



**Euromontana response to the public consultation on the
future of the common agricultural policy**

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Euromontana is the multi-sectoral association for cooperation and development of mountain territories. It comprises national and regional organisations throughout wider Europe: regional development agencies, local and regional authorities, farming organisations, environmental agencies, forestry agencies, research institutes.

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

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

Policy scenarios

(1) Are the scenarios outlined consistent with the objectives of the reform ? Could they be improved and how?

Euromontana shares the three main objectives proposed, for the future CAP, by the Communication and the consultation document namely :

- **Maintain the production capacity throughout the European union, a viable food production** : we would like to be more specific and say that we aim at maintaining the capacity of all territories to – economically, environmentally, socially-sustainably produce safe, diverse and quality foods, via systems that ensure that producers receive a quite stable and sufficient level of income as compared to the other economic sectors in the different countries of the EU;
- **To ensure the provision of public goods**, such as environmental public goods and preserve the countryside, i.e. sustainably manage the natural resources and allow for mitigation of climate change;
- **Ensure balanced territorial development** by contributing to the vitality of rural areas: we wish to specify here that we we aim at preserving agriculture as the indispensable basis of local economies in the most fragile areas and to favour the development of rural economies including these agricultural activities.

Hence, because agriculture produces public goods that are not or badly paid for by the market, the market is not capable alone to secure the development of a sustainable model of agriculture. Policy orientation is therefore essential to ensure economic, environmental and social sustainability of agricultural activity on the whole European territory. **We therefore support fully the project of a strong and ambitious Common agricultural and rural development policy for the EU.**

However, for Euromontana all proposed scenarios are not consistent with these objectives.

It seems to us that especially scenario 1, by the too weak adjustments it offers, does not answer the fundamental demand for change that we expressed in conjunction with numerous actors, urging for re-direction towards a more territorial, balanced, and fair policy rewarding public goods much better than today. Scenario 1 does not respond to any of the proposed objectives of the reform.

While we **strongly support an agricultural and rural development policy oriented towards much greater recognition and fair compensation of public goods**, we have clear reservations about the scenario 3 which, by dismantling all the market management measures and favouring the intensification and concentration of production in the most productive areas, might weaken the supply chains in proportions that might also be dangerous for farmers in vulnerable areas. This scenario would also encourage a re-nationalization of the CAP, which would be unlikely to guarantee the consistency of future operations.

If mountain agriculture is producing a high proportion of public goods and is mainly environmentally friendly, **it is vital that the revenues issued from the marketing of products provide economic viability to the farm.** Many of mountain farms are actually inserted into the commodities markets, in competition with farmers from the plains and other European countries. This is a condition for producers to continue their activity, thus ensuring continuous production of both food and public goods. In mountain in particular, experience shows that farms oriented the most towards active – quality – production manage natural

resources (pastures, moorland...) in a way that is much more favourable to biodiversity and landscape conservation. The agricultural policy must be a lever to direct farms towards better technicality, quality and added value.

Hence, **stabilization and regulation of markets and the organization of producers are paramount**. Mountain farms have indeed higher production costs and economic dimensions below or well below national averages. Because of natural constraints, ability to move towards other productions taking advantage of higher prices is very limited, as are the economies of scale and opportunities for restructuring. Mountain farmers will therefore be among the first to suffer from excessive price volatility.

A preferential choice for option 2:

Option 2 is the most balanced solution. **We endorse the proposal to try to meet all three goals across the two pillars of the CAP**. This option indicates that the current balance between the two pillars would be maintained but does not say what would be the allocation to each of the three goals within each pillar. This information limits our ability to assess the suitability of the option. We therefore consider that option 2 is to be considered in priority, with adjustments and conditions.

1. The first condition is that the future policy **shifts significantly from the status quo and option 1 to adopt a decidedly more territorial and public goods rewarding approach**. Several elements in the Communication of the European Commission suggest that, even under the scenario 2, it would seek only limited change compared to the current CAP: This is not acceptable.
2. The second condition is that **public goods support is targeted to support those among public goods whose provision would be in danger in the absence of public policy**. Landscapes maintained by production systems based on permanent grasslands and grazing systems in mountainous areas are part of this in the sense that, in the absence of support, these landscapes would close.
3. The third condition is that the **market measures and provisions to allow producers to strengthen their bargaining power within the food chain are much more substantial** than the ones currently proposed.
4. The fourth condition is that the future policy **significantly expands its ambition regarding rural development, within a vision that should be shared with all EU policies**. We endorse the proposal of a common strategic framework, which should result in close coordination of various policies at all levels of governance. Option 2, however, inadequately describes the complementarities that would be sought between rural development policies and regional policy and governance arrangements to be adopted. To meet the objectives proposed for the reform, Option 2 is to allow a multi-fund approach and to **support coordinated and integrated sub-regional or inter-regional strategies**.
5. The Fifth condition is that the future policy should be a **strong lever in the implementation of these orientations**, encouraging farms and supply chain actors to adapt to current food, social, environmental and climatic challenges.

(2) Are there other problems apart from those set in the problem definition section of this document that should be analysed when considering the architecture of the CAP in the post 2013 period? What causes them? What are their consequences? Can you illustrate??

It seems to us that the following issues should be deepened in the reflection on the future CAP :

The coordination between rural development policy and the cohesion policy :

Euromontana endorses the proposal from the European Commission to reflect on a Common Strategic Framework for ERDF, EARDF ,ESF and EFF. This proposal is likely to bring substantial improvement to the implementation of territorial development policies, on the condition that it translates into the adoption of a real integrated and pluri-fund approach at the different scales of governance.

The demarcation between funds is indeed causing real problems today. Project leaders must submit applications for funding to different structures, applying different procedures and different rules. For small project applicants, these administrative constraints are a real obstacle to greater participation. The separated management of the different funds limits the access of rural and agricultural communities to structural funds, and in return the access of non-agricultural beneficiaries to EARDF.

Besides this clumsy framework, we can report here positive examples of pluri-funds approaches in mountain areas. We will mention for example the case of PSEM "Plan de soutien à l'économie montagnarde », which translates as « Plan for support of the mountain economy », implemented in the Pyrenees. Combining the different funds available, this programme offers targeted support measures for mountain actors. The example encourages to go on with efforts in favour of a closer coordination of policies, permitting for "Poles of rural development" to implement integrated strategies.

Such an integrated approach is important for all rural territories. But it **is absolutely crucial for mountain areas**, where economic sectors are closely inter-related, where pluri-activity is more developed than elsewhere, where farms are of smaller economic dimension and where marketing of products depends on local markets, tourism, hostels and restaurants etc... the vitality of rural areas depends, in mountains even more than elsewhere of the presence of agriculture which maintains the landscapes, a permanent population (critical mass) and exploits the land that however would be abandoned or left to forestry. But the future of agriculture depends also of the capacity of these areas to provide inhabitants with a diversified and dynamic economy. The future CAP must therefore assemble around common goals and not encourage divisions between the agricultural sectors and other sectors of the rural economy. An easier access of rural actors to ERDF and ESF would be a great progress.

Access of small farmers and pluri-active farmers to the CAP support:

The consultation document recognizes the role that small farmers play in the capacity to retain food production capacities and in the vitality of rural areas. However, the problem of access of these farmers to CAP support is not detailed enough. In several member states, especially in new member states, eligibility criteria are defined so as to exclude these farmers from CAP support. We invite the European Commission to communicate as soon as possible the proposals regarding the definition of small farmers and semi-subsistence farmers.

The situation of **pluri-active farmers is similar**. Pluri-activity is more developed in mountains than on average. This is linked to the small size of farms, to the seasonality of production and to the close link between agriculture and the other sectors. We raise the Commission's attention on the necessity to include pluri-active farmers and their economic role in the future policy.

The key importance and downward trend of pastoralism :

Consultation documents acknowledge the danger of abandonment of the least productive surfaces. We wish on this occasion to raise attention on the **future of pastoralism and of mountain livestock farming in general**. It is difficult to evaluate exactly the trends in terms of land abandonment, considering the scale at which agricultural statistics are developed. However, our members have reported to us that it is often moorland, semi-natural spaces, dry areas and remote parcels which are at the highest risk of abandonment. Indeed, farming in these areas is uneasy, shepherds are harder to find and producers are tempted to give up pastoral practices which are providing an ever lower income. Working conditions are also less and less accepted by new generations. Climate change is likely to provoke the move of the tree line further in altitude and to accelerate landscape closure. The implementation of norms in shepherds' huts is demanding also important investments.

Transhumance and pastoralism are however among the practices that produce the most of public goods, in terms of biodiversity, landscape, heritage, as well as quality products. Part of the current rural development support measures provide for possibilities to support these surfaces. We welcome the development and the increase of means devoted to these measures. For a complete analysis of the situation, we invite the Commission to read the European study « Challenges of pastoralism : *« Exchanges of innovative experiences for a sustainable development in mountain areas »*», Euromontana, March 2008, and the study « *Stratégie de développement du pastoralisme après 2013* » currently carried out by the Association of Chambers of agriculture in the Pyrenees with the support of the French government.

The role of public policies in the structuring of agrofood supply chains ensuring a better remuneration for producers

We consider that the communication does not describe in enough detail how the European Commission intends to support the structuring of chains of value added.

The future of the agricultural and agro-food economy in European, in a context of increasing globalization of exchanges and competition, requires evolving in terms of organisations of the supply chains. Supply chains will tend to diversify in their targeted markets, ranging from very short local supply chains to very long export supply chains, via a whole range of territorial quality local and regional supply chains. It will be the case notably in mountain areas where the maintenance of a viable economy will depend on the targeting and differentiation of new markets, combining in an innovative way promotion of mountain attributes and specific production location.

The European Commission's proposal should develop more on the diversity of organisation models to support and means to allocate. In general, **we call for the Commission to clarify the articulation between the CAP and the quality package.**

In that respect, we strongly regret the fact that proposals regarding optional reserved terms for mountain products and for local products have been withdrawn from the quality package.

Indeed, we welcome the presentation of the CAP in three poles: **direct payments, market measures and rural development measures**. We share the idea that these different components of the CAP are closely inter-linked as they are interlinked with the quality package. The Commission must achieve greater coherence and work on these **links**.

Hence, for Euromontana, the recognition of the importance of mountain farming in the two pillars of the CAP, which we welcome, **is incomplete without a real incentive to create a dedicated market segment for mountain products**. Public policies have a role to play in the creation of such a market segment, by the definition of terms and regulation of their use to begin with.

Considering the dispersion and limited means of mountain actors, it is impossible in the short term to envisage an organisation building solely and completely on private initiative. Legislation is therefore the most efficient mean, and by far the less expensive, to initiate the creation of such a market segment.

The impact of the revision of less favoured areas

The revision of less favoured areas, launched by EC communication of 21st April 2009, is not mentioned in the communication on the future of the CAP after 2013. A lot is however at stake in terms of balanced territorial development, especially via the distribution of public funding. If mountain areas as such are not concerned by the revision process, the future of less favoured areas that are contiguous and often related economically should be addressed by the impact assessment. It is highly necessary to specify right away the strategy and the options retained in that respect. The wording "areas facing natural constraints" is also used in the second pillar, without indication by the Commission on what this wording means and the place of mountains in this new terminology.

(3) Does the evolution of policy instruments presented in the policy scenarios seem to you suitable for responding to the problems identified? Are there other options for the evolution of policy instruments or the creation of new ones that you would consider adequate to reach the stated objectives??

We will concentrate, in our answer to this question, on the scenario that we have identified as being the most relevant.

The evolution of the policy instruments proposed in option 2 seems well appropriate to answer the different problems identified, provided the conditions exposed in our answer to question 1 are met.

Direct payments

The proposal of the European Commission is similar in many ways to the position adopted by Euromontana in October 2009. Hence, we are favourable:

- To a **decoupled basic income payment** for all farmers, with the objective to maintain a sustainable and productive agriculture on the whole territory, with an economic and food objective : this basic payment must take into account employment, be digressive and capped ;

- To a **complementary direct payment rewarding the provision of environmental public goods**. Measures should be simple to implement and take into account farms situations. It seems to us that these payments must recognize the positive role played by sustainable farming systems, notably in mountains, via rewarding existing practices and not only compensating for the on-costs related to improvement of practices. Particular attention shall be paid to support to grazing land and pastoral surfaces. We ask that **collective grazing land** be taken into account for the calculation of payments and that the integration of scrub land be improved.
- **To additional support in favour of agriculture in the areas facing natural constraints**. For Euromontana, the attention given to areas with natural constraints in the first pillar is the recognition of what the farmers of these areas deliver to European society and especially their economic role, their role in retention of production capacity and the diversity of the food offer. We see in this proposal an opportunity to reward as well sustainable production systems that are traditionally excluded from direct payments even if they contribute as well to the vitality and heritage of rural areas (traditional mountain pig farming systems, orchards, vineyards...). We call for mountain areas to be placed at the core of this new scheme.

Besides, we consider that the Commission would deliver a clearer message to Member States by considering a specific and targeted approach to mountain areas as **mandatory in structuring the CAP support** (for those at least among member states which have mountain territories¹). Indeed, all support mechanisms for mountain areas, as presented in the consultation document, are optional: the "layer" of the direct payment scheme, coupled payments, which also have a territorial function and the LFA payments in the second pillar. If the European Commission wants to demonstrate **the territorial objective is as central in its project as the economic and environmental objectives**, it must oblige Member States to adopt at least some of these measures and to allocate sufficient budget to ensure efficient policies for maintenance of production in mountain areas.

- To the **maintenance of coupled support** allowing to take into account the specific problems of some sectors and regions. These direct payments should be hectare or head payments in the case of livestock coupled payments or production levels, according to what's most relevant to reach the expected results. They should be calculated and allocated according to simple criteria (stocking densities, maintenance of grazing land...), defined by Member States with possibility to adapt to different sectors/territories. The commission should invite the Member States who are applying fully decoupled payments on their whole territory to carry out **a thorough analysis of local impacts and to revise their strategy** where livestock is at risk of abandonment in worrying proportions.
- To the **simplification of cross compliance rules**, offering to farmers a set of clear rules.

¹ For example the recent study of the European environmental agency « Europe's ecological backbone : recognising the true value of our mountains, Sept 2010 »

Market measures

Euromontana considers that a true regulation must include a consolidation of market measures and safety nets and the setting up of European frameworks strengthening the bargaining power of farmers in the food chain. Hence we regret that only the maintenance of existing measures is proposed.

Rural development

Overall framework, governance and EU2020

We have presented at question 2 the problems that derive from the current organization of demarcation between European funds and the interest, for mountains, of a more integrated and pluri-fund approach.

Euromontana proposes that European institutions examine the possibility of a closer coordination as a **declination at local level of the Common Strategic Framework for EARDF, ERDF, ESF and EFF**. Furthermore, we call upon the EU to reflect on the links to establish with the European instruments financing research and innovation. We finally recommend that development strategies be elaborated based on the needs of the territories, at a scale that would reflect the functional areas (massifs for example for mountain territories). Each rural territory should have the opportunity to define its own strategy for territorial development based on the specific assets and constraints of this territory, while contributing to the objectives of the CAP, of UE2020 and of cohesion policy. The national strategies of regional and rural development would then be based on the aggregation of the territorial (regional, inter-regional, local) strategies.

Concretely, the Commission should put forward proposals for hypothesis of pluri-fund programming scales, offering the possibility to Member States and regions to cross different scales of intervention, for example administrative regions and inter-regional mountain ranges.

We recognise the complexity of the issues related to the coordination of European funds and policies and call for a much deeper and intense public debate on the solutions that will allow Europe to implement an integrated approach for the development of rural poles of innovation, sustainable growth and quality of life in the future.

A « package of measures » for mountain areas

The communication of the European Commission on the future of the CAP suggests that « packages of measures » could be envisaged for some types of agricultures or some types of territories. Euromontana has called for several years for a European integrated policy for mountain areas. The definition of a package of measures for mountains would constitute a first step towards such a policy. The idea would not be to have a distinct pillar but rather simply to :

- ensure, as the **rural development measures are being developed**, that mountain farmers needs are satisfied ;
- to **adapt the co-financing rates** taking into account the specific constraints and the on-costs faced by these ;
- to **integrate measures that would not necessarily be retained at other programming scales** (regions especially) **via a recommendation to define rural development programmes at relevant scales** (massifs for example) and by

allowing these programmes to adopt, among measures available, those which are adapted to their specific situation;

- to offer **concrete visibility to mountain people** on measures that are targeted to them or that are accessible to all farmers but are envisaged to be particularly useful to them ;
- to provide a tool box flagshiped for « mountains » that could be used by each member state in a **flexible** manner taking into account the specific needs of each massif.

Euromontana members are very interested by this proposal and we encourage the Commission to develop it.

We would understand the reluctance of Commission to start developing packages of measures for different groups as these groups could then multiply infinitely. However, mountains represent close to 40% of the European territory and are home to a significant proportion of its natural resources. The agriculture of these territories will widely contribute to the objectives defined for the future CAP and to EU2020. Particular attention to mountain areas is legitimate according to article 174 of the Lisbon treaty on territorial cohesion. It seems therefore that the Commission could rightfully include mountain people in the restricted list of groups which could benefit from such a package. Young farmers and small farmers are, according to us, the other groups to which attention should be paid. These groups overlap of course partly, which is not a problem if we are thinking of tool boxes. A given tool can be introduced in several boxes.

According to us, such a package should include :

- The **maintenance and strengthening of support measures for less favoured areas** : this type of support has proved efficient for the retention of employment and the preservation of environment. Their place in the second pillar enables implementation rules based on subsidiarity and adjusted to the specific situations on the ground (eligible areas, eligibility criteria, stocking densities, caps). Having LFA measures in the second pillar also allows Member States who have the necessary finances to increase the funds dedicated to the support to LFAs. However, it is crucial to increase the preferential co-financing rates available for the Member States which have the lowest financial capacity, so that mountain farmers and communities across Europe all have access to a sufficient minimum rate of LFA support. The introduction of special attention for farmers in areas facing natural constraints in the first pillar also represents an opportunity to compensate part of the differences between member states in that respect. The coherence of support granted under each one of the pillars will however have to be well thought of in advance. In addition, as stated above, it should be mandatory for Member States to address the issue of mountain areas in at least one of the two pillars with significant budgetary allocation.

- **increased aid and rate of EU co-financing for setting-up in mountain areas** : mountain farms are often less competitive (due to production on-costs), remote, and with difficult living conditions. Some areas are faced with ageing and important depopulation risks. A very active policy of support to setting-up of new farms must be implemented to secure the renewal of generations in mountain areas. These increased payments should be completed by targeted accompanying measures for setting up in mountain areas. Setting-up in mountains is indeed disproportionately difficult due to land distribution, remote and precarious access to land, weakness of professional networks due to sparsity of businesses, conflicts with other activities if no coordination is provided (tourism, urban sprawl in bottom valleys, hunting, environmental concerns...), of the size of capital, of the weakness of

technico-economic references corresponding to these production models. Overcoming these difficulties requires a proactive approach and specific provisions.

- **producers organisations and structuring of mountain quality food supply chains:** mountain products supply chains are not sufficiently developed in many European massifs. Now, the project EuroMARC has shown that there is an interest for mountain products at consumer level, latent or more evident depending on countries. The potential for a differentiated market for these products has to be exploited as this could help more farmers from these areas. To go in that direction, it is indispensable to deliver, in parallel to an optional quality term "Product of mountain farming" in the quality package, support to organisation and structuring and coordination of quality food supply chains. These should in particular include:

- o **Development of business and marketing skills of producers and supply-chain actors**, especially via access to specialised training and extension services targeting small-scale productions and supply-chains and diversified farms;

- o **Support to better horizontal and vertical coordination** of supply-chain actors, especially by accompanying the creation and coordination of supply chains anchored in territories and creating value added;

- o **Support to marketing and promotion of the products;**

- o **Maintenance or creation of collecting and processing facilities** that permit in fine to retain added value in mountain rural areas.

Similar needs appear when we consider forestry products and supply chains.

- **Higher payments for construction and modernization of livestock buildings and machinery:** This point is very critical for the economic profitability of the farm and for farmers living conditions, as well as for environment and building costs and mechanization costs are higher in mountain areas. We would like to stress in that respect the importance of effluents storage facilities, which capacity in mountain areas have to be higher than the norms, because of the length of the winter season. Livestock buildings can also include high environmental quality features or energy production, interesting for mitigation and adaptation to climate change. When construction companies are contracted locally, this kind of support also benefits to other rural economic actors. In the new member states and semi-subsistence farms, small machinery related to hay fields for example are necessary.

- **Agri-environmental measures:** these measures, which are very important for mountain areas, will complement direct payments rewarding provision of public goods. These payments must permit to reward, via contractual arrangements, **conservation or adoption** of practices that are beneficial in a given economic and environmental context (biodiversity, maintenance of open landscape, protection against forest fires). We encourage the reflection on measures that would remunerate jointly a **bundle of environmental services** (water, biodiversity, carbon...) and to delineation of eligible areas that will be larger than current Natura 2000 areas. As the results of these type of measure can be obtained only in the long term, we recommend a medium term type of contract (at least 7 years), in order to get a real environmental impact and visibility for the farmer who will shift his/her farm management. The system must be driven by a logic of payment for services provided instead of compensation for costs related to a change of practice.

- **Support to coordination structures for the use of pastoral resources:** initiatives which contribute to rationalising use of available grazing land in mountain areas undeniably improve efficiency of pastoral systems to the benefit of producers and of society. The difficult management of scattered land parcels is indeed a real obstacle to their use and

tends to lead to their abandonment. Access to land is an issue in mountain areas, especially in the valleys.

- **Support to preservation and development of the genetic performance of local breeds and of ancient varieties:** the genetic diversity of breeds and varieties in Europe is a precious heritage that can be developed to benefit from breeds adapted to various territories, especially to mountains, and that produce typical products which specificity can be valorised on the markets.

Then in coordination with the European policy for research and development, and with the objective to enhance human capital and knowledge in rural areas, the rural development policy should **facilitate the creation and consolidation of institutions specialized in research and development on rural areas, on farm and rural innovation, on joint improvement of economic and environmental performance of farming systems.**

In mountains, this means concretely to **halt the dismantling of research institutes specialized on mountain areas**, to strengthen them in order to produce the knowledge that is necessary to innovative mountain farming. This does not fall under the competency of the CAP but could be enhanced in the future research and development framework programmes.

It means also to maintain or **create networks of farm advisors and specialized trainers in capacity to provide technical, economic and environmental advice to the diversity of existing farms and especially for small diversified farms.** We believe this could be addressed under the farm advisory system. The Romanian Mountain Forum for example has made very concrete proposals regarding the needs for advisors to accompany the progressive development of mountain farms in Romania. We support these proposals.

A green, smart and inclusive growth requires massive investments in human capital in rural areas and in mountain areas and research efforts of an adequate dimension to face the environmental and climatic challenges.

In general regarding the whole CAP, we recommend an approach based on **long-term commitments.** We propose to study the principles of developing a "farm development project" aligned with the context of the territory and linked to multi-annual programming of support under the two pillars. Duration should be of a minimum of 7 years, to enable a true integration with the farmer's strategy. Modalities should be proposed in case of modifications of the economic and environmental contexts.

The impacts

(4) What do you see as the most significant impacts of the reform scenarios and the related options for policy instruments? Which actors would be particularly affected if these were put in place?

It is very difficult to evaluate the impacts considering the level of detail of the proposal in the documents communicated. We can only anticipate the main lines of major trends resulting from the different scenarios.

Option 1

It seems that option 1, compared to the “no policy” option, could slow down the progressive restructuring of agricultural sector and its concentration aiming at aligning all farmers on the productivity level dictated by international trade, without avoiding it. By limiting the reorientation of support towards environmental and territorial objectives, it would maintain the situation where **the only possibility for farmers to secure a sufficient income is to improve work productivity ie to intensify use of the most productive surfaces.** Farmers in the areas or sectors where economies of scale or intensification are not possible due to natural or regulatory constraints, due to input prices or on-costs of investments (construction, mechanization) would continue to disappear.

In mountain areas, producers who could keep up their revenues would be the ones who have invested early enough in high value added supply chains with sufficient volumes to guarantee sufficient income and who operate on markets that are relatively disconnected from international prices. But even these would be impacted in the medium term by the degradation of market conditions and the abandonment of supply management tools.

Another point is that intensification is hardly compatible on a wide scale with protection of the environment or it requires major investments. Now, with climate change, with the increasing strategic importance of water resources especially, the protection of environment will be a growing concern for citizens. We can think that **the environmental legislation will become tougher and will impose (without compensation) obligations which implementation could have been paid for by incentives in options 2 and 3.** If that was not the case, the degradation of natural resources would end up impacting the production capacity of the European Union. Finally, a CAP following option 1 would not answer, in our opinion, the current expectations of the tax payers. Under increasingly tight budgetary constraints, the loss of legitimacy of the CAP might lead to its abandonment in 2020/2023, at the expense of farmers, consumers and citizens in general.

Option 3

If option 1 represents the continuation of current trends, the impacts of option 3 are harder to evaluate, particularly based on the limited information provided by consultation documents. Everything would depend on the type of practices that would receive support, of the shape of different support schemes, of market conditions that will shape the farmers willingness to adopt environmentally-friendly practices or rather to put the priority on short term economic competitiveness, even if it means they are out of the support system, of the size of budgetary envelopes, of their distribution between the different objectives, and last but not least, on the complementary policies that member states will adopt to compensate for the abandonment of economic parts of the CAP. Member states who are net contributors to the CAP will in any case benefit from that option.

On the short term, beneficiaries will be farmers who have adopted practices which environmental benefit is higher than the reference level, so farmers who deliver environmental services, among which mountain farmers. The potential benefits will depend on the allocated envelope and on the number of farmers concerned. Then, a lot will depend on policies that member states put in place. If these policies reintroduce the support that has been lost, the agricultural policy may only lose consistency without the desired impact on farmers that contribute the most to environmental and territorial objectives.

Under the hypothesis that Member states will not compensate the abandonment of general support to agriculture, we can anticipate that this scenario would lead to a **multi-tiered farming sector**, with on one side the farmers outside the support system, restructured and aligned on the competitiveness of the country with the lower production costs at global level, and on the other side, farmers benefiting from public support. These would then be highly dependent on the retention of the CAP in further steps.

From the environmental point of view, it is difficult to say how the benefits brought by conservation of environment in the supported farms would compensate for the loss in concentrated areas on the long run.

Option 2

The impact of option 2 seems to us to be situated between the impacts of the previous 2 options. There again, the communication is not specific enough to allow a detailed prospective.

(5) To what extent will the strengthening of producer and inter-branch organisations and better access to risk management tools help improve farmers' income levels and stability ?

European farmers, and even more so mountain farmers, to maintain their situation in the future, need to become a stronger part of the value-added chain and not only remain as simple producers of raw material. They must be able to organize in groups in order to increase their bargaining power in the management of supply and the generation of added value for productions.

Furthermore, the strengthening of the inter-branch organisations is fundamental to **enable the elaboration of common strategies between farmers and processors to secure a fair distribution of value added**. Hence, it is essential that the future CAP allows inter-branch organisations to organise, to structure their market and to control the development of the commodities they manage. We are fully aware that this might require a relaxation of competition rules specific for the agricultural sector.

We also think there is a need for creation of a **market monitoring system** which ensures greater market transparency through continuous monitoring of margins, the movement of demand and of process and the evolution of average production costs.

Besides, a general improvement of risk management tools is required to address more efficiently the income variations and the volatility of market prices which are impeding farmers' investment capacities and which endanger the sustainability of farms. A simple reconduction of existing measures is not sufficient. **It is necessary to put in place mechanisms that associate public and producer-financed mechanisms allowing to cap revenues in periods of high prices and margins and to pay a price complement in periods of crises.**

(6) What environmental and climate-change benefits would you expect from the environment-targeted payments in the first and the second pillar of the CAP?

It is not possible to answer this question at present, as the communication does not detail precisely the types of agricultural practices that will be supported in the framework of the 1st pillar and the relative amounts of the basic payment on one side, of green payments on the other side.

Ecological payments of the first pillar can have beneficial effects as regards biodiversity, carbon storage, water quality, as farming effectively plays a key role in the situation of these environmental assets, especially in mountain areas dominated by extensive systems. By supporting an economic balance of these farms, these payments will contribute to the maintenance of beneficial practices in mountain areas. Euromontana highlights that the greening of the first pillar will be positive only if measures are both simple (non-contractual) and associated to a real environmental added value. It means that these measures would reward practices that provide well identified environmental services (or bundle of services) that would be produced in a smaller quantity if not supported.

Payments to environmental services of the second pillar should be maintained to address environmental issues that are specific of one given territory, such as the adaptation of grassland breeding to climate change, or the maintenance of Alpine pastures.

Finally, regarding these environmental payments, it seems important to rethink the rules applying to international trade to ensure fair competition that takes into account the social and environmental standards applied. This is even more important in the field of climate change, as carbon easily crosses borders. When Europe imposes rules, especially as regards environment or social standards, and when these rules create costs (logistical means and investments) that might not be entirely supported by the subsidies received, Europe must apply the same requirements towards productions imported from third countries where these environmental (or social) norms do not apply (even if agriculture is supported), so as to avoid distorted competition.

(7) What opportunities and difficulties do you see arising from a significant increase of the rural development budget and a reinforcement of strategic targeting?

For Euromontana, the current second pillar has largely proved its efficiency when it comes to implementing active policies that all to sustainably retain agricultural production on the whole territory and to reach concrete results. The policy supporting less favoured areas in particular, if it does not fully compensate for regional disparities, is considered by mountain actors as the most efficient tool for the development of their regions. **An increase of the rural development budget would therefore be a chance for mountain areas agriculture and communities.**

Firstly, the increase of the budget would allow to strengthen the compensation of natural handicaps. This strengthening should operate in the framework of a European policy seeking to consolidate the territorial development and competitiveness. In that respect, the on-going revision of the of the perimeter of less favoured areas is of crucial importance for the retention of activity in these areas. It is necessary that the criteria used for future delimitation are duly justified and permit solid and coherent delineation that will not disturb the current territorial balance between mountains and piedmont areas. It will be also necessary to maintain sufficient flexibility and subsidiarity, allowing the member states to adopt a delineation that would illustrate the real conditions of agriculture on the ground.

Part of this increased budget could also be used for stronger support to payment of environmental services and actions for mitigation and adaptation to climate change. Special attention in that respect must be paid to grassland areas, and in particular to semi-natural and natural grazing areas for their considerable output in terms of biodiversity, carbon storage and water quality.

Combined with a cohesion policy that would pay greater attention to rural areas and within the integrated and bottom-up approach described at question 3, an increase of budget dedicated to the development of rural areas would also permit a real ambition for support to the real priority needs of rural communities, the inter-relations between sectors, economic diversification, support to green growth and innovation building on the strengths and weaknesses of these territories to the benefit of rural communities at large.

The rural development budget, applying the subsidiarity principle, leaves the possibility to member states to amplify specific policies and measures. **A reinforcement of strategic targeting could help to improve the results provided it does not come from a choice of priorities imposed at the European level of by member states.** We can ask instead to every territory to target its interventions, respecting the bottom-up approach explained at question 3. The targeting at European level would result from the aggregation of the orientations considered as most important by the majority of territories.

(8) What would be the most significant impacts of a "no policy" scenario on the competitiveness of the agricultural sector, agricultural income, environment and territorial balance as well as public health?

We believe that a "no policy" scenario would have devastating social, economic and environmental consequences both for those regions where farming would be abandoned and for those regions of Europe where farmers would intensify production yet further in order to sustain their competitiveness. The number of farms, and the farm labour force, would be drastically reduced. Territorial balance would be totally destroyed. Migration from rural to urban areas would accelerate, with serious consequences for unemployment, urban crowding, public health and pressure on public services.

Control and evaluation

(9) What difficulties would the options analysed be likely to encounter if they were implemented, also with regard to control and compliance? What could be the potential administrative costs and burdens?

The widening of the objectives of the CAP and the demands regarding the provision of environmental and other sorts of public goods will require adaptations of existing control systems, notably the IACS and LPIS systems. The needs will have to be sufficiently anticipated, at an early stage of the conception of measures. Difficulties will have to be reduced by timely and effective preparation and by adopting simple solutions. National and local administrations would benefit from guidelines edited by the Commission to ensure that administrative complexity will be reduced, for beneficiaries and for administrations. Common definitions of concepts, especially regarding the greening of the 1st pillar support, will have to be proposed. First pillar direct payments will have to operate on simple and easily quantifiable criteria, measurable by modern techniques, which could be applied horizontally in all member states, and amplify the results obtained by mass implementation.

(10) What indicators would best express the progress towards achieving the objectives of the reform?

Farm and agro-food sector indicators :

- **Farmers income, detailed** by farm type (size, sector, area...) :
 - o income
 - o income variability
 - o share of public support in the revenue
- **Indicators on land use** : UAA, grazing area (permanent grassland, temporary grassland, ...), forest
- **Output levels** by sector and differentiating LFAs and mountains among them
- **Farm-gate prices** by sector and area
- **Consumer prices** by sector and area and distribution channel
- **Average margins** for the different actors in the food chain
- **Quantification of food waste**
- **Farm size**, by sector and area
- **Farm population trends** : ages, pluri-activity
- **Indicators on levels of farm investments and farms financial means**
- **Installation rates**

Environnemental indicators :

- **Biodiversity** : indicators on species and habitats
- **water** : water quality indexes
- **use of chemical and organic inputs**
- **Air** : air quality indexes
- **Emissions and storage of CO2** by production system
- Indicators regarding the opening or closure of landscapes

Rural indicators :

- **Demographic trends detailed by age category** : population, in and out migration, employment rates, excess of births over deaths
- **Relative importance of economic sectors (GDP at PPP, share of active population) and distinction between public and private sectors**
- **Average income of inhabitants, by economic sector**
- Number and size of companies
- Average education levels
- Investment in research programmes regarding rural areas
- Number of students in education programmes targeted to rural areas
- **Interdependency of economic sectors**
- Distance in km to the nearest services of general interest : post, school, hospital, administrative services...
- Levels of access to high-speed broad band

The calculation of indicators should allow to evaluate income by area (with a LAU2 level) and by type of sector/production, in order not to hide, behind averages, significant local disparities.

The Commission could usefully build on the OECD approach "Driving force –State Response Framework" to structure indicators in order to highlight links between causes and consequences.

(11) Are there factors or elements of uncertainty that could significantly influence the impact of the scenarios assessed? Which are they? What could be their influence?

Uncertainties appear to us to be as follows :

- The absence of information on the budget, as a whole and regarding its distribution between the different support components, does not permit an impact assessment of the orientations proposed.
- The speed of recovery from the present economic crisis, particularly in the Eurozone, will constrain the willingness and ability of Member States to contribute their own share to the measures described in the scenarios or in our answers above. Special attention should therefore be given to new co-financing rules. The economic crisis also impacts the wealth of consumers and their willingness to pay premium prices for the products they consume. The potential of quality schemes and environmental claims to generate added value is therefore uncertain.
- The evolution and outcome of World and bilateral Trade talks. These could either expose European farmers to, or protect them from, unfair competition or food dumping from third countries, who do not have to observe the same high labour, environmental or animal-welfare standards.
- Climate change. Rapid changes in climatic norms, or rapid increase in the incidence of climatic extremes (storms, floods, droughts, extreme cold or heat), animal or plant diseases, which could disrupt farming, food markets, forests, ecosystems, infrastructure etc