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OPINION OF THE CPMR POLITICAL BUREAU

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THE REVIEW OF EU AGRICULTURAL, FOOD AND RURAL POLICY

This CPMR Opinion is a contribution to the debate on the future of the CAP after 2013. It is based on the contribution our organisation made in October 2008 following publication of the Health Check by the European Commission. It draws on the debates between the regions and European institutions held in Nantes on 23 October 2008 and the Declaration then adopted, entitled "Health Check: mindful of the global challenges, Europe's regions suggest a territorial-based treatment". Lastly, it has been further developed using input from the meeting of the CPMR's CAP and Rural Development Working Group held on 10 December 2009.

Just as the new European Parliament is starting to debate the issue, and before the European Commission publishes formal guidelines on the review of the CAP, the CPMR would like to underline a series of principles and propose some directions for change in line with its member regions' priorities: it will be necessary to have European policies that are better adapted to territories' needs and delivered in wider partnership with regional tiers of government.

1 - Overview of the principles advocated by the CPMR

Agriculture is not like other economic activities because its purpose is to feed humankind and maintain the land across the world.

The CAP must thus be a **strong agricultural and food policy which provides a stable support framework for the EU agri-food sector and enables it to meet new challenges**. European regions are keen to safeguard EU food independence. The CAP should firstly focus on meeting the needs of the European internal market in the long term and therefore support the agriculture and agri-food sectors. However, **the regions** cannot be indifferent to the need to ensure food security at global level, so they **also expect the CAP to help "feed the world"**.

The CAP is undoubtedly a **territorial policy**. This clearly applies to its current Second Pillar, as well as the redistributive effect of direct payments between states and regions.

An optimal degree of subsidiarity should be applied to the CAP. The regions should be given the tools and means they need in order to play, on behalf of their populations, their rightful role in sustainable agri-food and rural development. However, there is still a need to have, at European level, instruments to ensure the single nature of the market.

Rural development must be an EU priority after 2013 and perceived as one way of meeting Europe's economic and environmental challenges. The regions should be given responsibility for implementing this policy in the framework of policies and instruments that comply with the principles of balanced **partnership** between the EU/states and regions and **multiannual programming**.

The complexity and variability of the markets for agricultural products requires **public regulation**. **EU instruments** for managing markets must thus be retained, in flexible and evolving forms.

The European Union has to meet the challenge of **food quality and security**. Quality policies naturally come into play at different levels – European, national and regional – but the regulatory framework is always determined by the European Union.

The economic crisis has strengthened the strategic nature of agriculture beyond its basic economic value as a key factor in food security and demographic stability. Requirements for European producers in the field of quality, food security and environmental standards should also apply to products imported from third countries.

The CAP must provide **fair and regular payment for farmers and ensure their income stability**.

The CAP must promote competitiveness in the agricultural and agri-food sector and thus encourage **research and innovation** in these fields.

The CAP must help to **protect ecosystems** and maintain landscapes and soil and water resources in the long term, and contribute to efforts to tackle climate change.

2 – Some key options for the review of the CAP

Bearing in mind the principles outlined above, the forthcoming review must take the following points into account.

2.1 – The future and the allocation of direct payments

Anticipating territorial impact

Is the **current system of direct payments still justifiable**, while the level of subsidy is still largely dependent on historical reference periods? However, these payments currently guarantee a basic income for a very large number of European farms. In order to adapt direct payments to new objectives and guarantee them a long-term future, should there not be a gradual transition towards a more standardised system, which nevertheless has justified and sufficient differentiation of grants in accordance with standard areas established on the basis of different productive systems, climate and soil conditions, territorial circumstances, productive conditions etc?. The regions are thus proposing that there should be a wide debate on the development of these subsidies, which would be informed by clear, available data on the territorial consequences of the various possible scenarios:

- the consequences for agricultural and rural employment;
- the impact on fragile territories (islands, mountain areas, sparsely-populated areas, ecologically-sensitive areas);
- differentiation and modulation of subsidies depending on the role of the agricultural activity (whether it is the main activity or part-time) and the extent to which environmental objectives are taken into account.

The CPMR thus invites the European Commission to draw up some territorial scenarios as rapidly as possible and to make the simulations and results public. This information will be useful for all of the EU institutions concerned, and it will enable the regions to play a useful role in constructive and transparent debates over the following two years.

The regions must be responsible for adapting the level and direct payments and determining the conditions for allocating them

Within limits that ensure that the terms of competition are not distorted, the future Regulation on direct support schemes must clearly enable regional authorities to intervene and modulate the level of direct subsidies within their regional territory, so as to:

- support the development of agri-food processing infrastructure;
- to encourage the development of particular types of production, for example related the local area, geography, tradition, etc.;
- develop sectoral policies, for example in the organic farming industry;
- to encourage more environmentally-friendly behaviour in certain parts of the territory;
- to check that farmers in the region have a sufficient level of income.

Tailoring direct support schemes to the production of public goods

As recent report by the European Parliament on the future of the CAP after 2013 and the reform of market regulation mechanisms (*L'avenir de la PAC après 2013, la réforme des mécanismes de régulation des marchés*) suggests, "it will lastly and above all be important to have a stronger link between the level of direct support allocated to farms and the intensity of the public services (non-tradable goods) that they provide: environmental services (reduction of greenhouse gases, protection of biodiversity, protection of water resources, etc) as well as land management services in disadvantaged areas (compensation for the extra costs incurred as a result of natural disadvantages or the lack of infrastructure, maintenance of open landscapes, etc)."

It will still be necessary to think about developing the instruments currently used under the two pillars of the CAP which could help support this option:

- What are the minimal environmental requirements (conditionality) that should be met in order to access direct subsidies and how large should these be?
- Depending on territories' characteristics and their possible disadvantages, how can services above and beyond the minimal environmental requirements be paid for?
- How can the form of support provided under the two pillars be simplified (for example, all structural measures of a structural nature (investment) in the Second Pillar and all those of a "bonus"-type nature in the First Pillar)?
- As far as instruments are concerned, how can the EARDF and EAGF regulations be changed in order to bring about such developments, what measures should be co-financed at national level, and should contracts between "society" and farmers be introduced in order to ensure mutual compliance with commitments at a practical level. In other words how many pillars should the future CAP have?

Towards a gentle phasing out?

The shift from the current support system to models that are totally disconnected from historical reference periods would bring about massive transfers of public money between production sectors, categories of territories, countries and regions. Farming is a capital-intensive economic activity and investment for one type of production cannot always be used for another. The change from one type of production to another can only take place over a period of several years. The industrial infrastructure of the agri-food processing industry also needs time to adapt. *Should not the shift from one system of support to another therefore also require a sufficiently long period of adaptation?*

22 - A future for reformed market regulation measures

Within the current First Pillar of the CAP, direct payments are just one of the instruments used to generate farmers' incomes. The other comprises the range of price and market support and risk management measures.

The CPMR, which is "specialised" in territorial issues, can only issue general messages in this field. The regions are accordingly very mindful of the vital nature of this aspect of the CAP. Alongside direct payments, market instruments are one of the things that constitute a "safety net" when it comes to farmers' incomes.

As indicated in its response to the Health Check in 2008, the CPMR is not advocating that all the current tools for managing the markets should be retained. However, it would like them to be actively developed, depending on their particular context (price levels and global stocks). Nor is it calling into question the need to improve EU instruments for managing market risks or risks incurred as a result of climate change, which is necessary because of the reduction in products' guaranteed price levels.

23 - The regions in charge of rural development: one of the strands of the EU's future territorialised programmes

The CPMR is calling for multiannual contractual relationships between the EU, states and each of the regions in order to implement European strategies at territorial level. They could take the form of "multiannual territorial pacts" and should include a rural development strand.

The regions must be clearly identified as rural development leaders in their areas across the whole of Europe, and not just in the member states that accept this.

Owing to the multiannual nature of these pacts, the regions would enjoy medium-term security to dispense community funding negotiated with the EU and the member states. They will also be able to incorporate the support into their own rural policy programmes. **With more room for manoeuvre in allocating direct payments as well as greater control over rural development, the regions will thus be able to implement effective "regional agricultural and rural development programmes" in their territories and in conjunction with EU strategies.**

A range of measures eligible for European of financing still needs to be devised. The CPMR wishes to participate in this joint work.

24 - Agriculture, regions and quality

The strength of Europe's agri-food industry will always lie in its diversity. Criteria for acknowledging the quality of agri-food products must be defined at European level and defended both inside and outside the EU.

The CAP must support quality policy and efforts made by producers to adopt more environmentally-friendly modes of production.

Due to their geographical proximity, the regions are partners for producers, especially those making traditional and organic products.

The regions must be closely involved in the process for acknowledging and promoting labelled, traditional and organic products in the interest of producers and consumers.

25 - The CAP and the outermost regions

In the outermost regions, agriculture - where part of the production is highly specific to some of them (pineapple, banana, sugar cane, **milk, beef and veal, wine, horticultural production, etc.**) - plays a major role in economies subject to particular constraints (remoteness, isolation, high dependency on the outside, etc.) As a source of jobs and area of experimentation ideal for agronomic research and technological innovation, this multifunctional agriculture plays an important social and cultural role (traditional products, rural populations, landscapes and tourism), but is also faced with the globalisation of trade which is opening up the EU market to similar produce from third countries with lower labour costs.

The future revised CAP needs to take into account these specific circumstances of the outermost regions to ensure that the same objectives are pursued there as for as all citizens and territories of the EU, particularly with regard to food security. On account of their remoteness, the importance of their specialised productions and their limited capacities for food self-sufficiency, the extra costs of supplying the local food industry and accessing outside markets must be covered in the case of the outermost regions.

The future CAP must include an approach adapted to the actual circumstances of the outermost regions under both the first and second pillar. From this point of view the POSEI concept (*Programme d'Options Spécifiques à l'Éloignement et l'Insularité*) as conceived by the European bodies back in 1989, remains more appropriate and relevant than ever.

The future rural development programmes must be specifically focused on the needs of each outermost region. They must contribute in these areas to protecting the environment, landscapes and forests, which are vital for the tourism sector, as well as improving rural infrastructures, mainly when small and medium-sized enterprises or young farmers are concerned.

On this basis and for the post-2013 period, the outermost regions call for further consideration to be given on how to adapt agricultural and rural measures within a suitable framework with adequate resources in the context of an overarching and coherent EU strategy for these regions.

Conclusions

On the basis of this paper, the CPMR will continue working within its network of 160 regions, and in conjunction with other European regions and other networks of regions active in the agricultural and rural field.

The high point of this work will be an event in Almeria, Andalusia in May 2010, when the ideas set out in this paper will be compared and contrasted with those of the European institutions.