



The future of CAP after 2013

Position of Euromontana

Contribution to the public debate

3rd June 2010

Euromontana, the European association for mountain areas, is a multisectoral association for co-operation and development of mountain territories. It embraces regional and national mountain organisations throughout greater Europe, including regional development agencies, local authorities, agriculture organisations, environmental agencies, forestry organisations and research institutes.

Euromontana's mission is to promote living mountains, integrated and sustainable development and quality of life in mountain areas.

In order to achieve this, Euromontana facilitates the exchange of information and experience among these areas by organising seminars and major conferences, by conducting and collaborating in studies, by developing, managing and participating in European projects and by working with the European institutions on mountain issues.

Our values for the European agriculture of tomorrow

The new Common agriculture policy will have to **foster production** and take into account the **demands from society and the emerging new challenges**, especially those related to environment and climate change.

An ambitious policy for promoting multifunctional agriculture

Euromontana believes in a policy for after 2013 that will be **ambitious in its objectives and in the means** that are allocated to meet its goals. In order to achieve this, the debate on the future of the CAP has to define primarily what kind of agriculture we want.

For Euromontana, the **model to develop is a model** that considers the European agrarian and agrofood sectors as **strategic sectors for European territories and food** as opposed to an economic sector among others: the European Union must bet on these sectors.

To this end, Euromontana considers that a **multifunctional agriculture** is the model that **corresponds the most to the reality of production conditions on the European territory and to society's demands** such as for food security (in quantity and quality), respect and preservation of the environment, animal welfare, landscape maintenance and keeping rural areas alive.

Multifunctional agriculture is also the model that meets **the most Lisbon and Göteborg targets**, that aim at **making compatible production of added value and sustainability of resources, within a dynamic of territorial cohesion**. To respond to Lisbon and Göteborg objectives and to the recent EU2020 strategy, Euromontana considers that European agricultural policy must above all **take into account all strategic aspects** of a agrarian activity in Europe, namely food security, economic, social and environmental sustainability and territorial cohesion.

The production model that the future CAP will have to promote must be linked to the **management of territories and fragile areas**, foster **diversity** (or products and production systems) and **positive externalities**, and also aim at a **greater sustainability** (economic, social, ecological) of agricultural activities.

An equitable policy among farmers, production sectors and territories of the European Union

Euromontana is fully engaged in the current debate on promotion of territorial cohesion. In line with our work, conducted with our members from nearly seventeen different European countries, we consider that the Common Agricultural Policy should set up a **fair and equal support scheme for all farmers within the European Union**. This scheme must allow a fairer distribution of available funds **between farmers** (with a more balance distribution among them), between **production sectors**, and between **territories of the European Union** (successive reforms have maintained unchanged funding flows between the EU and the member states throughout the years), **encouraging the permanence of agrarian activity in all regions and production areas of the European Union**.

What objectives for the future CAP ?

Secure economic, social and environmental sustainability of the agrarian activity on the whole territory

Sustainability of natural, landscape and rural resources linked to agrarian activity is non-existent if economic sustainability of the agrarian activity is lacking, thus implying that this should be the main CAP target.

We believe that in order to do so, **agricultural activity has to imply production activity**. The current support scheme and its decoupling system permits the receipt of support even if production ceases, providing the farmer keeps land in good environmental and agricultural condition. We think that, contrarily to the Lisbon and Goteborg criteria, such a system increases the risk of **abandonment of agricultural land management** and therefore **abandonment of benefits and non-economic values linked to that management** (including quantitative and qualitative food security), which society wishes to maintain. Opposing that conception, we consider that farmers should live at least partially from selling their production and that, as a consequence, **the agricultural policy must seek to maintain productive agrarian activity on the whole territory**, and therefore dedicate support only to farmers that would be free to choose what they produce but that would be active.

Besides, economic activity cannot be secured on the whole territory if **conditions for a stable market are not met**. The common agricultural policy must keep as an objective the **regulation of markets for agro-food products, to enable market stabilising action in the event of surplus or deficit adjustment situations without causing a price crisis**, for the good of consumers as well as producers. If not, farms that are the least capable of facing these volatilities, often located in less competitive areas, and having the least production alternatives, will be the first to disappear, when in fact they produce necessary and quality food together with public goods that are essential to society. Risk management and organisation of supply chains are also key challenges in that respect. Farmers wish themselves to be actors of market management.

Some productions, like grassland systems, particularly in mountain areas, are in a difficult economic situation because these production systems commonly **do not have an economic profitability level that can make them competitive on the wider market**. These productions are however very **important for food** of course, and especially considering their higher quality, and they contribute to landscape management, preventing forest fires (sheep), management of land that would otherwise be deserted, and moreover to maintaining economic activity useful for other activities. We consider that for these reasons, the Common Agricultural Policy will have to **ensure sufficient means to support vulnerable productions that are important for maintaining a local balance**, taking into account the necessity to support linked industries. We think in that context in particular about the dairy production channel, for which funding will be vital.

Some areas are really difficult to access, isolated, handicapped by geographical, historical, demographic, soil or climatologic characteristics... In most of these areas, agricultural production, and livestock production very often, is the main alternative to the abandonment of all economic activity. That is where **agriculture produces the biggest amount of positive externalities**. To avoid a predictable end of the production in these areas where alternatives are very few, the Common Agricultural Policy must **encourage production in least favoured areas such as mountains, isolated or sparsely populated areas**, by compensating handicaps and valuing the multifunctional character of farms.

Respond to European citizens demands

European citizens finance the common agricultural policy. As such they are entitled to require a socially recognisable policy, that would guarantee an agriculture that meets their demands as customers, inhabitants of the territory and economic actors.

We are convinced that to achieve this, the common agricultural policy must **re-invest in the strategic aspects regarding food**, taking into account on the one hand recent increases in prices, that led to food shortages in some countries, on the other hand the numerous studies establishing a link between food and health, that encourage efforts to try to improve the quality of our food products. The European Union must therefore **invest in its food sector and seek to ensure for every European citizen affordable access to food in sufficient quantity and quality**.

Moreover, citizens are more and more aware of how important it is for them to **protect their environment**. We consider that agriculture, when concentrated to respond to objectives restricted to competitiveness, can harm the environment, especially by intensifying the use of chemical inputs. By contrast, agricultural and agro-food activity well distributed on the territory and equipped with adequate infrastructures can contribute actively and efficiently to managing and preserving the environment. However, environmental issues should not be limited to pollution problems: the common agricultural policy of tomorrow will have to foster an **agriculture that would play an active role in the management of the environment**: practices favourable to biodiversity, rational use of resources, limitation of negative impacts on water, air and soils, renewable energies...

This is even more important if we consider the fact that European citizens live everywhere on the territory (around 20% of the European population live in mountain areas) and expect European policies to give their land a future. **The agricultural policy must contribute, together with other policies, to maintain the socio-economic structure in rural areas**, and to do this, it must adopt as an objective the **maintenance of population and agricultural activity on every part of the territory that is inhabited by European citizens**. That way, **cultural landscapes and heritage can also be maintained** and supply a valuable basis for activities like tourism, or social agriculture (Italy, Slovenia...), that bring added value and should be developed and a qualitative space of life for dwellers and recreational activities.

Face the new challenges

Euromontana is convinced that **agriculture contributes and will keep on contributing to adaptation to climate change, production of alternative energies, risk management, water and biodiversity management**.

The first objective of the CAP in facing these new challenges, will be to **anticipate the effects of climate change, by promoting a sustainable agricultural development**, and above all to bring the necessary commitment in **investments** that will be necessary to adapt to climate change, integrating these investments in the medium term projects of agricultural farms (15 years time scale for agricultural equipment).

It will then, in relation with other European policies, have to **promote research, development and innovation**, by giving the relevant programmes significant funding.

It will moreover have to **encourage initiatives from the farmers themselves** for **energy-efficient production systems** and some initiatives from the Member States (forest, fire prevention...).

The CAP will finally have to **foster biodiversity** in general and in particular **the diversity of production systems and of genetic resources that allow, through agriculture, an efficient valorization of all territories and particularly the most difficult**. We are thinking here about the high biodiversity level in grasslands and about **animal breeds** in Europe which represents a very rich capital, the survival of which depends mostly on the ability of breeders that use these breeds to continue their activity.

What support scheme for farmers to achieve our objectives ?

Euromontana thinks that the scheme to be conceived must be a **fair and balanced scheme, linked to territorial management, valuing multifunctional aspects of agriculture** in Europe and **fostering sustainability of agricultural activity** in a way that would reinforce **territorial cohesion**.

The support scheme must be elaborated on the basis of **studies that evaluate the sectoral and territorial impact of the common agricultural policy** and be able to evolve in the light of the trends measured by these studies. Euromontana considers in that respect that the data available at different scales does not provide an adequate framework for a good assessment of mountain agriculture situation. A questionnaire sent to all Euromontana members has proved that there is a real lack of data regarding mountains specifically, which inhibits a proper study of the situation. Assessment can therefore be based only on case studies. A territorial impact assessment of policies is however essential when we have to consider orientations such as total decoupling that has been implemented in some member states with worrying effects on mountain farming. We note however that some data can be available at the FADN level, allowing some studies like the one carried out on the mountain dairy sector by the Livestock institute¹. This is most welcome and such studies should be encouraged even if they can address only countries which have defined mountain LFAs. The recent "Peak Performance" working document of DG AGRI also analyses this data. Unfortunately, European or national averages hide contrasted local, sectoral or "massif" situations that we will have to be able to assess in the future.

Regarding the support scheme as such, we also consider that the **principle of permanence of amounts paid on historical references should be questioned** as it leads to an illegitimate distribution of payments between farmers, sectors and states. This distribution is besides based on food objectives only, and is advantaging some key productions, dismissing objectives of balanced territorial development. Besides, generalizing the regionalization of payments (as implemented in some member states) would not either solve the problem. A number of regions in Europe are indeed very specialized, with very productive regions with high level of payments and other less favoured regions with inferior amounts of support. Regionalisation would homogenize payments within a region but inter-regions inequities would remain and our equity objective would not be fulfilled.

We are in favor of a support scheme elaborated taking into account current stakes on **fair and justifiable** basis, with measures split into several groups :

- **A baseline payment for all farmers**, aiming at maintaining a sustainable productive agriculture on the whole territory, for economic and food security purposes ;
- **A complementary direct payment**, varying depending on production systems, rewarding those which practices respond to **environmental, social or territorial** challenges at European scale (grazing payments, fragile productions which are needed to maintain important land spaces like sheep farming),

¹ "Le lait dans les montagnes européennes : un symbole menacé » (Milk in european mountain areas : a threatened symbol)- French Livestock Institute with support of CNIEL, May 2009

- A **specific support for less favoured areas**, aiming at maintaining farms in difficult areas (and especially in mountains) where **on-costs of equipment and labour** area limit competitiveness,
- **Optional contractual payments**, offered in the framework of a local orientation policy. These contracts would be conceived, according to the subsidiarity principle, at an adequate territorial scale matching the challenges of the area (the watershed for water issues, a homogenous ecological environment for environmental services, the periphery of an agglomeration for development of short supply chains...) and would remunerate specifically services elaborated on the basis of a priori diagnosis.

Support to maintain a productive agriculture on the whole territory, sustain vulnerable productions and areas and reward services rendered to society

A baseline payment to secure the capacity of European agriculture to respond to food security issues

We can acknowledge that most farms have to face today production charges (equipment, work, inputs) disproportionate in comparison to the insufficient and increasingly volatile prices they are able to get from the sale of their products. Eliminating all support to agriculture would probably lead to continue restructuring efforts, up to a point where we sustainability is endangered. Such a policy would probably lead to concentrate agriculture (and its releases) in the areas where land is more productive and to intensify the use of inputs and mechanization. This would have consequences both on environment and on rural employment (direct and indirect). We can suppose that such a costly intensification would not compensate for the loss of production on surfaces left unproductive, surfaces that will however be precious for answering the European food demand tomorrow.

In order to respond to food and economic objectives as presented above, we are in favour of a **baseline payment for all farmers**.

We recommend that the amount of this payment be calculated on the basis of **surfaces, work units**, average economic efficiency of farms and the level of life of different countries. As this aid would aim at supporting income, it should be **degressive** and limited by a **ceiling**. Each farmer would receive this aid provided he is active and respects basic cross-compliance requirements, including **multiple-jobs holders** (who are very important in mountain areas). Historical references would be abandoned using where necessary a convergence or transition mechanism.

Targeted payments to encourage production systems that deliver more services to society

This second level of payment is meant to target the environmental, social and territorial objectives that need to be included or strengthened in the new CAP. It would allow to remunerate services rendered by some production systems in order to:

- Maintain, when these productions are the only alternative to land abandonment, but are insufficiently profitable;
- To encourage these productions where market signals and prices only would lead producers to make production choices less beneficiary for society.

These payments would be hectare payment or head payments in case of livestock, depending on what is the most relevant to achieve the objectives. They would be calculated and attributed based on simple criteria (stocking density, grasslands maintenance...). These measures could be used to support production systems that use grasslands, moorland or areas under risk of abandonment, or fragile productions like sheep breeding.

A specific support for less favoured areas

Two farms that use similar production systems and render the same services to society, situated for one in an accessible low land and the other in a remote mountain area will not have the same level of productivity. Their production is however – at least partially- channeled to the same markets and granted a given price. A study based on FADN data has shown that **mountain farms face on-costs linked to the higher costs of buildings, equipment and to the lower work productivity**². The study carried out by the French Livestock Institute with the support of CNIEL showed that production costs in the dairy sector are 12% higher on average in mountain areas and that income was lower by 10,000€/AWU³. It also demonstrated that LFA payments in mountain areas (1/4th of payments received by farmers in mountain areas), compensate only for 34% of these on-costs.

However, **it is in mountain areas that farms play the most strategic role as producers of public goods, for biodiversity management, prevention of natural disasters, maintenance of landscapes and of a minimum level of population**. As such they are essential to the local economy and especially to tourism. They also play an important economic and productive role. In the dairy sector only, 15% of European farms are located in mountain areas (but this proportion can rise up to 75% in some countries) and they produce 11.5% of European volumes. Their progressive decline linked to structural incapacity to face competition with less constrained farms selling on the same market would be highly prejudicial to quality of food and to territorial balance.

Payments for less favoured areas should therefore be maintained and reinforced, in mountains primarily and in Piedmont areas which play an important functional role in the lowland/mountain relationship.

Their calculation should be inspired from the existing system that seems satisfactory. However, we should be careful not to favour individual optimisation processes where pastoral resources require strong collective dynamics. Multiple-jobs holders must be able to access these payments in all member states.

Contracts supporting initiatives that are relevant for territorial development

In complement of direct payment - which should be conceived and administered in the simplest possible way – Euromontana members propose to dedicate a part of the funding to active local policies that address well identified territorial challenges. Rural territories across Europe do not all face the same challenges. They do not all benefit from the same opportunities. Solutions to implement to help them express their potential can vary. Sensitivity to environmental issues are also very different. We would therefore propose - within a European framework that would give a lot of importance to subsidiarity while preventing the major risks- to define, at the **relevant territorial level**, in cooperation with stakeholders who are well aware of the issues, measures that can help to address **territorial challenges**. If challenges are linked to water management, the relevant territory can be part of the watershed, and a watershed committee a relevant actor. If issues are linked to a specific mountain range, measure could be discussed with institutions in charge of that mountain range when it exists. If the challenge is to develop the supply of local food to an agglomeration based on short supply chains, the territory can be the peripheral functional area of this agglomeration etc...

The implementation framework of each of these measures could be defined case by case, and **enriched from the exchange of experience carried out within the European network for rural development**. It should favour a wide participation of concerned actors. The elaboration of the contract should rely on the confrontation of a diagnosis of the contractor's situation in relation with the targeted objectives at the territorial level. Measures should be

² “Le lait dans les montagnes européennes : un symbole menacé » (Milk in European mountain areas : a threatened symbol)- French Livestock Institute with support of CNIEL, May 2009

³ AWU : annual work unit

simple enough and their administration light enough to really attract producers and reach good absorption levels, though keeping relevant contracts that respond to objectives.

Key measures for mountain areas

Among measures that are important for mountain farmers, Euromontana members have highlighted the following, all of them likely to reinforce farms competitiveness and autonomy of farmers towards payments:

- **Setting-up of new farms:** mountain farms are often less competitive (due to production on-costs), remote, and with difficult living conditions. Some areas are faced with ageing and important depopulation risks. A very active policy of support to setting-up of new farms must be implemented to secure the renewal of generations in mountain areas. New generations, once installed, will then be able to make the best of the opportunities these territories have to offer, provided they can rely on good equipment and working conditions.
- **Producers organisations and structuring of mountain quality food supply chains:** in some areas like Northern Alps or Jura, where PDO supply chains have been well developed, farmers have succeeded in segmenting their market and obtain a better added value for their products, matching production costs, and valorising the territorial image. This strategy mitigates or at least delays the effects of the current milk crisis. Other segmentation and marketing strategies not using official quality signs have also proved to be successful in a number of cases. But **these mountain products supply chains are not sufficiently developed in many European massifs**. Now, the project EuroMARC⁴ has shown that there is an interest for mountain products at consumer level, latent or more evident depending on countries. The potential for a differentiated market for these products has to be exploited as this could help more farmers from these areas. To go in that direction, it is indispensable to deliver, **in parallel to a European framework for protection and promotion of mountain products**, support to organisation and structuring and coordination of quality food supply chains. These should in particular include:
 - o **Development of business and marketing skills** of producers and supply-chain actors, especially via access to specialised training and extension services targeting small-scale productions and supply-chains and diversified farms;
 - o **Support to better horizontal and vertical coordination of supply-chain actors;**
 - o **Support to promotion of the products;**
 - o Maintenance of **collecting and processing milk facilities** and of **slaughtering infrastructures** that permit in fine to retain added value in mountain areas;
- **Livestock buildings:** support to investment in buildings for animals in mountain areas has been reduced or are not sufficiently financed. This is however very critical for the economic profitability of the farm and for farmers living conditions, as well as for environment and building costs are higher in mountain areas. We would like to stress in that respect the importance of effluents storage facilities, which capacity in mountain areas have to be higher than the norms, because of the length of the winter season. Livestock buildings can also include high environmental quality features or energy production, interesting for mitigation and adaptation to climate change. When construction companies are contracted locally, this kind of support also benefits to other rural economic actors.
- **Agri-environmental measures:** these measures are essential as they are a tool to pay directly for provision of public goods. To maximize the accessibility of these

⁴ www.mountainproducts-europe.org

measures, it is however essential to ensure their implementation remains simple and adapted to the practical, economic and environmental reality of the farm.

- **Support to coordination structures for the use of pastoral resources:** initiatives which contribute to rationalising use of available grazing land in mountain areas undeniably improve efficiency of pastoral systems to the benefit of producers and of society. The difficult management of scattered land parcels is indeed a real obstacle to their use and tends to lead to their abandonment.
- **Support to preservation and development of the genetic performance of local breeds and of ancient varieties:** the genetic diversity of breeds and varieties in Europe is a precious heritage that can be developed to benefit from breeds adapted to various territories, especially to mountains, and that produce typical products which specificity can be valorised on the markets.

Instruments for market regulation

The CAP has developed towards stronger incentives to reply to market signals. We share the idea that producers must adapt as much as possible to markets demands and not make their decisions based on public policies. However, in some areas, like mountains, the choice of potential productions is often limited by soil and climatic conditions, or by remoteness. Livestock farming is often the only alternative, especially bovine or ovine at higher altitudes. Confronted to a volatile market, where prices of feedstuffs (even for grassland productions) can vary depending on speculation, mountain farms cannot easily resist. As they can't change production orientation, the alternative is to stop the activity.

Regulating markets and protecting farmers against economical risks is therefore as crucial for mountain farmers as for a vast proportion of European farmers. Minimum price regulation tools are also necessary to guarantee access of consumers to food and avoid crises such as the one that occurred in 2007 – caused by conjoint speculation and absence of stocks. The dairy sector situation today (to which mountain farms contribute significantly, with milk as well as with processed products) is particularly preoccupying and demands solutions.

The different possible instruments – **managed by public authorities, by farmers themselves or in common** - need to be studied to decide what are the most adequate solutions to include in the common agricultural policy. **Strengthening economic organisation of supply chains** is also a critical point in that area.

A fair competition on world markets

Europe has chosen to go for high level quality and environment requirements, to the benefit of its population. This orientation impacts production costs as producers must invest to be able to comply with the standards. Products imported from third countries where such environmental or social standards are not applied can easily compete with European production in an unfair way. It is European institutions' duty to:

- Foster recognition at global level of the necessity of a **coherent management of international trade**: in the context of climate change and of increasing concern for sustainable development, the free circulation of goods cannot go without a globalisation of social, hygiene and environmental requirements;
- To impose rules on imports that take into account the sanitary properties of products displayed on European markets and **the environmental and social impacts of production and transport systems**.

FAO's report on the impact of Livestock on environment clearly shows for example the global impact of livestock production systems which lead to deforestation and overgrazing, when on the contrary, European grassland production systems are favourable to the environment.

Facing new challenges requires research and innovation

In parallel to payments to farmers and other rural actors, we consider that, to achieve a better performance regarding new challenges, it is vital to **encourage innovation and research-development**. We don't think that this encouragement can be financed only through rural development measures. Research, development and innovation will have to be sufficiently funded through CAP funds or other funds. Subjects that could contribute to an adequate response to new challenges are: alternative energies and bio-fuels of second and third generation, improvement of genetic performances of local breeds and traditional varieties (better adapted and less demanding in inputs), impacts of the different practices of soil management and pasture management on carbon storage and quantity and quality of running waters, reduction and use of animals methane emissions, improvement of hydro-efficiency of orchard and vineyards systems... Research should also be conducted on issues related to market development, creation of added value, segmentation of markets... Creating knowledge is a prerequisite to a more competitive and sustainable and innovative agriculture in mountains and in Europe in general.

How to organise funding different components of our support scheme ?

The current CAP, with a budget of less than 0,5% of the sum of GNI of member states supplies Europe with a **high quality agriculture and with values and services that benefit to the society and the European economy at large**. In that perspective, the CAP is a European success. To remain successful the EU will have to allocate **at least a stable amount of funding for the post 2013 CAP**.

Regarding the funding structure, Euromontana members consider in majority that the distribution of different kind of payments in different pillars is not at the core of the debate. The priority is to know what payments are available, to address what objectives, and with what attribution criteria and funding possibilities. The previous chapter communicates our proposals in that respect.

Besides, co-funding obligations lead to strong inequities among member states and regions within member states, depending on available resources and political priorities; Applied to measures that impact the most rural development, this funding mode reduces the efficiency of policy and should be revised, without reducing the total funding of these measures.

Finally, we consider that in the future, the **balance in the funding of the different types of measures will have to be coherent with the priorities**. Indeed, the current situation is not satisfactory for us: the first pillar is well funded with no production obligation as a counterpart. The second pillar, on the contrary, has multiple and very ambitious objectives but has never been given the necessary means. Although the CAP health check has brought some progress in that respect with an increase by 9% of funding for rural development. In addition, this pillar is subject to co-financing with the inequities explained above.

For Euromontana, **the second pillar has largely demonstrated its efficiency**, with regards to the implementation of active policies that allow the achievement of sustainability of agriculture on the whole territory and production of concrete results. **Support to less favoured areas does not compensate for all on-costs but is seen by mountain actors as the most efficient instrument for the development of their regions**.

Euromontana therefore thinks that funding of measures that will contribute tomorrow to territorial and rural development objectives should be increased : it is therefore necessary to find additional means.

Degressivity and capping of payments offers perspectives in that respect. Another possibility to explore seems to be the use of ERDF and ESF funds. The **funding mode of axis 3 and 4 of the second pillar** is often questioned and has to be addressed within a **territorial approach**. It should be possible to achieve more efficient level of funding using **an integrated approach of mountain areas in the framework of a largely reinforced cooperation**. The contractual territorial payments we propose could contribute to this.