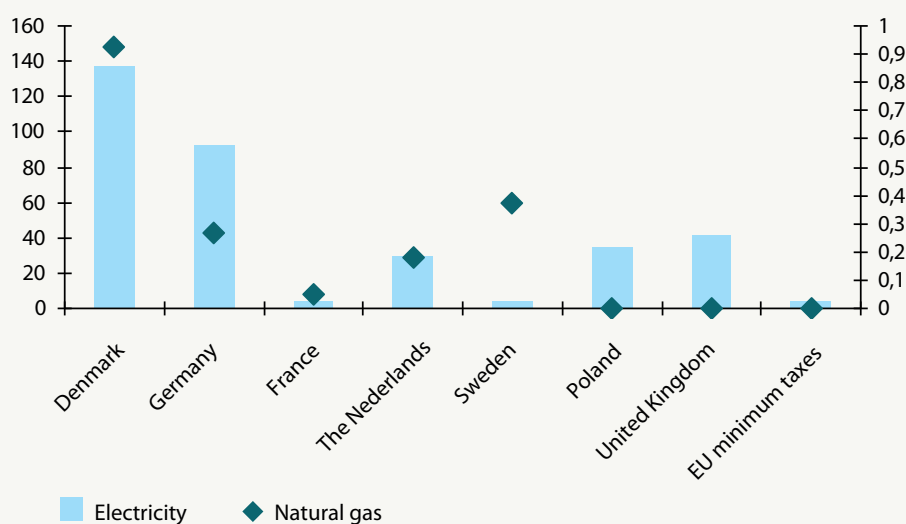
The Danish Agriculture & Food Council finds that a revision of the Energy Taxation Directive and stronger European energy efficiency improvement initiatives should be high on the agenda during Denmark's presidency. Danish manufacturing and exporting businesses are already subject to some of Europe's highest energy taxes, and Denmark is also one of the countries that have lowered energy costs the most.



To ensure real competition and a more efficient single European market, it is urgent that the other member states raise their levels of ambition, and that pan-European initiatives contribute more to establishing a level playing field.

- The formulation of binding objectives for energy savings, if applicable, must focus on making them as cost-effective as possible. So cost reductions should mainly be achieved in countries that are yet to reduce energy consumption.
- Denmark should give very high priority to the revision of the Energy Taxation Directive as harmonising energy taxes is essential to minimising distortion of competition.
- Denmark should aim at ensuring that the revised Energy Taxation Directive, like the Danish indirect tax system, continues to put sectors exposed to fierce competition (agriculture, horticulture, forestry and aquaculture) on an equal footing with mineralogical and metallurgical processes.

ENERGY TAXES IN SELECTED EU MEMBER STATES



Source: Pöyry Energy Consulting, 2010

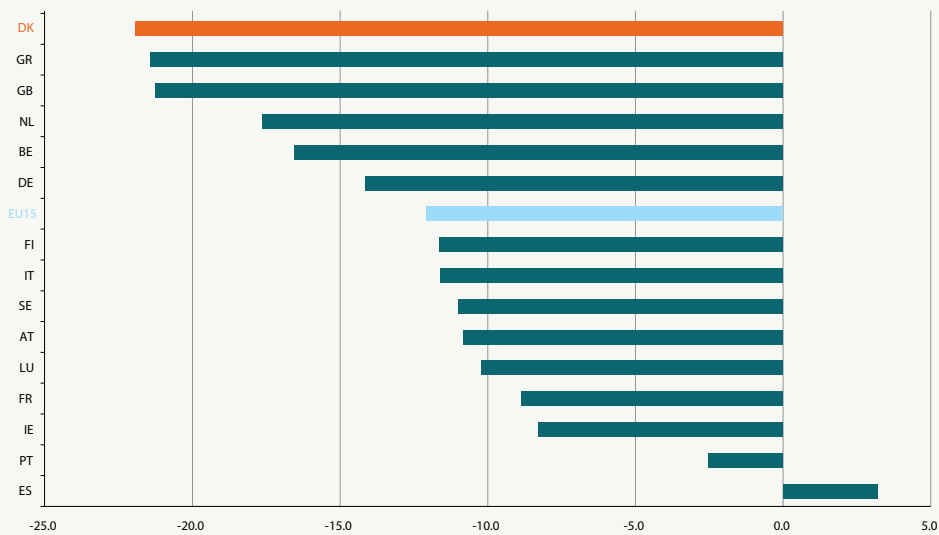
CLIMATE: FOCUS ON DOCUMENTATION AND POSITIVE INCENTIVES

The Danish Agriculture & Food Council calls for setting ambitious European climate targets to strengthen competitiveness and create a level playing field. Denmark should focus on a possible inclusion of LULUCF (Land Use, Land Use Change and Forestry) into the EU climate targets and a revision of the EU Renewable Energy Directive as both will ensure the sustainability of biofuels still further. Against this backdrop, the Danish Agriculture & Food Council aims:

- at including LULUCF in the EU reduction obligations on a well-documented basis and at considering initiatives already implemented in the area;
- for a possible revision of the Renewable Energy Directive to pave the way for an improved framework for second-generation biofuels and for the sustainable production of first-generation biofuels not to be put in an inferior position; and
- for such revision to focus on the administrative burdens related to certification of sustainability, including the advantage offered manufacturers in third-world countries under the current regime.



CHANGE IN AGRICULTURAL EMISSIONS IN PER CENT FOR EU15 (1990-2008) EU15



Source: UNFCCC, GHG Data: "Time series – Annex I", Data by sector: Agriculture,

RESOURCES, ENVIRONMENTAL TECHNOLOGY AND COMMON RULES IN FOCUS IN THE FUTURE EU ENVIRONMENTAL POLICY

The global challenge facing agriculture is to produce more food for more people while at the same time ensuring sustainable utilisation of increasingly limited resources. The future EU environmental policy should therefore pursue the aim of facilitating and exploiting the relationship between sustainability and competitiveness – with focus on efficient use of resources. This will contribute to enhanced resource efficiency and pave the way for more targeted initiatives to ensure scarce resources. It is also paramount that the environmental rules applicable in the EU are harmonised to prevent low environmental standards from becoming a competitive parameter. Common standards are also a critical condition for establishing sufficiently large markets for developing and exporting green environmental technologies.

- A 7th environmental action programme is called for. The programme must give priority to enhanced resource efficiency and development of technologies to limit emissions, including increased recirculation and less waste.
- The framework for resource recirculation, especially phosphorus and water, must be improved.
- Focus must be on uniform implementation of environmental requirements in all member states – both existing and future implementation – so everyone enjoys a level playing field.
- In the context of biodiversity, it is essential to ensure the funding of initiatives and implement current policies before new objectives are set.

FOCUS ON FUTURE MEAT CONTROL AND VETERINARY LEGISLATION

The future EU policy on food safety and veterinary matters is key to consumer confidence and Denmark's status as an exporter to the global market. Hence, it is important that Denmark takes active part in the three upcoming legislative measures in the veterinary area during the Danish presidency: A new Animal Health Strategy, a revision of the Hygiene Package and of the Control Regulation. It is paramount that the three measures are viewed together. Specifically, the Danish Agriculture & Food Council asks for the following:

- It must be possible to adjust meat control to the status of the individual countries/regions as regards food safety and animal health. This risk-based approach must be accepted internationally.
- Concerning the Food Regulation, efforts must be made to eliminate the competitive disadvantages existing in relation to the content and funding of meat control.
- The new animal health act must promote export views.
- Moreover, the act needs to ensure a vaccination policy that is accepted by third-world countries and an expedient emergency service and infection protection policy, and legislation on the sale of animals must continue to ensure traceability in terms of nationality.
- Finally, the Veterinary Fund must be maintained, and expedient funding of veterinary policy must be obtained.

TRADE FOSTERS TO GROWTH AND DEVELOPMENT

The Danish Agriculture & Food Council is of the opinion that the Danish EU presidency should make sure that strong focus is maintained on the EU trade policy strategy, which is part of the Europe 2020 strategy. This aim can be fulfilled by positively influencing the EU's current trade policy agenda with focus on WTO negotiations (Doha Round) and the bilateral and regional free trade negotiations in which the EU is already involved. In addition, Denmark should aim at leaving its fingerprint on the political negotiations for an EU-Japan free trade agreement, which are most likely to be initiated during Denmark's EU presidency.

These events can be used to focus on how important it is that the EU pursues free trade negotiations where Denmark has offensive interests, with focus on Asian countries and growth markets in general. The free trade agreement recently concluded between the EU and South Korea is the model to be pursued in future.

Last, but not least, it is key that the presidency helps focus on non-customs barriers that increasingly inhibit trade.

ONGOING BILATERAL AND REGIONAL FREE TRADE NEGOTIATIONS IN THE EU

EU – Canada	EU – India	EU – Peru/Colombia
EU - Central America ¹	EU – Malaysia	EU – Singapore
EU – Japan	EU – MERCOSUR ²	EU – Ukraine

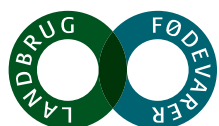
¹ Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama

² Brazil, Argentina, Paraguay, Uruguay

Furthermore, the Danish Agriculture & Food Council finds that Denmark should involve itself in the forthcoming development and trade initiative that originates in the European Commission's trade policy strategy. The spotlight should be on the importance of the agricultural sector to growth, sustainability and food supply security in third-world countries – and on the role of Denmark in terms of furthering this process.

- Conclusion of one fair, balanced WTO agreement is essential.
- Regional and bilateral free trade agreements with strategic trading partners and growth markets must be given high priority.
- Enhanced focus on non-customs barriers.
- The agricultural sector must be spotlighted in the theme of development and trade.
- Need for pan-European standardisation of requirements in relation to trade with third-world countries.

PHOTO:
Mads Armgaard
Peter Larsen
Ture Andersen
EyesOn



Danish Agriculture & Food Council

Axelborg, Axeltorv 3 T +45 3339 4000
DK - 1609 Copenhagen V F +45 3339 4141

E info@lf.dk
W www.lf.dk

Danish Agriculture & Food Council, Brussels

Rue du Luxembourg 47-51, bte 2
B - 1050 Brussels