A NEW CAP FOR HIGH QUALITY FOOD

AREPO position paper on the future of CAP post 2020

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The Association of European Regions for Products of Origin **(AREPO)** is a network of regional governments and producer associations that deals with products of origin and EU quality schemes. It represents 27 European regions and over 400 associations of producers for over 40% of European GIs.

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INTRODUCTION

CONTEXT: GROWING SOCIETAL DEMAND FOR A CAP DELIVERING PUBLIC GOODS

The debate on the future of common agricultural policy (CAP) post 2020 has unleashed **strong societal demands for a renewed policy capable to deliver environmental and socio-economic public goods**, including the preservation of Europe's natural and cultural heritage. In line with these demands, Cork Declaration "A Better life in Rural Areas" states that "*Union support for investment in rural areas should focus on generating added value for society*" and "*should deliver towards the common EU objectives notably in relation to jobs and green and inclusive growth*". At the same time, the EU must maximise CAP contribution to the Sustainable Development Goals (SDG) as well as to the commitments assumed under the Paris Climate Agreement.

GIs CAN CONTRIBUTE TO EU SOCIO-ECONOMIC AND ENVIRONMENTAL PRIORITIES

The EU recognises that quality schemes can benefit the rural economy, particularly less favoured areas like mountain areas and most remote regions. In particular, Geographical Indications (GIs) not only are a **cultural public good** *per se* but also contribute to deliver **important socio-economic and environmental public goods** in line with European Union (EU) priorities.

The scope of the position paper is the whole set of GIs products valorisation initiatives and tools, including EU quality schemes (PDO/PGI/STG and mountain products) and national quality schemes.

SUSTAINABLE RURAL DEVELOPMENT, GROWTH AND EMPLOYMENT: The valorisation of origin and quality products through GIs or other quality schemes generates an **added value that is redistributed along the value chain**. The extra-price for producers allows them to further develop their farms and firms and enhances the collective action on GI promotion and control. Thus, both individual and collective investments activate a "virtuous" circle able to effectively reproduce local specific resources connected to product quality attributes. This qualification process fixes and links the added value to the territory, keeping local production systems alive. Furthermore, it contributes to the **valorisation of rural identity** as well as cultural and gastronomic heritage, with a positive impact on country exports and appeal for tourism. In this way, quality schemes safeguard employment and SMEs. Ensuring attractiveness of rural areas as places to live and work, they could prevent depopulation and could contribute to territorial and social cohesion as well as to sustainable rural development.

SUSTAINABLE AGRICULTURE: GIs' powerful local governance presents a great potential in terms of protection of **rural landscape and sustainable management and reproduction of natural resources**. They embrace and preserve **cultural and socioeconomic diversity** as well as **biodiversity**, respecting the need to create bottom-up solutions, adapted to the local specific context. In fact, preserving traditional farming systems, GIs can play a positive role in environmental conservation. They could act as a barrier to the increasing intensification and territorialise environmentally friendly production rules. Moreover, governance and market success can contribute to the viability of rural livelihoods that are directly linked to sustainable use of specific biological resources.

RISK MANAGEMENT AND RESILIENCE: GIs are characterized by structured supply chains that ensure a cooperative and collaborative approach to design the production system through product specifications. Therefore, GIs present a better resilience to climate, environmental, sanitary or market risks.

DIVERSIFICATION OF RURAL ECONOMY: Local resources protected by the quality scheme **can be used in other production processes, mainly services production** (like tourism) or **bio-based production**, both on-farm and in other sectors in the territory. This can generate important opportunities to other rural sectors and activities: e.g. tourism, agritourism, bio-based circular economy etc. This **multifunctionality and diversification** is fundamental for the sustainable development as well as the resilience of rural and marginal areas.

TRANSITION TOWARD A SUSTAINABLE BIOECONOMY AND CIRCULAR ECONOMY: GIs are characterized by geographical concentration, continuity of local food production and by a strong collective governance of the food chain. This governance should be improved and exploited to develop at the same time different productions (scope economies), as well as, to recycle waste and by-products of the production process (*circularity principle*), e.g. recycling whey after cheese production or using olive oil mill vegetable water (wastewater) and pomace as fertilisers or bioenergy.

FOOD SECURITY, FOOD SAFETY, AND TRACEABILITY: GIs can contribute to **food security**, both by delivering safe local and nutritious food, and by supporting the welfare of farmers, generating a higher income that allows producers to buy complementary food. Thanks to the mechanisms included in the specifications to assure product **traceability,** they also represent an important contribution to **food safety.** Moreover, certification further protects consumers with additional guarantees on product's origin and production.

To conclude protected GIs are able to contribute to and complement rural development policy as well as market and income support policies of the CAP. Nevertheless, their **enormous potential is still underutilized in the EU and a renewed attention from policy makers is needed to unlock it. Quality policy is a major pillar of the European sustainable food system. Thus, CAP should support the functioning of this virtuous economic model capable of delivering public goods.**

1. MODERNISATION: A NEW CAP FOR HIGH QUALITY FOOD

AREPO is calling for a new CAP approach, capable to provide high quality food and to contribute to EU priorities in term of sustainable rural development. 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. It is therefore essential that they are not neglected by EU policies.

For this reason, 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.

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. There is no single "appropriate policy" for all GIs products, so different support tools are required. That is why these two complementary approaches need to be implemented simultaneously to mutually reinforce one another.

Furthermore, AREPO assumes that a new CAP has to re-affirm and respect principles of shared management for the European Structural Funds and the principle of subsidiarity. CAP objectives may only be reached through the regionalisation of the largest part of CAP instruments.

FIRST PILLAR

DIRECT PAYMENTS

- **Coupled support:** Quality schemes are completely absent from the first pillar of the current CAP and should be included among the beneficiaries of coupled support, regardless of their belonging to the sectors mentioned in Art. 52 of Reg. 1307/13. Such possibility would be in line with the objective to support specific types of farming/agricultural sectors that are particularly important for economic, social or environmental reasons and undergo certain difficulties. Furthermore, it would allow including products that respect quality specifications but are not listed in Regulation, i.e. poultry and pork meat.
- **Conditionality:** Conditionality should include the respect of social, sanitary and environmental standards. Furthermore, the greening should be restructured in order to include more efficient agricultural practices with the objective to reduce CO_2 emissions, with adequate financial support for farmers.

SINGLE CMO

- Producer groups as defined in Regulation 1151/12 on quality schemes should have the possibility to implement specific programmes to support coordinated activities along the supply chain.

SECOND PILLAR

HORIZONTAL PRIORITY ON QUALITY SCHEMES

We recommend the introduction of a strong horizontal priority for quality schemes within the rural development measures. In particular, quality schemes should be taken into account in the following measures:

- **Advisory services, farm management and farm relief services** should explicitly include among the priorities the advice for the development of quality schemes for agricultural products (PDO/PGI).
- The measure for the **setting -up of producer groups and organisations** should explicitly refer to GI producer groups, since the important role of collective organisation for the governance of these products has been recognised also in regulation 1151/12 on quality schemes for agricultural products and foodstuffs.
- **Inclusion of quality schemes among the sectorial priorities of cooperation measure:** Several quality products (PDO, PGI and TSG) mainly concern small producers and their commercial potential is limited to the local market. The diffusion and promotion of such products in local markets should be among the priorities of cooperation measure.
- **Inclusion of a sub-thematic program for quality schemes for agricultural products**: a horizontal programme using different measures to support quality schemes for agricultural products and foodstuffs would be of paramount importance to address simultaneously specific local needs (see for instance current sub-thematic program for young farmers, small supply chains and mountain areas in Art. 7, Reg. (EU) No 1305/2013).

  For thematic sub-programme on quality schemes for agricultural products and foodstuffs, the following operations/tools should be considered as relevant:

  - Advisory services, farm management and farm relief services
  - Business start-up aid for the development of small farms
  - Co-operation
  - Investments in physical assets
  - Knowledge transfer and information actions
  - LEADER
  - Organic farming
  - Payments to areas facing natural and other specific constraints (biodiversity)
  - Quality schemes for agricultural products and foodstuffs
  - Risk management
  - Setting up of producer groups

SPECIFIC MEASURES AND SUPPORT TOOLS FOR QUALITY SCHEMES

Regulation 1151/12 on quality schemes for agricultural products and foodstuffs highlights the importance of collective organisation and recognises the role of producer groups in ensuring adequate legal protection of PDO/PGI as well as, in general, any activity aimed at improving the value of the registered names and effectiveness of the quality schemes (art. 45).

These prerogatives should be supported by public policies with adequate tools. In particular, new rural development measures should include the **possibilities to financially support**:

- **Technical and socioeconomic assistance** projects for GI products characterisation;
- **Preliminary studies** for producers consortia concerning new applications for participation in quality schemes;
- **Credit programmes** for structural investments in processing;
- Activities related to the **surveillance of the enforcement of the protection** of the registered names, especially for small and new PDO/PGI;
- Finally, climate change represents a great risk for origin and quality products, especially in disadvantaged areas with environmental constraints. For this reason, a specific aid should be included to support these origin and quality products in **climate change adaptation and risk management**.

2. SIMPLIFICATION OF EXISTING MEASURES FOR QUALITY SCHEMES

In the current rural development Regulation 1305/13, direct support for quality schemes for agricultural products is limited to article 16 which include support for certification (measure 3.1) and for information and promotion (3.2).

AREPO realised a survey to analyse the implementation of the measure on quality schemes in the Rural Development Programmes (RDP) of its member Regions. **The results highlight that the level of existing aid is minimal, particularly for measure 3.1 on certification, and usually results in disproportionate administrative costs that overcome benefits for producers.**

Thus, it is essential to maintain support for certification costs and promotion but with the following **improvements and simplification**:

MEASURE 3.1 ON SUPPORT FOR CERTIFICATION COSTS

- **Elimination of criterion of *new participation* to a quality scheme:** due to the inclusion of this criterion the registration of a producer to a quality system has to be done after the application for aid. As a consequence, very few farmers can benefit from these measures and a lot of producers who entered in a quality system before the entry into force of new RDP have been excluded.
- **Reduce administrative burdens for small amount of aid: under a ceiling of 5.000€** per enterprise per year, the **administrative checks** on beneficiaries should be done only on a **sample basis**, in order to reduce the administrative burden and costs both for managing authorities and for beneficiaries.

MEASURE 3.2 ON PROMOTION

- **No coupling between measure 3.1 on certification and measure 3.2 on promotion**: due to the linkage between measure 3.1 and 3.2, only the quality schemes receiving support in accordance with measure 3.1 are considered potential beneficiaries for 3.2. As a consequence, optional quality term for mountain products is excluded from measure 3.2, since it is not covered by a certification and cannot receive support under measure 3.1. For this reason, it is important to separate the two measures.
- **Inclusion of the operating expenses of producer groups** *(consortia)* among the eligible costs.

3. COHERENCE WITH OTHER EU POLICIES

As recognized in Cork 2.0 Declaration, rural and agricultural policies must interact with the wider context of national and regional strategies and work in **complementarity and coherence with other policies**.

- In particular, for an efficient intervention on supply chains that normally includes farms but also non-agricultural agri-food companies, it would be necessary to integrate rural development and regional development tools to enhance the sectorial intervention and effectively include all supply chain actors.
- Furthermore, we need a more coherent set of policy and financial instrument for rural development, with a strong territorial emphasis.
- AREPO supports the demand for the implementation of a ***rural test*** in EU policies, proposed in the Cork 2.0 Declaration, as well as the call for a **rural agenda**, which should take into consideration employment, the environment, climate change, agriculture, and innovation aspects.
- Finally, it is highly crucial to reconsider the place of agriculture and food within the **EU trade policy**, given the critical importance of this sector for Regions and territories. In particular, EU quality schemes should be adequately taken into account in all trade negotiations conducted by the EU and protected in all trade agreements with third countries.