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COPA AND COGECA POSITION ON THE CAP POST 2020

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EXECUTIVE SUMMARY

All European citizens depend and rely on a well-functioning and competitive agricultural sector that provides safe, high-quality and nutritious food produced sustainably at fair prices. Society also demands that food is produced in a manner that protects the environment, enhances biodiversity, contributes to combatting climate change and ensures the welfare of animals. **The CAP is, and must continue to be, the policy that supports European farmers in delivering on these objectives,** including the objectives of international agreements such as the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. Family farms, agricultural cooperatives and other agricultural and forestry undertakings in all their diversity play a key role in this process.

Several issues need to be highlighted in the context of the discussions on the future Common Agricultural Policy (CAP). The first is the **very strict timeline** for this legislative process and the obstacles that lie ahead. The negotiations on the future CAP and on the next Multiannual Financial Framework (MFF) are taking place at a time when the **EU is facing various challenges**. These negotiations are due to be concluded before the next European elections in May 2019. **Reaching an agreement on these policies before the elections is crucial**, provided that an adequate level of funding for the CAP is ensured and that such an agreement does not come at the expense of the quality of the final legislative package. Suitable transitional arrangements must be put in place to secure a smooth implementation of the future CAP.

Copa and Cogeca **firmly oppose the proposed cuts to the CAP**. The CAP budget still delivers good value for money for all citizens across the EU. It must continue to do so in the future, without any cuts. We call for the **maintenance and stabilisation of the CAP budget** in real terms and we also point out to the Member States (MS) the strategic importance of the CAP. In this regard, **sufficient additional funding** must be granted for it to deliver on its objectives and priorities.

The current proposals call for a **significant reduction of rural development funds** as well as a decrease in EU co-financing rates. Besides creating imbalances between MS, this will heavily impact the achievement not only of the CAP objectives but also of the EU's international commitments. **We therefore strongly oppose these cuts**.

The CAP must become **easier to use and administer, and its system of controls and sanctions must be simplified**, above all for its beneficiaries. The proposals do not go far enough, with the new delivery model being a particularly worrying component. Simplification is key to ensure that the policy runs smoothly. **All Members States must deliver simplification for farmers**.

With regard to the new delivery model and the CAP strategic plans, the most important element is **to safeguard the communality of the policy**. **Indeed, as a common EU policy, the CAP must be based on common EU rules**. However, we recognise the need to provide MS with some degree of flexibility, particularly when it comes to definitions. When designing their strategic plans, MS must ensure that they adopt a balanced approach to all three pillars of sustainability. CAP strategic plans must adequately reflect changes and developments in the conditions, structures and market situation in MS. It should therefore be possible to adjust the strategic plans accordingly. Transparency in the process of preparing and adopting CAP strategic plans must be ensured.

CAP support must target **active farmers**, that is, those producing food, feed, fibre and renewable energy, **who contribute to a sustainable sector and provide public goods and growth**.

We do not believe that having the same criteria across the EU for capping will have a positive impact and therefore oppose it. **Mandatory capping is neither a beneficial nor a fair approach** to ensure "fairer distribution of payments" as all farms, regardless of their size and structure, face significant economic pressure. It is also disruptive to farmers who have responded to **societal demand for rationalisation** and have consequently improved their sustainability and productivity.

As regards **external convergence**, further progress in harmonising the comparative level of direct payments between Member States, taking into consideration differences in conditions, should be pursued to contribute to viable rural areas across the EU.

The **rural development policy** must provide enough financial tools for the agriculture and forestry sector to maintain and create jobs in rural areas. These tools must also foster growth as well as sustainable and competitive businesses. Measures which provide support for investments, ANCs, risk management, producer organisations (POs), advisory services and for the further development of the bioeconomy should play an even greater role in the future. AECMs should be more attractive and better adapted to working practices on the ground, local needs and farmers' and forest owners' actual circumstances.

The exclusion of support for **areas with natural constraints** (ANCs) from the 30% ring-fencing for interventions addressing specific environment- and climate-related objectives cannot be accepted by Copa and Cogeca. Given the importance of ANCs for the environment and in avoiding land abandonment, this eligibility must be restored.

The **new green architecture** and especially enhanced conditionality must allow some **degree of variability across the EU** in a manner that does not jeopardise uniform implementation. Copa and Cogeca consider the significant increase in the requirements under new, enhanced conditionality together with a simultaneous reduction of the CAP budget to be unacceptable. We need greater clarity regarding the agricultural practices to be included under the eco-schemes and guarantees that they will not compromise the proven AECMs (agri-environment-climate measures) under pillar II. The level of additional requirements with which farmers participating in eco-schemes will have to comply (on top of enhanced conditionality obligations) is worrying and could lead to increased costs.

Copa and Cogeca also call for basic income support for sustainability (BISS) to be maintained as a fundamental part of pillar I. For this to happen, a significant percentage of at least 60% of the pillar I envelope must be dedicated to this support. Copa and Cogeca have repeatedly underlined the importance of having **two strong pillars in the CAP**, and do not favour excessive transfers between the pillars (mainly from pillar I to pillar II).

We support the priority given to **young farmers and generation renewal** and believe that long-term support for young farmers to start and develop their businesses must be made available. The CAP strategic plans must guarantee synergies and coherence between policies at EU and national level to deliver on this important objective.

It is necessary to **ensure legal certainty** (from a competition policy point of view) **for farmers** so that they can work collectively to pursue their economic objectives, strengthen their position in the food supply chain and improve their bargaining power. In this context, a review of the competition policy could be envisaged.

The **early warning system** should offer more guidance to farmers and allow for the correction of unintended errors in the aid application process. The **crisis reserve** should provide sufficient assistance to the sector when facing market disruption, extreme weather events and the impact of political decisions. Such a reserve should function outside of the scope of the MFF with a substantially larger financial envelope and a clear activation mechanism.

INTRODUCTION

EU society relies on a well-functioning and competitive agricultural sector that provides safe, high-quality and nutritious food produced sustainably and at competitive prices throughout the EU as well as on the global market. Society also demands that food is produced in a manner that protects the environment, enhances biodiversity, contributes to combatting climate change, and ensures the welfare of animals. Family farms, agricultural cooperatives and other agricultural undertakings in all their diversity play a key role in this process.

The CAP is, and must continue to be, an important and strategic policy that supports European farmers in delivering an adequate supply of food as well public goods, thus generating benefits for citizens and consumers. European farmers can deliver on these demands provided that they are competitive, sustainable and market oriented. They also have to address climate change and environmental objectives. The CAP must continue to support farmers in achieving these goals.

Copa and Cogeca consider that the **current objectives of the CAP** as established under Article 39 of the Treaty on the Functioning of the European Union (TFEU) **remain valid** and very relevant. The future CAP should continue to be based on them.

The future modernised CAP must include in its framework the Union's commitments in relation to the establishment and adoption of the UN's Sustainable Development Goals (SDGs) for the period 2015-2030 and the Paris Agreement on Climate Change.

Therefore, for Copa and Cogeca, the **CAP**, as a cornerstone of the construction of the European Union, **must remain a strong, common and adequately financed policy**. Not only is the level of income in the sector low (currently at 46.5% of the average income in the rest of the economy), but it is also expected to decrease significantly according to recent DG AGRI projections. In addition, there are costs associated with extra environment and climate requirements in the context of an open and volatile world market. In light of all of the above, Copa and Cogeca call for the current policy structure and measures to be improved in order to deliver an economically viable, sustainable and market oriented farming sector.

The negotiations on the future CAP are taking place at a time when the EU is facing various challenges. Among these are the Brexit negotiations, the discussions on the EU's future Multiannual Financial Framework (MFF) as well as various developments regarding international trade. All of these negotiations impact the future agriculture policy and are due to be concluded before the next European elections (23rd-26th May 2019).

We believe that reaching an **agreement on the next MFF before these elections is crucial**, but not at the expense of the quality of the final legislative package, nor at the expense of the level of funding for the CAP. The strategic planning and implementation of the future CAP requires sufficient time. Moreover, a timely agreement on the future CAP is necessary to allow farmers to prepare properly and adapt to the new rules and requirements.

The Commission's legislative proposals need to be improved during the co-legislative procedure. This document addresses a number of key issues that stem from Copa and Cogeca's initial analysis of the three proposed legislative texts.

BUDGET

The next MFF must provide the means to achieve not only the objectives of the TFEU but also the ambitions and priorities for a future EU-27, of which the CAP is a key element.

New and emerging policy areas will require adequate financing to meet the Union's commitments (e.g. climate policy and SDGs). It must be noted that the CAP already contributes to 13 of the 17 SDGs. These new challenges must not be addressed at the expense of the current policies and should therefore be funded by new resources. Moreover, it should not be forgotten that these objectives cannot be met without the commitment of farmers, forest owners and their cooperatives since they manage more than 80% of EU land.

On-going discussions on Brexit and international trade agreements also have an impact on the future structure and financing of the Union as well as the functioning of the single market.

Copa and Cogeca have repeatedly called for a more ambitious budget for the EU. Indeed, financial appropriations originating from a combination of Member State contributions and own resources can adequately finance both the new and old challenges as well as the Union's political priorities. This call has also been echoed by the European Parliament (EP) which has asked for a budget of 1.3% of the EU-27 Gross National Income.

Nevertheless, the Commission has proposed **severe cuts to the Common Agricultural Policy** (5% overall, 4% for direct payments and around 15% for rural development). These cuts, expressed in current prices, do not take into consideration the impact of inflation. The real impact **will therefore be much harsher**.

This assessment is also supported by the European Court of Auditors (ECA), which stated that the Commission's proposals do not provide a clear overview of changes in spending. Only when taking into account the impact of inflation, Brexit and the new structure of the next MFF do the real decreases become apparent. In real terms, these amount to a 15% cut to the CAP, with direct payments reduced by 11% and rural development by 28%.

Copa and Cogeca strongly **oppose these cuts and cannot accept them**. The CAP budget still delivers good value for money for all citizens across the EU and must continue to do so in the future, without any cuts. For this reason, and for the sake of farmers as well as consumers, the European farmers and agricultural cooperatives call to **maintain and stabilise the CAP budget in real terms** (taking into consideration inflation) over the next programing period. The importance of the CAP and the fact that it is associated with the reduction of poverty and the creation of better jobs for farmers across the EU was recognised in a recent World Bank study.

Copa and Cogeca also call upon MS to recognise the strategic importance of the CAP and grant sufficient additional funding for it to deliver on its objectives and priorities. While most MS have already expressed their willingness to do so, an EU-wide consensus is necessary. We believe that if farmers are asked to do significantly more, they must be adequately supported to deliver on these objectives and priorities.

SIMPLIFICATION

Simplification is a key principle that must be applied not only to the CAP but also to all other EU policies. For the sake of everyone as well as budgetary efficiency, the **CAP must become easier** to use and administer, and its system of controls and sanctions must be simplified. The substantial use of delegated and implementing acts does not, in our opinion, contribute to simpler and clearer implementation of the policy. Therefore, primary legislation should provide clear guidance on implementation that ensures a level playing field across the EU.

The European Commission states that simplification is at the heart of its proposals. However, we believe that the **proposals do not go far enough** in terms of simplification for farmers. We recognise some positive elements in the proposals, such as the uptake of ICT and satellite technology in controls combined with the reduction of the on-the-spot-checks (OTSC). Nevertheless, the proposed functioning of the new delivery model together with new, enhanced conditionality (which incorporates most of the current greening requirements) and the additional subsidiarity given to MS in the preparation of their CAP strategic plans are particularly worrying. Improving communication and the flow of information between administrations and farmers is of paramount importance in order to achieve greater simplification. Additional and more specific comments on simplification are mentioned in subsequent parts of this document.

Finally, it is vital that **all Members States are required to deliver simplification for farmers**. In concrete terms, this means that Member States will have to demonstrate in their CAP strategic plans that for each scheme, they have imposed the simplest and least burdensome administrative requirements on farmers. This should reduce the impact that these requirements have on farmers' daily working practices.

CAP STRATEGIC PLANS REGULATION

CAP strategic plans

Provided that simplification is achieved and the **communality of the policy is safeguarded**, Copa and Cogeca can support a system in which Member States prepare CAP strategic plans. We are also prepared to support the architecture of the new delivery model, the setting out of objectives and specific targets as well as conditionality.

However, it is important that the CAP strategic plans adequately reflect changes in the conditions, structures (both internal and external) and market situation in MS and that they can therefore be adjusted accordingly over time.

Copa and Cogeca support the **nine specific objectives established for the CAP**. We recognise the importance given to all three pillars of sustainability when setting the CAP objectives. Indeed, this element of sustainability is clearly reflected through the inclusion of farmers' income, the environment and climate change (adaptation and mitigation) among the objectives. In particular, we welcome the greater focus on technology, digitalisation and the bioeconomy. Concentrating on these areas will not only encourage the competitiveness and growth of the sector, but will also foster sustainable development and efficient management of natural resources. It is also positive that fostering and sharing knowledge and innovation in agriculture is a cross-cutting objective.

We support the approach of establishing **a single CAP plan per MS**. However, we are concerned about how such plans will be developed and implemented in practice in countries with strong regional autonomy. Indeed, this may result in distortions and inequalities both between Member States and between regions within a Member State. In such cases, a comprehensive approach integrating regional differences must be ensured.

We welcome the Commission's initiative to bring about simplification through the Member State strategic plans, particularly given the current complexity of rural development programmes. However, developing joint programming of pillar I and II measures could lead to an excessive volume of information and rules, which would be neither simple nor beneficial for farmers.

The European Commission must ensure that farmers, as beneficiaries of this policy, are strongly involved in the process of developing the strategic plans, in particular as far as decision-making is concerned.

The Commission must therefore ensure that the implementation of the new delivery model brings about simpler measures, controls and administrative requirements for farmers as well as streamlining the conditions for both direct payments and rural development programming.

The Commission must also ensure that the process of approving the CAP strategic plans, which involves all Commission services, is carried out as rapidly as possible from the analysis and approval stage to implementation, and that it does not cause delays in Member States. It is important to ensure transparency in this process by publishing all evaluation criteria when analysing and deciding on these strategic plans. In particular, this process must guarantee timely payments to farmers.

Definitions and eligibility criteria

In the context of subsidiarity, the proposals for the future CAP allow MS to establish the main definitions and eligibility criteria, provided they remain within the common EU framework. While we underline the need to safeguard the communality of the policy, we recognise that a degree of flexibility needs to be given to MS. This, however, must not lead to distortion of competition across MS nor must it create divergent approaches in the EU.

We need to strive for a clear definition of **genuine farmer** across the EU, which is based on real and effective agricultural activity. CAP support must target active farmers, that is, those producing food, feed, fibre and renewable energy, who contribute to a sustainable sector and provide public goods and growth. This should not preclude or exclude the eligibility of those farmers who have established additional sources of income to secure their livelihood (e.g. part-time farmers and agri-tourism). In line with the recent changes introduced in the Omnibus Regulation, MS could maintain the flexibility to better target the support (in terms of eligibility). Thus, it should be possible to design a common framework whilst also allowing for the definition to be adapted to the real needs and conditions of MS.

Eligibility criteria such as the minimum area threshold should also aim to better target support at active farmers and limit support where there is no clear EU added value, taking into consideration the different farm structures in the European Union. **Eligibility criteria** – falling under the responsibility of MS – must not, under any circumstances, lead to the weakening of common rules and of the Union's single market.

Advisory services, knowledge exchange, AKIS and rural networks

The legislative proposals place greater focus on the structure of the Agricultural Knowledge and Innovation Systems (AKIS) and on the advisory services that should be strengthened within them. This clearly highlights **the importance of fostering knowledge, innovation and digitalisation**.

Both the advisory services and the rural networks will be extended and will cover both pillars in the form of **CAP networks**. The various structures, organisations and services that make up AKIS will be a prominent part of the CAP strategic plans. Support and further development of AKIS, including advisory services, knowledge exchange and vocational training, are fundamental to help farmers with the uptake of innovation and new technologies which will, in turn, improve their competitiveness and sustainability. Any EU initiatives regarding advisory services and innovation systems must build upon those that already exist at MS level and focus on delivering added value.

We welcome the Commission's proposal to set up a single CAP network and to merge the European Network for Rural Development and the European Innovation Partnership (EIP-Agri). This will ensure better coordination of their activities at both EU and national level. In addition, it is crucial to ensure an efficient framework and platform for advisory services, researchers, the farming sector and other relevant actors so that they can work with the network at both levels. The main priority should be to bring innovation closer to farmers and to address specific issues that farmers are facing when implementing the policy.

Synergies with other funds

The CAP legislative proposals, which are linked to the MFF proposal for the new EU budget, call **for more synergies between the various EU funds** as well as improved alignment between the different funding options. This is clearly necessary when establishing measures and interventions that must deliver on the EU objectives and help rural areas and the farming sector to further develop. In this context, the European Agricultural Fund for Rural Development (EAFRD), the European Regional Development Fund (ERDF), the European Social Fund (ESF) and Horizon Europe should be mentioned. In particular, the ERDF should dedicate more funds for developing and expanding much-needed **broadband and services in rural areas**. The ESF must continue to finance **vocational training** in all sectors, including agriculture. On the other hand, when referring to synergies between funds, we should also take into the account the budgetary allocations for each fund. On this basis, we reject the idea set out in the proposals to fund activities under the LIFE and ERASMUS programmes using the EAFRD. Indeed, the financing for the LIFE and ERASMUS programmes will be increased substantially whereas rural development allocations will see a significant cut.

As regards **Horizon Europe**, the additional funding of 10 billion EUR for research and innovation in food, agriculture, rural development and the bioeconomy is very welcome provided that this is based on the multi-actor approach. This will ensure that farmers can take a lead in innovation and also see a direct positive impact on their businesses.

Direct payments

The decoupled direct payments in pillar I will be split into several categories: the basic income support for sustainability (BISS), i.e. the direct payment as it is now; the complementary income support (CRISS), i.e. the redistributive payment proposed together with capping; schemes for the climate and the environment, i.e. eco-schemes; and the voluntary complementary income support for young farmers.

European farmers and their cooperatives are strongly committed to maintaining direct payments as a primary tool to support agricultural incomes, to hedge risks, to offset the costs of producing at higher EU standards, and to enable the delivery of public goods.

As regards the BISS, Member States will have the option to move away from **payment entitlements** in the future. Should they choose to continue with the system of payment entitlements, Member States must ensure that, for claim year 2026 at the latest, all payment entitlements have a value of at least 75% of the average planned unit amount for the basic income support for claim year 2026. As regards small farmers, MS will have the option to grant them payments in the form of a round sum (lump sum).

Capping(*)

The **compulsory capping** of all direct payments received by a farm set at 100,000 EUR with a degressive payment set between 60,000 and 100,000 EUR **cannot be accepted** by **Copa and Cogeca**. Taking into account Member States' differences in structure and historic developments, capping and degressivity are unacceptable. Moreover, the number of farmers affected by this measure will be vastly different in each MS. This will depend on how many farms receive more than 60,000 EUR per annum as well as on the average standard salary in the agricultural sector in each MS, which will be taken into account when applying the cap.

What really needs to be taken into account is the fact that mandatory capping is **neither a beneficial nor a fair approach** to ensuring "fairer distribution of payments" as all farms, no matter their size, face significant economic pressure which direct payments help to address. Indeed, the impact of volatile economic pressure resulting from the developments in the agriculture sector dwarfs any benefits from efficiency gains due to scale. There is only a weak relationship between farm size and economic performance. This therefore greatly undermines any argument suggesting that larger farms are better able to withstand the impact of a reduction in direct support.

When striving for a **fairer distribution of direct payments** (redistributive payment), investigating the minimum size of claim could also be worthwhile so as to target farmers who actively contribute to the economic, environmental and social dimensions of sustainability. Thus, redistributive payments should focus not on paying for the first hectares but rather on sustainable and viable farms. It should be ensured that these payments provide clear EU added value. This is something that could also be achieved through a **clear definition of genuine farmer**, thus ensuring that the support really goes where it is needed.

The principle of capping is also disconcerting to farmers who have responded to **societal demand for rationalisation** and improved productivity. In this sense, farmers are receiving mixed signals from society as well as from legislators and the market.

The proposal for mandatory capping also goes against the **"one size does not fit all"** principle put forward by the Commission in the CAP legislative proposals. Given the different farm structures in the EU, Copa and Cogeca fail to see the positive impact of applying the same criteria across the EU. We therefore oppose mandatory capping.

External convergence

The legislative proposal aims to close 50% of the existing gap between the current average MS direct payment level and 90% of the EU average of direct payments from 2021-2027 (over six years). Further progress in harmonising the comparative level of direct payments between Member States, taking into consideration differences in conditions(**), should be pursued to contribute to viable rural areas across the EU. We also stress that the amounts generated must be maintained in pillar I.

Rural development

In the future, the rural development policy must provide enough financial tools and the right measures for the agriculture and forestry sector to maintain and create jobs in rural areas. These tools must also foster growth as well as sustainable and competitive businesses. The policy must recognise and support the important role farmers, forest owners and their cooperatives play in sustainably managing natural resources, protecting the environment, and supplying food, non-food products and services that contribute to climate and energy targets and help to further develop the bioeconomy. However the current proposals (both on the MFF and the CAP) call for a **significant reduction of rural development funds** as well as a decrease in the EU co-financing rate. Besides creating imbalances between MS, this will heavily impact the achievement not only of the CAP objectives but also of the EU's international commitments. **We therefore strongly oppose these cuts**.

We regret that a number of important details regarding the future rural development policy, such as examples of measures for the interventions and AKIS, are addressed only in the recitals of the legislative texts. For this reason, Copa and Cogeca hope that these instruments will be better considered in the proposals, given their importance for sectoral growth.

Copa and Cogeca strongly **oppose the exclusion of areas facing natural or other specific constraints** (ANCs) from the eligible interventions that contribute to the environmental objectives and that are part of the 30% minimum ring-fencing of the budget dedicated to agri-environment-climate measures.

The ANC measure helps farmers in these areas to continue to sustainably manage the agricultural land. It also plays an essential role in preventing land abandonment, contributing to biodiversity, the natural landscape and to tackling climate change. Therefore, the importance of ANC support cannot be ignored and it must continue to be part of the toolbox of environment and climate measures.

The **agri-environment-climate** measure should also continue to play an important role in the future. It needs to be more attractive and adapted to working practices on the ground (with corresponding incentive margins), local needs and farmers' and forest owners' actual circumstances. Collective and cooperative approaches should be promoted.

Payments for commitments going beyond EU legislation (including those on animal welfare) should be made according to the same EU baseline.

We support the inclusion of the **bioeconomy** as one of the specific objectives of the future CAP. Indeed, agriculture and forestry have great potential to produce the renewable raw materials needed for the substitution of fossil-based materials. The policy should prioritise the creation of the right framework, from advisory services to investments. This was also stressed by the Cork 2.0 Declaration.

The role of **agricultural and forestry cooperatives and POs** in improving farmers' position in the supply chain is of fundamental importance. Cooperatives can integrate the role of the producer, processor and marketer, helping to rebalance the food chain and providing their members with viable incomes as well as a level of protection against volatility. The intervention relating to cooperation must be included in the CAP strategic plans. It should not only support the setting up of these structures but also support those that already exist. This will help them to better adapt to the market challenges, benefit from opportunities and continue to invest.

Copa and Cogeca also believe that the intervention relating to **investment** must be a top priority from the point of view of budgetary allocation (the budget for this should be maintained at least at the current level). It must take into account the fact that farmers, forest owners and their cooperatives have to be competitive on global markets, to respond to more demands from society, and to tackle climate change. Investments in rural development must also be supported by the ERDF particularly when it comes to ensuring better connected rural areas and farms and to creating jobs and growth in rural areas. The EU is lacking a strong and clear strategy on high-performance broadband and digitalisation for rural areas.

The CAP strategic plans must take into account all aspects of women's activities in agriculture through specific measures on gender equality. In addition, we call for increased synergies between the various policies impacting this objective.

Copa and Cogeca recognise that direct payments are still the main tool to support farmers' income. However, in the current context, the functioning of the other existing tools must be improved. This will allow farmers to better address market volatility, the serious consequences of animal and plant disease outbreaks, and extreme weather conditions. Such tools under pillar II should complement the existing system of direct payments and market management measures, but should under no circumstances replace them.

Copa and Cogeca welcome the inclusion of **risk management tools** on the list of interventions for rural development and believe that these must be voluntary and complementary. These instruments must also include national schemes which support private income stabilisation tools in addressing income volatility, made possible through national agri-taxation measures. Such an approach would allow farmers to benefit from a wide range of tools covering different risks, be they economic, climatic, sanitary, etc., without the need for mandatory measures.

Copa and Cogeca consider the setting up of an EU platform on risk management to be very positive. Such a platform can contribute to promoting and raising awareness of the importance of risk management in the farming and forestry sectors. In addition, it can provide an opportunity to share experiences and best practices on the challenges faced by the sectors and the solutions found.

The new green architecture

The future CAP proposes a new green architecture which will be composed of the following elements: **new, enhanced conditionality, schemes for the climate and the environment (eco-schemes) in pillar I, and environment, climate and other management commitments (AECM) in pillar II**. This new, enhanced conditionality will be mandatory in order for farmers to receive pillar I support and will also lay the foundations for more ambitious environment and climate schemes (e.g. AECMs) in pillar II. These schemes must be directed at active farmers only and take into consideration the efforts already made today.

Copa and Cogeca consider the significant increase in the requirements under a new, enhanced conditionality together with a simultaneous reduction of the CAP budget to be unacceptable. This will lead to substantial income losses for farmers and a significant reduction in the options available under agri-environmental climate measures in pillar II.

Whilst Copa and Cogeca can accept the fact that some of the current greening obligations have been merged with cross-compliance to create new, enhanced conditionality, the number of requirements (SMRs and GAEC) must be streamlined. The threshold (size) for applying these measures must also be addressed. In particular, farmers who participate in small farmer schemes should be exempted from new conditionality requirements introduced under the proposal.

Crop rotation could be accepted provided that a reasonable area threshold is established and that certified equivalent measures and joint action (enabling the involvement of multiple farmers to deliver crop rotation) is allowed. Furthermore, specific derogations for permanent and special crops (e.g. rice) must be introduced.

Any provisions regarding **grasslands** can only be accepted provided that they are simple, more in line with the reality of day-to-day farming and managed at national/regional level. Additionally, they should not represent an additional burden for farmers or involve non-realistic agronomic or economic requirements.

Copa and Cogeca support an immediate and “de facto” recognition of **organic farmers** as well as other environmentally-friendly production systems that are duly certified as compliant with all or part of the new, enhanced conditionality rules.

With regards to the design of new, enhanced conditionality and the eco-schemes, reliable **and workable indicators** are needed for the European agriculture sector to measure its progress and improve its resource efficiency, which is central to reducing emissions. It must also be ensured that indicators cannot be influenced by external factors that are out of the scope of farmers’ activities. The European agricultural sector maintains its high standards of food production from both an environmental and climate perspective and delivers actions on the ground such as nutrient management. In this respect, **maintaining and increasing productivity** must to be taken into consideration when proposing new actions.

In addition, regarding the use of indicators, it should also be noted that **not all MS currently have a well-established and functioning monitoring system with a broad range of data on farm/country performance**. We support the Commission in its efforts to better assess the efficiency and effectiveness of the CAP, but it is necessary to provide an adequate **transition period, sufficient financing as well as clear guidance** on implementation for those MS that need it.

It should also be noted that **agriculture and forestry** are the only economic sectors that **remove emissions** from the atmosphere. However, this is not reflected in the EU policy. The CAP now has the opportunity to address this approach by further developing the carbon balance indicator which shows the balance between carbon emissions and removals.

Last but not least, the Paris Agreement states that actions to lower greenhouse gases must not threaten food production. In this respect, **forest, peatland, grassland, arable land and livestock production land management** has a duty to help to overcome the present and future challenges of producing food in a changing climate for a growing global population. Adequate indicators, like the one proposed in the Sustainable Development Goal 13.2.1, need to address this obligation.

New, enhanced conditionality also needs to take into account the differences among MS. For example, complying with the requirement for an adequate soil cover on arable land in most sensitive periods will be difficult in Baltic and Nordic countries. Similarly, the obligation to have appropriate wetland and peatland protection will prove to be an issue in the countries that have a large share of this land under agriculture use.

The enhanced conditionality under the new green architecture must allow for some degree of variability across the EU in a manner that does not jeopardise **uniform implementation.** This process must help to even out differences in competitiveness linked to the various different ways of implementing community legislation, for example, in terms of the environment, climate change and animal welfare. The overall aim must be to create a genuine level playing field for farmers across Europe, while also allowing for a certain degree of regional differences.

More clarity is needed on the type of agricultural practices that benefit the climate and environment and that could be included under the **eco-schemes**. In addition, eco-schemes must not compromise the agri-environmental measures under pillar II that are proven to work. Copa and Cogeca welcome the possibility to provide incentive-based payments under these schemes.

Ring-fencing

As indicated in the CAP legislative proposal, there are amounts ring-fenced for different purposes in each pillar. In pillar I, there is the mandatory 2% of the envelope allocated to young farmers and the option to allocate up to 12% of the envelope to coupled support. In pillar II, there is significantly more ring-fencing, with a 5% minimum for LEADER, a maximum 4% for technical assistance and a minimum of 30% of the envelope allocated to interventions addressing specific environment and climate-related objectives.

However, support to **areas with natural constraints (ANCs)** is excluded from this 30% ring-fencing in the aforementioned measure. Given the importance of ANCs for the environment and their role in preventing rural exodus, as outlined in the rural development section, this **exclusion cannot be accepted** by Copa and Cogeca and must be removed.

We consider that the 5% ring fencing for LEADER is not needed. Instead, MS should be given the flexibility to decide how to spend their budget based on their respective priorities. In addition, we believe it would be more appropriate for LEADER to fall under community-led local development (CLLD) under the ERDF.

Copa and Cogeca state that basic income support for sustainability must remain a fundamental part of pillar I in order to further ensure that farms have effective, direct and stable income support and that high EU standards are compensated. In order for this to happen, a significant percentage of at least 60% of the pillar I envelope must be dedicated to this support.

In terms of **coupled support**, this must continue under precise and limited conditions to support sectors, especially livestock production, in regions where other policy tools are not available or are less efficient. Member States should be free to identify the sectors that should benefit from this, rather than having a list of eligible sectors specified at EU level. The Commission should ensure that distortions of competition are kept to a minimum. We nevertheless recognise that coupled support should be maintained at the current level at least.

The ring-fencing outlined in this chapter further stresses the **flexibility given to Member States** when designing the structure of the two pillars within their CAP plan. Member States' choices could significantly impact farmers' income, something that is outlined in the Commission's own impact assessment. In this respect, the transfers between the pillars will further erode the structure of the pillars.

Transfers between pillars

The legislative proposal gives the option for up to 15% to be transferred between pillar I and pillar II and vice versa. Additional transfers from pillar I to pillar II of up to 15% can be made for environmental, climate and other management commitments and of up to 2% for objectives related to young farmers (installation support). It is worth mentioning that the amounts unspent due to capping would not count towards this limit on transfers. This means that an even greater proportion of pillar I could be transferred.

Copa and Cogeca have repeatedly underlined **the importance of two strong pillars in the CAP**, and do **not favour excessive transfers between the pillars** (mainly from pillar I to pillar II).

Young farmers and generation renewal

We welcome the fact that young farmers are not only a focal point in the CAP in general but that they are also a priority for the rural development policy. A clear long-term vision needs to be prepared, with the support of CAP strategic plans that should also include how synergies and coherence will be guaranteed between policies at EU and national level.

The maximum level of **installation support** in pillar II has been increased to up to 100,000 EUR. Moreover, a strategy to attract young farmers will have to be included in the CAP plans on top of the **mandatory ring-fencing** in pillar I. The eligibility criteria set by the proposal has also been reduced, creating more room for MS to set their own rules on **eligibility**.

Addressing the **age structure of farmers in the EU** is a complex problem involving cultural, social, economic and other factors. The range of factors across the EU leads us to believe that policy measures should predominantly be anchored in pillar II of the CAP.

Access to land has been identified as a significant bottleneck but it is difficult to envisage a common EU approach. Land banks, already existing in several Member States, could provide a workable solution to facilitate access to land and could be part of **land mobility schemes,** which are optional for MS under pillar II.

The social impacts of inadequate generational renewal are **population decline in rural areas, land abandonment and rural exodus**. These have wide and far-reaching impacts on the overall sustainability and competitiveness of the EU farming sector. This clearly shows that effective support measures must be integrated into multi-sectorial approaches and not solely in agriculture. In this context, we also need to look at measures to encourage older farmers, reaching retirement age, to retire and to pass on their farms to a younger generation. We believe that these schemes would only constitute a good option if they provide a clear and continued direct benefit for young farmers to start or develop their businesses. In this respect, we welcome the option given to MS to put forward these retirement plans and exit payments under pillar II in the proposal.

With the current level of farmers' income (which represents approximately 46.5% of the average income in the rest of the economy), it is difficult to attract new and young entrants into the sector and to keep them active in it. Therefore, the **income aspect must be addressed** if we are to be effective in tackling generation renewal. This is clearly the role of the CAP.

Sectoral interventions

With regards to the reduction of budget, the cut in sectoral measures in hops, wine and olives is not acceptable. Copa and Cogeca call upon the EP and the Council to re-establish the same envelopes for the hops, wine and olives sectors. We believe that these sectors are fundamental to maintain the viability of rural areas in many regions of the EU. As perennial crops, they also provide much-needed environmental benefits.

Copa and Cogeca also welcome the Commission's proposal to allow for **producer organisations to be expanded** as a tool for intervention in the market in other sectors. Various sectors (beef, poultry and eggs, honey, etc.,) have been asking for economic organisations to be improved and for a better and fairer functioning of the supply chain to be ensured. It is important that the new provisions both recognise and support multi-sectoral/multi-product POs, and establish minimum requirements. Existing cooperatives (which respect such requirements and hold such values) must automatically be recognised. However, the EU support granted to these interventions should not come at the expense of the basic income support for sustainability.

For the **wine sector**, Copa and Cogeca call for the current **separate plan** (under Regulation 1308/2013) **to be maintained in the future**. This should include a sharper focus on the objectives and types of interventions relating to **climate adaptation** measures and sectoral measures, including the use of **by-products for agronomical use**. A minimum percentage of expenditure for actions aimed at protecting the environment should be avoided and instead be replaced by **priority criteria for environmentally-friendly actions**. Recognised POs and cooperatives exceeding the SME threshold that undertake investments and innovation measures in the CAP national plans should be eligible for support.

Capping is proposed for the **olive sector**. EU financial assistance shall be limited to **5% of the value of marketed production** and a limit is proposed for **interbranch organisations that** are no longer entitled to manage operational programs. This capping is something Copa and Cogeca must reject.

Copa and Cogeca welcome the Commission's proposal for a mandatory, Member State-level, intervention on the **fruit and vegetables** market through Producer Organisations as well as the proposal for the EU budget for fruit and vegetables producer organisations to remain open.

With regards to **the honey sector,** we welcome the budget increase for the national three-year beekeeping programmes. Nevertheless, this should be accompanied by an increase in Community co-financing from 50% to 75% for all measures included the ones in those programmes. Copa and Cogeca call for a mandatory consultation of beekeeping organisations prior to the development of national programmes to ensure that support measures correspond to the real needs of the sector.

Member States should be allowed to decide on the sectors eligible for optional sectoral interventions within the CAP strategic plans, rather than having a limited list of eligible sectors. This would allow MS where tobacco is an important production activity to address the sector's concerns.

The communality of the policy and the risk of renationalisation

As seen above, the increased **subsidiarity** given to MS when designing the CAP plans is **substantial**. We recognise the need to provide MS with some degree of flexibility but this must not jeopardise the communality of the policy. The CAP must function as a common EU policy based on common EU rules.

Possible divergent approaches were highlighted in the Commission's own impact assessment and could have the potential to affect the functioning of the internal market and lead to a loss of the policy's communality. We need a level playing field and common conditions for all farmers across the EU.

THE SINGLE CMO REGULATION

Recognising the specificities of the agricultural sector and allowing farmers to work collectively (to pursue their economic objectives) are two essential prerequisites for strengthening the position of farmers in the food supply chain and thus improving their bargaining power. If these collective actions are not guaranteed from a legal point of view, their uptake will be minimal. Competition policy is one of the obstacles here and must be reviewed. In particular, a change in competition policy for the agricultural sector is necessary, not only to strengthen farmers' position in the food supply chain but also to guarantee food security in the European Union. This change is under way, notably since the adoption of the Omnibus Regulation, but it must be pursued in order to clarify the agricultural derogations to European competition law and apply the latter more efficiently to large retailer purchasing groups.

Market interventions

Regarding the **milk, beef and sheep sectors,** there are no significant changes to the current CMO, besides the increase of available funds to the school milk scheme. We welcome the continuation and further enhancement of these school schemes, which encourage the consumption of nutritious local products and help children to develop healthy dietary habits. For milk and dairy products, we call for the existing market management measures to be maintained. Public intervention should be used in such a way that it prevents excessive stock accumulation, taking into consideration that any stocks will have to be returned to the market.

Market intervention tools should be strengthened to provide financial compensation for farmers in a timely manner. Accelerating reactions to **sanitary issues** (e.g. avian influenza) can reduce intervention timing, limit restrictions and consequent economic damages and must be addressed. Even when farmers are not responsible for the outbreak of a health crisis, they are still the ones that suffer the economic impacts resulting from the closure of their businesses as a precautionary measure.

The current public intervention scheme for rice is ineffective because the reference price is well below production costs. This also applies to all other sectors. Therefore, it is necessary to introduce storage support for rice producer organisations and their cooperatives.

With regards to **private storage**, this tool has not been activated for several sectors including sugar and flax. However, they should remain unchanged as proposed by the Commission. As indicated in the previous paragraph, it is necessary to increase the reference price for private storage in the olive oil sector for this system to be effective. Regarding pig meat, we ask for the existing market management tools (private storage) to be maintained and strengthened and to be linked with exports. Moreover, more flexibility (automatic triggering) is needed for private storage of butter in order to tackle the seasonality problem.

Marketing standards

Copa and Cogeca call for **fruit and vegetable** marketing standards to be maintained as they help to improve market transparency for growers as well as for consumers rather than leading to food waste.

For **pig meat**, carcass classification and the regulatory framework of PDO ham supply should be maintained and strengthened.

Copa and Cogeca believe that **terms related to dairy products should remain protected in EU legislation** and be respected by all supply chain partners. They should be fully enforced at all times by all competent authorities in the EU Member States. In the case of other terms linked to products of animal origin (e.g. meat or eggs), this protection should also be granted by EU legislation to avoid misleading practices. Every food product has its own nutritional properties and characteristics as well as different ingredients. This is why **the use of the same term by products of different food categories should be avoided** for the sake of fair competition and transparency towards consumers.

For **eggs and poultry**, clear country of origin labelling for eggs, egg-products, poultry meat, preparations and poultry meat-based products must be mandatory per country and for all three stages (born, raised, slaughtered). This must be enforced by EU legislation so that these products are clearly identifiable and stand out from products imported from third countries.

For **honey**, legal definitions for all products obtained through beekeeping (propolis, royal jelly, pollen, etc.) must be established.

Quality

Product differentiation through quality results in added value and higher prices. Sometimes the costs are also higher, but ultimately it results in better income.

Given the diverse nature of European agriculture, culinary heritage and market prospects, **quality differentiation** is a strategic goal and part and parcel of the future of European agriculture, together with efforts to improve efficiency and competitiveness.

The CAP should therefore provide different ways to **promote quality policy,** as has been the case in the past. To meet this objective, quality should also be highlighted when developing the CAP strategic plans.

Geographical indications

Geographical indications (GIs) help to preserve and boost rural communities through their tradition, history and taste. They are also an important tool when exporting high-quality products to third countries. Indeed, the current schemes showcase and foster the diverse, rich and unique nature of agricultural production in the EU. To promote the European GI system and further encourage possible new applicants, it is important to provide certainty so that businesses can plan ahead. This is why, Copa and Cogeca welcome a certain degree of **simplification**, as long as this is beneficial to producers, in particular vis-à-vis administrative procedures.

For instance, we welcome the **harmonisation of the scrutiny procedure** (six months deadline) remaining consistent. We believe that applying the same system to all products could speed up the process. The same is true for the opposition procedure. We are of the opinion that the same deadline should apply to all agricultural products. In general, Copa and Cogeca believe that all of these administrative procedures could be revised both at EU and national level in order to analyse the possibility of establishing a more efficient registration procedure at EU level.

Furthermore, we welcome the proposal to allow the Commission to express its tacit **consent to the amendment of specifications**. Providing that these specifications do not call into question the founding principles of the designation itself, it must be possible for them to come into force straight away, under the remit of the national authorities in charge of interpreting and implementing EU law. If there is no opposition at EU level, the specifications should be considered valid unless the Commission proves that they do not comply with EU law, whether there has been a complaint lodged or not.

On the other hand, it is vital to preserve **the specific characteristics of each sector**. Rules on the origin of agricultural products and their quality characteristics, which are currently defined according to each sector's specificities and specifications, are of the utmost importance.

It is also essential to prevent the **misuse of names**. It is therefore of the utmost importance to increase the current level of protection for registered names against false or misleading practices, as well as any misuse, imitation or evocation. In this respect, and in light of recent trends in the sale of goods, including the growing importance of e-commerce, we welcome the extension of the protection to goods in transit and goods sold through means of electronic commerce.

Furthermore, considering that European farmers and agri-cooperatives operate on globalised markets nowadays, we believe that international protection should be improved by ensuring that all GIs are recognised by third countries, taking into consideration the evolution of market and trade-related aspects.

HORIZONTAL REGULATION

Another indispensable part of the future CAP is the horizontal regulation, which governs the functioning of the funds and sets the system of controls and penalties in line with the new delivery model. The basis of the proposed regulation remains the same, yet there are some aspects to raise that are in line with the elements mentioned in the previous chapters.

The system of controls and penalties

In the new programming period, the Commission introduces a **new monitoring system**, which should reduce the burden put on farmers. In this sense, we welcome the fact that the **use of satellite data and ICT will be further improved** in the future, which could also result in on-the-spot-checks being reduced. The online application for farmers should also be simplified, with the MS pre-filling most of the information in advance. With regard to the increased use of remote sensing, the authorities responsible for monitoring should be in charge of correctly identifying the eligible area. It is very important that we move from a system of controls and sanctions to a system of guidance and correction.

The **sanction system for conditionality** is determined in the horizontal regulation. Dereliction of duty is determined in the same manner as currently in cross compliance and is based on determining the severity, extent, duration and reoccurrence of the violation. The system of penalties for the Basic Payment Scheme (BPS) and Single Area Payment Scheme (SAPS) is modified and replaced with a single model for over-declaration. This is foreseen to make the system of penalties simpler and more proportional with some reductions in penalties. This approach should also be followed when addressing the identification and registration of animals, seeing as the penalties are currently quite severe despite the application of the yellow card system.

An early warning system is applied and, if sanctions are carried out, the basic penalty in case of non-compliance due to negligence is set at 3%. However, there is no reference to an upper penalty ceiling. A higher penalty is foreseen for reoccurrence and even higher for intentional non-compliance. Copa and Cogeca believe that the early warning system should offer more guidance and more possibilities to correct errors in advance, and that there should be an upper limit for penalties imposed on farmers. The early warning system should also provide a time period during which farmers can voluntarily correct possible errors in their aid application.

The crisis reserve

The existing practice of setting aside a portion of the overall pillar I funding will be maintained to create an **'agricultural reserve'**, which can be used for market measures and exceptional support measures. This reserve will be **at least 400 million EUR in total every year**, and will be filled by rolling over the crisis reserve from 2020 into 2021; in the subsequent years, all unused funds will again be rolled over. Rolling over the reserve, rather than opting to fill the reserve anew each year and reallocate the unused funds to Member States, aims to reduce the administrative burden. In the event that the reserve is used, it will be re-filled using existing available budget or by fresh appropriations. Repeatedly enforcing financial discipline for the purpose of setting up the reserve is not foreseen in the period 2021-2027. In addition, access to the crisis reserve should not be subject to any conditions, such as the use of risk management tools under national rural development programmes.

Copa and Cogeca nevertheless points out that this does not go far enough and stresses the fact that the **current crisis reserve failed to provide sufficient assistance with its allocated funding**. The crisis reserve should indeed be a **functioning flexible tool**, a mechanism which would enable the EU to better respond to any crisis that has EU-wide consequences on any of the agricultural sectors, especially in terms of the economy. In order for this to happen, the reserve should work outside of the scope of the MFF with a substantially larger financial envelope and a clear activation mechanism.

TIMELINE

Given all the factors presented in this paper, we can see that an **intensive discussion of these negotiations lies ahead.** As we have already stated, we believe that it is **fundamental to reach an agreement on the MFF before the next EU elections**. Given the time constraints, the future CAP should be agreed upon as soon as possible. On the other hand, we recognise that this is highly unlikely to happen before May 2019. In this context, adequate transitional arrangements must be put in place, securing a smooth transition to the future CAP.

We, as Copa and Cogeca, are, however, **fully prepared to continue to make headway in the discussion** as fast as we can and we call upon other stakeholders in this debate to do so as well.

(*) – Reserve from the following Spanish organisations: UPA and COAG

(**) – Reserve from the following Lithuanian organisations: Chamber of Agriculture of the Republic of Lithuania; Lithuanian Farmers' Union; Lithuanian Association of Agricultural Companies, Lithuanian association of agricultural cooperatives „Kooperacijos kelias“