

ANALYSIS OF COMMISSION COMMUNICATION ON THE CAP POST 2020 “THE FUTURE OF FOOD AND FARMING”

Attention: this document does not express an AREPO political position. It simply is a first technical analysis by AREPO services.

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1. A NEW CONTEXT

Par.1 p. 3-8

On November 29th 2017, the European Commission published its Communication on the Common Agricultural Policy post 2020 “[The future of food and farming](#)”. This is a first step towards the reform of the CAP, considered necessary to **adapt** the policy to new **challenges** and to meet new **objectives**.

Challenges

- Climate change and extreme weather
- Pressure on natural resources
- Price volatility
- Political and economic uncertainty
- Growing importance of global trade

Transition
towards a more
sustainable
agriculture

Objectives

- Foster a smart and resilient agricultural sector
- Bolster environmental care and climate action and to contribute to the environmental and climate objectives of the EU
- Strengthening the socio-economic fabric of rural areas
- Support farmers’ income and viability
- Reduce red tape
- Generational renewal

The Communication intends to provide **orientations** in terms of addressing these objectives and meeting the emerging challenges, with a **less prescriptive approach** and **greater subsidiarity at Member State level**, to bring the CAP closer to those who implement it on the ground. The reform will not introduce a revolution of the system; nonetheless it aims at facilitating an **evolution of the CAP**.

2. TOWARD A NEW DELIVERY MODEL AND A SIMPLER CAP

Par.2 p. 9-10

A NEW RESULT-BASED APPROACH AND GREATER SUBSIDIARITY

*“The **Union should set the basic policy parameters** (objectives of the CAP, broad types of intervention, basic requirements), while **Member States should bear greater responsibility** and be more accountable as to how they meet the objectives and achieve agreed targets”.*

- **At EU level:** The CAP will set **common objectives**, basic **policy parameters** based on the objectives and a **set of measures** to achieve them. The EU will guarantee a well-defined regulatory and budgetary framework, with requirements reduced to a strict minimum.
- **Member States** should establish a **“CAP strategic plan”**, either at national or regional level, which would cover interventions in **both pillar 1 and 2**. Thus, MS should be able to tailor CAP intervention to maximise their contribution to EU objectives, taking better into account **local conditions and needs**. Furthermore, MS should design the **compliance and control framework** applicable to beneficiaries, including control and penalties.



- **To preserve the common nature of CAP** and ensure a level playing field, each **strategic plan** should be assessed and **approved at EU level by the Commission**. This should also ensure a common approach to the **delivery of the environment and climate objective across MS**.
- **Structure:** The Commission does not intend to change the **two pillars structure** of the policy.

The result-based approach as well as the proposal to introduce greater subsidiarity could have positive effects in term of reaching CAP objectives. This could lead to a greater regionalisation of CAP instruments that would be welcomed by AREPO.

Nevertheless, it would be important to preserve the common nature of CAP. Thus, we should wait to have more details on the EU common objectives, in order to evaluate their possible impact. The respect of the objectives has to be ensured in the national CAP strategic plans before their approval. Furthermore, more details are needed also on the implementation of the “*result-based approach to CAP spending*”, in order to understand how the Commission intends to proof the results, in the first and second pillar.

Finally, in order to be effective, this approach should be embedded in appropriate cultures and institutions within the Member States and should be supported by significant capacity building and knowledge exchange at the EU and national/regional levels. A greater cooperation between Member States and farmers, stakeholder and private sector would also be fundamental to define the objectives and the indicators.

3. A SMARTER, MODERN AND SUSTAINABLE CAP

Par.3 p. 11-17

RESEARCH, INNOVATION AND FARM ADVISORY SERVICES

Par.3.1 p.12-13

“The needs and contributions of rural areas should be clearly reflected on the research agenda of the European Union and the future CAP will need to enhance even more synergies with the Research and Innovation Policy in fostering innovation”. In particular, the Commission highlight that to future-proofing the CAP it is necessary to assure:

- Access to **technological development, digitalisation** and to sound, relevant and new **knowledge**;
- Support for knowledge, innovation and technology.

Furthermore, the strengthening of farm advisory services “*should become a condition for the approval of CAP Strategic Plans*”. “*Peer-to-peer exchange, networking and cooperation amongst farmers including through Producer Organisations*” should be supported to achieve this objective.

FOSTERING A SMART AND RESILIENT AGRICULTURAL SECTOR

Par.3.2 p.14-17

A FAIR INCOME SUPPORT TO HELP FARMERS TO MAKE A LIVING

Par.3.2.1

Direct payments: The Communication states that “*direct payments remain an essential part of the CAP in line with its EU Treaty obligation*”. Nevertheless, the document recognises the need for a **more “balanced distribution of support”** since in 2015 “*20% of farmers received around 80% of the payments*”.

The Commission is committed to explore ways to ensure a fair and better targeted support of farmers' income across the EU and proposes a list of possibilities that should be further discussed and could be enlarged:

- A **compulsory capping** of direct payments **taking into account labour** to avoid negative effects on jobs;
- **Degressive payments** to reduce the support for larger farms;
- **Redistributive payment** to provide support in a targeted manner e.g. to small-medium sized farms;



- Ensure support to **genuine farmers**, focussing on those who are actively farming in order to earn a living.

In addition, the Commission recognises the principle of “Equality between its Members, big or small, East or West, North or South” and the need to reduce differences between MS in CAP support.

Finally, while the draft rejected the idea to have a degree of national co-financing for direct payments, the Communication states that, among other options, “a degree of co-financing of the CAP” remains on the table.

AREPO asks for a CAP that prioritises, both through the rural development and the first pillar, the environmental and socio-economic services that producers provide to society. In addition to allocating money for the number of hectares, direct payments and others payments must take into account also other objective criteria such as the generation of added value, the ability to create jobs as well as production quality and intensity. Thus, AREPO welcomes the proposal of a more balanced distribution of support and the focus on small-medium sized farms.

INVESTING TO IMPROVE FARMERS’ MARKET REWARD

Par.3.2.2

The EC highlights the need to improve the position of farmers in the market and proposes the following actions:

- **Investments** into farm restructuring, modernisation, innovation, diversification and uptake of new technologies and digital-based opportunities;
- **Focus support on emerging sustainable rural value chains** in areas such as bio-based industries, bio-energy and circular economy, as well as ecotourism (diversification and additional income);
- **Innovative financial instruments:** the investment gap in agriculture needs to be addressed bringing together EU and private funding with a multiplier effect.

The Communication also recognises the important role of **agricultural producer organisations** that “*can be a useful tool to enable farmers [and in particular small farmers] to strengthen their bargaining position in the value chain and to cooperate to reduce costs and to improve their competitiveness to improve market reward*”.

AREPO welcomes in particular the recognition of the importance of producer organisations. Collective organisation is particularly important for geographical indications due to the recognised role of producers groups in ensuring adequate legal protection. These prerogatives should be supported by public policies with adequate tolls.

RISK MANAGEMENT

Par.3.2.3

The Communication insists on the need to introduce an **adequate framework for risk management**, which combines EU-level support with Member States' national tools and private sector instruments. The main actions suggested would be:

- To set-up **sector-specific income stabilisation tool** with lower loss threshold to trigger compensation;
- To create a **permanent EU-level platform on risk management** to exchange experiences and best practices among all actors involved, from farmers and public authorities to research institutes;
- To explore **new tools or types of support**, such as “*financial instruments stimulating the inflow of private capital*” or “*other complementary measures to the current risk management toolkit*” like “*support for re-insurance of mutual funds or incentives for precautionary savings*”.

Market management is completely out of the communication.



BOLSTERING ENVIRONMENTAL CARE AND CLIMATE ACTION

Par.3.3 p.18-19

*“Any new CAP should reflect **higher ambition and focus more on results** as regards **resource efficiency, environmental care and climate action**. [...] This requires an agricultural policy with strong commitment to deliver **public goods and ecosystems services**”. “The current **greening architecture** [...] will be **replaced and all operations integrated into a more targeted, more ambitious yet flexible approach**”.*

In order to implement this approach, the **common objectives** will be defined at **EU level**, while each **Member State** will have the flexibility to choose “a mixture of mandatory and voluntary measures in Pillar I and Pillar II” to address climate and environmental needs at local level, as defined in its **strategic plan**.

- The **conditionality** will be applied through a set of **mandatory** conditions that will be further defined by each MS, in order to better address local specific situations;
- The **voluntary** measures will give the possibility to introduce more ambitious agro-environment-climate schemes.

AREPO agrees on the need to restructure the greening and welcomes the simplification proposed by the Commission, since the introduction of greater flexibility and responsibilities for Members States could help addressing local specific situation and introducing more sustainable and efficient agricultural practices to meet the environmental and climate objectives.

AREPO welcomes as well the acknowledgement of the need to deliver against key long term objectives for the environment and climate (including SDGs and Paris commitments). Furthermore, we recognise the importance of the focus on sustainability and delivery of public goods. Nevertheless, in order to assess the overall impact of this approach, we should wait to have more details on the set of objectives and targets for environmental and climate achievements, as well as on the indicators needed to measure the progress.

STRENGTHENING THE SOCIO-ECONOMIC FABRIC OF RURAL AREAS

Par.3.4 p.20-22

GROWTH AND JOBS IN RURAL AREAS

Par.3.4.1

The Communication recognises the important role of CAP and Rural Development policy “to promote jobs and growth as well as to preserve the environmental quality of rural areas”. Nevertheless, it highlights that the CAP is one of several EU policies that contribute to rural development and must improve its **complementarity with other EU policies**, in particular with Cohesion Policy.

The support of new business models related to the development of **sustainable bioeconomy** and circular economy should be a priority for the CAP strategic plans. Furthermore, the Communication introduces the following initiatives:

- **“Smart Villages”**: a new approach that should help communities to address issues of inadequate infrastructures and employment opportunities and will be developed “through capacity building, investments, innovation support, networking as well as through the provision of innovative financing tools for improving skills, services and infrastructure”.
- The **LEADER** approach has been recognised as effective and will be maintained;
- A **“Rural proofing” mechanism** will be introduced to systematically reviews all relevant policies considering possible impacts on rural communities.

Unfortunately, rural development is marginal in the Communication and it is clearly not the focus of the proposal, in spite of the commitment of the Commission in the implementation of Cork 2.0 Declaration.



AREPO welcomes the call for a greater complementarity with other EU policies, in particular with Cohesion Policy. Nevertheless, we warn that the CAP contribution to the rural development should not decrease. Furthermore, AREPO appreciates the introduction of “Smart Villages” approach as well as the “rural proofing” mechanism.

ATTRACTING NEW FARMERS

Par.3.4.2

The Communication identifies generational renewal and support for young farmers as a priority for the next CAP and insists that it should be addressed first of all by **improving the consistency between EU and national actions**. The Communication focus on the following actions at EU level:

- **Erasmus exchange** programme for young farmers;
- **EU wide system of support to the first installation** with a simplified top-up payment for new entrants.

ADDRESSING CITIZENS' CONCERNS

Par.3.5 p.23-24

QUALITY POLICY

The Communication recognises that the CAP should address **societal expectations regarding food** safety, food quality, as well as environmental and animal welfare standards.

AREPO appreciates the recognition of organic farming and Geographical Indications as productions that carry broader benefits for society. The Communication states that the CAP should address societal expectations “*by modernising organic rules [and] continuing to make GIs more attractive to farmers and consumers and easier to manage*”. Even if AREPO supports this objective, the simplification should address only administrative elements regarding recognition process, without changing the characteristics of EU GIs system.

AREPO welcomes the recognition that “*the CAP should continue to support production with specific and valuable characteristics through Rural Development as well as to promote and improve its international recognition*”. A more proactive CAP supporting GIs is not only justified by their multiple and specific ties with public goods, but also needed to strengthen this linkage between GIs and public goods.

The entire GI constitution and valorisation process needs to be supported to maximize potential benefits. In this perspective, GI products are part of the broader rural development policy and can be seen as one important tool for achieving its objectives. For this purpose we suggest to adopt specific measures on GIs as well as to introduce a horizontal priority for GIs and quality products in rural development policy. Finally, we would like to highlight that these actions should address all quality schemes, including GIs, Organic farming and the optional quality term for mountain products.

NEXT STEPS

In 2018 the Commission will present to the European Parliament and Council a first report on the implementation of the current common monitoring and evaluation framework of the CAP, including first results and performance.

Following the Commission proposal for the next Multiannual Financial Framework (MFF) in May 2018, **legislative proposals on the future of CAP are expected before summer 2018**.