

## ARC2020's reaction to the EU Commission's legislative proposals for the future CAP



ARC2020 calls for a **paradigm shift in agriculture** and a **rural renaissance**. This vision is comprehensively outlined in our “**Communication from Civil Society to the European Union Institutions**” published in November 2010. The Communication was the result of an extensive and inclusive consultation of all our members at that time, and remains the definitive position paper.

This most recent paper draws on the ARC Communication to provide a direct response to the legislative proposals for the CAP issued by the EU Commission in October 2011. The paper does not speak on behalf of the ARC members, it simply provides a stand-point that organisations and citizens can use for their own work and campaigns.

While the legislative proposals offer some improvements to the status quo, ARC sees a need for a more **radical overhaul of the current policy** to ensure a truly sustainable future for citizens in Europe and worldwide. This is outlined below, in three parts:

- A. Direct Payments and Cross Compliance (Pillar 1 - EAGF)**
- B. Food Security, Fair Trade and Aid, Food Supply Management,**
- C. Rural Development (Pillar 2 - EAFRD), including Food Quality and Public Health**

### **A. Direct Payments and Cross Compliance (Pillar 1 - EAGF)**

*ARC welcomes the political will to better target public money to obtain ecological and social public goods from the farming sector.*

#### **Active farmers**

ARC calls for:

- ⤴ **Targeting of funds, investing in and rewarding activities that contribute to public goods, not merely ownership or entitlement. Speculators should be excluded.**
- ⤴ **Targeting payments solely at providers of public goods whose main activity is agriculture, actively keeping the land in good ecological condition.**
- ⤴ **A new definition which means only those farmers and land managers who are actively working their land, including semi-subsistence, High Nature Value (HNV) farmers and new entrants, are eligible for payments.**

ARC rejects:

- ⤴ **Payments per hectare based on historic references.**

#### **Capping and degressivity**

ARC supports the number of agricultural jobs on the holding and on environmental performance, but calls for:

- ⤴ **Additional funds for smaller farmers. The ceiling should be lowered, meaning that degressivity should start at a lower amount, and that payments should be made according to size, offset by employment and environmental public goods provided, or obligations respected.**
- ⤴ **A new CAP that pays public money for public goods that the market cannot pay for: A smarter and more inclusive CAP should support employment rather than size *per se*.**

#### **Small farmers scheme**

ARC calls for:

- ⤴ **A more inclusive policy for small farmers, embracing a far wider range of beneficiaries and offering support under a range of measures within both pillars of the CAP.**
- ⤴ **A definition of small farms that does not only refer to area farmed but also to income level, employment and labour intensity per farm.**
- ⤴ **Member States to stop ignoring small farmers. All farmland should be eligible for support, via simplified flat-rate payments for small farmers.**

#### **“Greening” payments**

For ARC, greening measures should be compulsory, simple agronomic measures, which can be applied by all farm types according to their production systems. **Greening should progressively move the whole of EU farming towards full sustainability, via the adoption of agro-ecological farming methods.** The greening should make agriculture resilient to risks such as climate change-induced drought, flooding or disease outbreaks, by paying public funds to climate-proof agro-ecosystems which increase carbon in the soil (thus increasing nutrient and water retention and drainage), or increase diversity and ecosystem service provision.

#### a. Crop rotation not diversification:

'Crop diversification' as proposed would allow monocultures of up to 70% of arable area. Real crop rotation on arable holdings has already been successfully applied and controlled as an obligatory measure under cross compliance in 12 Member States, and should become obligatory wherever it is appropriate through this reform.

##### ARC calls for:

- ✦ **An end to pest-generating and resource-depleting monocultures:** no coupled payments on cereals and oil-seeds.
- ✦ **Real 'crop rotation' - including leguminous crops - to improve resilience to climate change and reduce dependence on chemical fertilisers and pesticides, leading to agronomic and economic gains at farm level in the medium term. Reduced imports of rainforest-destroying soya would create a better trade balance.**
- ✦ **At least four different crops on all arable farms by 2018 including a variety of regionally-appropriate leguminous plants, with the largest not occupying more than 50% of farm arable area.**

#### b. Permanent pasture:

Historical pastures which have never been ploughed, or that were ploughed a long time ago, should be completely protected - the longer pasture is unploughed, the greater the benefit for carbon storage and biodiversity. The proposed definition of 'permanent grassland' includes temporary-sown grassland or grass leys, which is considered 'permanent' as long as grass crops are re-sown after ploughing. However farmers should be allowed to use sown ley flexibly, rotating with other crops, as this is better for production. In addition, the proposed new definition of permanent grassland as 'predominantly herbaceous' excludes large areas used for extensive and High Nature Value (HNV) farming, which may become ineligible for payments.

##### ARC calls for:

- ✦ **Permanent pasture to be permanent. Temporary ploughed and re-sown grasslands and arable leys must be excluded from the definition.**
- ✦ **The word 'herbaceous' to be removed from the permanent pasture definition: Farming activity, not vegetation types, should determine eligibility. There should be no exclusion of shrub and tree pastures.**
- ✦ **The new definition should be '*land used to grow grasses or other forage (self-seeded or sown) that has not been ploughed or reseeded for at least 7 years*'**
- ✦ **The 2014 reference date must change to 2010 to stop opportunistic ploughing-up of old pasture before implementation.**
- ✦ **Removing the proposal to allow a 5% decline in real unploughed permanent pasture at farm level.**
- ✦ **A top-up payment for HNV permanent pasture Pillar 1, incentivising high biodiversity, unploughed pasture.**

#### c. Ecological focus areas:

7% of arable land per farm will increase functional biodiversity and thus ecosystem service/public goods provision and improve habitat connectivity, as well as resilience to climatic and natural risks. Hedgerows and other existing eligible landscape features (area already paid currently in most Member States) would be added to buffer strips to create agro-ecological infrastructures for sustainable agricultural systems e.g. as habitat reservoirs for pollinators and predators of pests, catch-cover for excess runoff to protect waterways and promote groundwater recharge, soil formation/erosion protection, or regulating water and nutrient balance in the farmed landscape. This is therefore not "taking land out of production" or a "new set-aside", but rather an improvement to long-term efficiency of the whole system. ARC welcomes this measure, and suggests it be renamed "Agro-Ecological Infrastructure" (AEI) to more clearly express its purpose.

##### ARC calls for:

- ✦ **The Commission's proposal to be maintained to increase agro-ecosystem efficiency and supply of public goods.**
- ✦ **HNV pasture or meadows, grazed or mown sustainably, to be considered as AEI. Similarly catch crops or buffers could be harvested at suitable times and used within sustainable systems.**
- ✦ **Agro-ecological measures (in the rural development pillar) where pesticides are not used, thus increasing the environmental value of the agro-ecosystem, to also be included as AEI.**

##### ARC rejects:

- ✦ **The idea of 'trading' AEI areas between regions, which would be used to avoid the climate change adaptation needed in more intensive arable regions.**

#### Cross-compliance

##### ARC calls for:

- ✦ **Meaningful cross compliance with compulsory greening to be a baseline of sustainability in a "Do no harm" CAP; optional greening represents a lowering of environmental quality in intensively exploited areas.**
- ✦ **Cross compliance based on the 'polluter pays' principle to be enforced and simplified by clear standards, backed up with comprehensive advice for farmers.**

- ✦ **The *Water Framework and Sustainable Use of Pesticides Directives* to apply according to the deadlines set in those directives, not according to those proposed in the draft regulation.**
- ✦ **Crop rotation should be brought back as a compulsory standard of Good Agricultural and Environmental Condition (GAEC).**

## B. Food Security, Fair Trade and Aid, Food Supply Management

*EU policies should work coherently to meet Europe's international obligations on the use of global natural resources, healthy and sustainable livelihoods, a holistic approach towards long-term food security, global land use, climate and food justice, etc.*

### Food security, trade and aid

The EU should not subsidise food exports by any means. It should use international aid to assist small-scale farmers in developing countries to sustain and boost their food production, in order to improve their livelihood and to combat hunger and malnutrition. In the EU, the focus should be on reducing waste, rather than on increasing production: **The EU should not "feed the world"**. A growing world population will lead to an increase in global demand, however rising food demand will have to be tackled with means other than increased food production in the EU such as poverty reduction, empowerment and training of small and female farmers, access to land, reduction of food waste, etc.

Within the CAP or other EU instruments, ARC calls for:

- ✦ **A European policy that does not undermine aid and development policies: "Do No Harm" should become a guiding principle for the CAP, in line with Policy Coherence for Development.**
- ✦ **Global responsibility to be added to the objectives of the CAP, including a special chapter on international responsibility, using the same approach as the Commission proposals for Common Fisheries Policy reform.**
- ✦ **An evaluation system for the external impacts of the CAP.** This would include mechanisms to monitor the negative impact of the CAP on developing countries, with regular reporting on the external impacts, appointment of PCD focal points in EU delegations, and a post reform mid-term review of the system's effectiveness and policy solutions identified. This system should have **fair hearings and procedures to receive complaints** from interested parties, using existing procedures (such as the EU Ombudsman, the European Parliament's PCD Rapporteur or the European Parliament's Petition Committee). This should be open to developing countries and their civil society organisations, such as producer associations.
- ✦ **A total cessation of export refunds on food and the dumping of subsidised food exports, directly or indirectly, (including milk in any form), so that products are not exported below the cost of production:** If an exported product has benefited from support, the value of the support should be added to its export value.
- ✦ **An end to land grabbing – investing in farmers not in farmland.** The CAP has a large influence on agriculture in developing countries; to end our **dependency on soya and maize imports for animal feed, the CAP must invest in a shift to sustainable, mainly grass-fed systems, with regionally appropriate leguminous crops grown on the same farm or locally/regionally.**
- ✦ **A CAP budget that does not include the *European Globalisation Fund*, which pre-supposes that millions of farmers will go out of business because of trade deals where agriculture lost out.**
- ✦ **CAP rural development programmes to be opened up to co-operation with farmers in developing countries, to work jointly towards preserving or developing sustainable farming systems, improving their livelihoods and combating hunger and malnutrition;** i.e. including developing countries in innovation partnerships or agronomic exchanges supported by the CAP, focusing on shared desertification challenges in southern Europe and in Africa (sustainable arid land management, use of organic, low input methods, integrated on-farm energy production, innovative water-saving irrigation, etc).

### Market regulation and supply management

#### a. Creation of a market monitoring system<sup>1</sup>

ARC calls for:

- ✦ Continuous monitoring of margins along the food supply chain in domestic and external/international markets, and of changes in demand, prices and production costs, and of the impact of CAP on food security in developing countries.
- ✦ Using these average production costs, a market monitoring system could determine a target price corridor for certain products, involving farmers and consumers in this process.
- ✦ Flexible adjustment of supply to demand to avoid surpluses or under-supply of the market, achieving market stability and thus preventing speculation, price crises and export dumping of surpluses. This would benefit producers, processors and consumers, in the EU and in developing countries.
- ✦ A monitoring agency should be established, gathering data on markets and production costs in order to propose universally binding price corridors, for example in the dairy sector.

<sup>1</sup> via the *Horizontal Regulation for financing, managing and monitoring the CAP*

#### b. Support for creation of producer or consumer groups, to increase their bargaining power

##### ARC calls for:

- ✦ Well-considered adaptation of competition rules in order for the proposed aid to producer groups and inter-group organisations<sup>2</sup> to be effective in strengthening farmers' bargaining position in the food chain. This should be financed under Pillar 1 via the single CMO regulation.
- ✦ **Farmers to be enabled to work collectively and to be granted the right and capacity to manage supply at EU level**, e.g. they should be able to lower the volume to be produced when demand decreases and prices fall below the fixed price corridor. The upper limits for contractual volumes in the recently negotiated '*Milk Package*' are 33% of the national milk volume and 3.5% of the European milk volume: some big dairies already account for many times that, and producers must be allowed to pool forces to at least the same extent.
- ✦ Producer organisations to be empowered to co-ordinate increases in, and limits on, volumes according to demand.
- ✦ Good supply management systems regarding the abolition of sugar quotas and liberalisation of vineyard planting rights that avoid over-production and focus on quality.

#### c. Change in the price intervention system

##### ARC calls for:

- ✦ **The present system to be scrapped**, as it aims to keep prices low for raw materials and food industry exports, and provides no sufficient safety net for sustainable producers as the intervention prices are far below the production costs.
- ✦ **A new fair-priced producer-financed intervention system to be introduced to complement the supply management process described in (b) above, and to stock products during the short periods that are needed to adapt supply to changes in demand.**

### C. Rural Development (Pillar 2 - EAFRD)

ARC calls for recognition that Rural Development (RD) is much wider than farming, and that a true multi-sectoral approach to RD can enable rural regions to play a strong role in the economically and socially sustainable development which the EU greatly needs.

#### Rural Development funding

**ARC finds that the legislative proposals do not tackle the current serious under-funding of rural development. More specifically:**

- Rural development measures still only receive 25% of the CAP budget;
- From 2014, voluntary modulation of direct aid from Pillar 1 to Pillar 2 would be up to 10% for the Member States<sup>3</sup>: continuation of voluntary modulation would have asymmetrical financial impacts among regional and national RD programmes;
- The provision for reverse modulation, by 12 Member States, of up to 5% from Pillar 2 to Pillar 1 would have a negative impact on rural development funding in places where it is seriously needed.

##### ARC calls for:

- ✦ **Compulsory, rather than voluntary, modulation from Pillar 1 to Pillar 2** so as not to disadvantage rural regions in Member States where RD spending is less
- ✦ **A better balanced financial provision, with much more of the total CAP budget devoted to RD in all Member States.**

#### EAFRD priorities

Of the six priorities, five are focused wholly or largely upon agriculture, land management or environment: only the 6<sup>th</sup> relates to the wider rural economy and communities<sup>4</sup>. This runs the risk that Member States will define RD measures mainly by reference to the needs of the farming sector. There are not enough measures to ensure a rural renaissance and balanced, sustainable rural economies.

ARC does not object to the setting of priorities. But, with the sole exception of a minimum 5% of budget to be devoted to LEADER, the draft Regulation does not insist upon any minimal commitment to wider RD, as is now secured by the minimum spending on existing axes. Member States might tend to focus on just one priority, and the proposed regime for co-funding would encourage Member States to focus spending mainly on the agricultural sub-programmes or the innovation priority, rather than on Priority 6

<sup>2</sup> Currently in the proposed EAFRD rural development regulation, but to be dealt with in the Single CMO Regulation

<sup>3</sup> Currently at 9%, plus 4% extra for payments higher than €300,000 per farm holding

<sup>4</sup> Article 5 of the proposed EAFRD regulation: *Union priorities for rural development: ... (6) promoting social inclusion, poverty reduction and economic development in rural areas*

dedicated to 'Integrated Rural Development'.

**ARC calls for:**

- ⤴ **The Regulation to require an integrated approach to rural development by the Member States, with a focus upon diversified rural economies, innovation and social infrastructure as well the measures needed to promote more sustainable farming and food systems. It should provide clear rules for the negotiation and approval of rural development priorities and programmes between the Commission and Member States.**
- ⤴ **The collective approach to be greatly strengthened.** We cannot reshape our rural economies solely with individual measures targeting individual farmers: A co-operative approach provides a much more coherent alternative to competitive struggle. **We seek assurances that when evaluating RD programmes, the Commission will prioritise it and encourage a maximum of collective action.**
- ⤴ **The Commission to define to Member States which priorities must be included in assessing the programming, to respond to the sustainability goals.**
- ⤴ **Longer term targets and/or programming periods to ensure better sustainability results.**
- ⤴ **More funds to be devoted to Priority 6, with a requirement that in their RD Programmes Member States pursue an integrated approach with a focus on diversified rural economies, innovation and social infrastructure.** This would include measures needed to promote more sustainable farming and food systems including agro-ecological practices and organic farming systems.
- ⤴ **Performance-related co-funding rates for EAFRD measures, rewarding effective and sustainable solutions.**
- ⤴ **Clear output indicators per measure.**
- ⤴ **Better targeting of public money to stop fraud** (e.g. non-existent walnut plantations, fictitious early retirement) or payments for doing nothing, **and environmentally and socially damaging factory farming of pigs or chickens.**
- ⤴ **Instead of the flawed risk insurance measures, the EAFRD should finance new measures under Priority 6.**

**ARC opposes:**

- ⤴ **The 'Reverse Modulation' aspect of 'flexibility between the pillars' - shifting 5% of funds from Pillar II to Pillar I.**

**Agri-Environmental Measures (AEM)**

**ARC calls for:**

- ⤴ **More funding for well-designed and targeted AEMs**, increasing environmental quality above the baseline of sustainability (cross compliance plus greening).
- ⤴ The method for calculating the AEM payments to **move away from compensation for 'income foregone' towards payment for environmental services** (e.g. cleaning up water resources, restoring habitats, etc) and reward the saving of currently externalised costs.
- ⤴ Farmers to be informed which AEMs are available in their regions. **Financial provisions for information measures should be planned in advance** to encourage contractual engagements in AEM for 5 - 7 years.
- ⤴ **The rate of EU co-financing to be raised when the AEMs concerned have particular relevance at EU level in meeting environmental challenges:** This extra rate of EU co-funding should be based on ex-ante environmental performance of AEMs.
- ⤴ **The Commission should provide more detail on how they will track the CAP funds committed to environment, climate and organic farming: this ring-fencing should be increased from 25% of CAP funds<sup>5</sup>.**

**Knowledge transfer, innovation, capacity building and research**

ARC welcomes the emphasis along the lines of the *IAASTD* and the 3<sup>rd</sup> *SCAR Foresight Report*, which both call for a paradigm shift in the EU agricultural research agenda.

**ARC calls for:**

- ⤴ **A fuller description of the fields in which research, innovation, knowledge transfer and related activities will be pursued, with a strong focus on sustainability such as agro-ecological and resource-saving innovation and on all aspects of rural development.**
- ⤴ Organic farming and HNV systems to be clearly prioritised under rural development with higher co-financing rates and consideration under other measures such as investments and advisory services in order to incentivise the development of agro-ecological practices and knowledge.
- ⤴ **Research and capacity-building in the fields of environmental management, energy conservation, generation of renewable energy, economic enterprise in the 2<sup>nd</sup> and 3<sup>rd</sup> sectors, rural housing, infrastructure and services.**
- ⤴ **Clearer indications regarding the role of sustainable farming practices, including agro-ecological practices and organic farming systems, biological control methods and rural development priorities in the *European Innovation Partnerships (EIP)*.**
- ⤴ **Participation of associations and NGOs in the *Farm Advisory System* and the *EIP*, and an emphasis on public funds, public accountability and balanced advice and interests, rather than helping agro-chemical companies increase their market share of unsustainable products.**

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<sup>5</sup> Recital 28 of the proposed EAFRD regulation

### Food quality, health, short food chains

ARC welcomes the measures proposed to support local food systems, which offer great potential to add value locally to farm products, diversify the rural economy, reduce food miles and ensure access to healthy foods for all groups of society.

#### ARC calls for:

- ⤴ **Details on food waste, focusing on effective supply networks that minimise waste and emphasise short food chains.**
- ⤴ More flexible rules on public procurement of food for public institutions, schools, hospitals, etc, to allow for localised supply networks of healthy, fresh food, including procurement of organic food. Following a territorial approach, specific support measures that build new infrastructure for short supply chains including public institutions should be introduced e.g. along the lines of the USA-style farmers' market and farm-to-schools programmes.
- ⤴ Without prejudice to food safety, the CAP should incentivise Member States to apply flexibility in hygiene rules (which can already be implemented within the EU legal framework, but are not widely taken up); allowing for more direct sales of local products, creating short food chains and allowing entrepreneurship and addition of value by farmers.

### Risk management measures

#### ARC strongly disagrees with:

- ⤴ The insurance scheme as described in the legislative proposals.
- ⤴ The current and proposed crop insurance programmes supported by the CAP. Both programmes discourage crop diversity and rotation, and encourage farmers to take on unwieldy amounts of risk, with insurance contracts focused on specific crops. Such insurance may help farmers to cope with disasters, but they do nothing to help them minimise risk in the field and develop more agro-ecologically and economically robust farming systems.

#### ARC calls for:

- ⤴ Support for farmers to make their practices more resilient to climate change and price volatility, e.g. by adopting diversified mixed farming systems or crop rotation rather than monocultures.
- ⤴ **Articles 37 - 40 to be cut out of the EAFRD proposals.**
- ⤴ **An alternative policy, whereby only farmers who put all appropriate preventative agro-ecological and agronomic measures in place to make their farming system resilient to climate change can participate in crop insurance programmes. The best insurance against environmental/climatic risk is biodiverse, healthy and resilient agro-ecosystems.**

### Subsistence and semi-subsistence farming

Measures in the current EAFRD have proven inadequate to address the needs of subsistence and semi-subsistence farming communities e.g. provide support for their long-established farming practices, for the diversification of local economies and to strengthen their social infrastructure.

#### ARC welcomes:

- ⤴ The proposal in the draft Regulation for simplified flat-rate payments to small farmers and funding for advice to small farmers on economic development.
- ⤴ An effective package of measures needed to combat ageing populations and young people who are moving away, and the resultant irreversible social decline, land abandonment, loss of biodiversity and food production.

#### ARC calls for:

- ⤴ **A more focused thinking on measures to assist the long-term viability of communities and ecosystems which now depend upon subsistence and semi-subsistence farming.**

### Community-led local development

#### ARC welcomes:

- ⤴ The intention to continue the LEADER element in the EAFRD, with a requirement of minimum spending of 5% of RDP budgets.
- ⤴ The proposal to extend the LEADER approach into Regional, Cohesion, Social and Fisheries Funds.
- ⤴ The proposal to enable LEADER groups or other sub-regional partnerships to draw from more than one EU Fund.
- ⤴ The implied intention to widen the scope and funding of local partnerships and local development strategies.

ARC is troubled by the very limited references to multi-funded local development in the Regulations for the Regional, Cohesion and Social Funds. There is a serious risk of discontinuity in local development efforts, between the present period of Local Action Groups (LAGS) and Fisheries LAGs, and the potential future regime of multi-funded local development agencies, operating across the urban-rural boundary.

#### ARC calls for:

- ⤴ **The European Parliament and Member States to endorse the principles of strategic links between Funds and of multi-funded local development.**
- ⤴ **The Commission to clarify how the transition from the present Single-Fund regimes for local development to the future multi-funded regimes can be smoothly managed.**