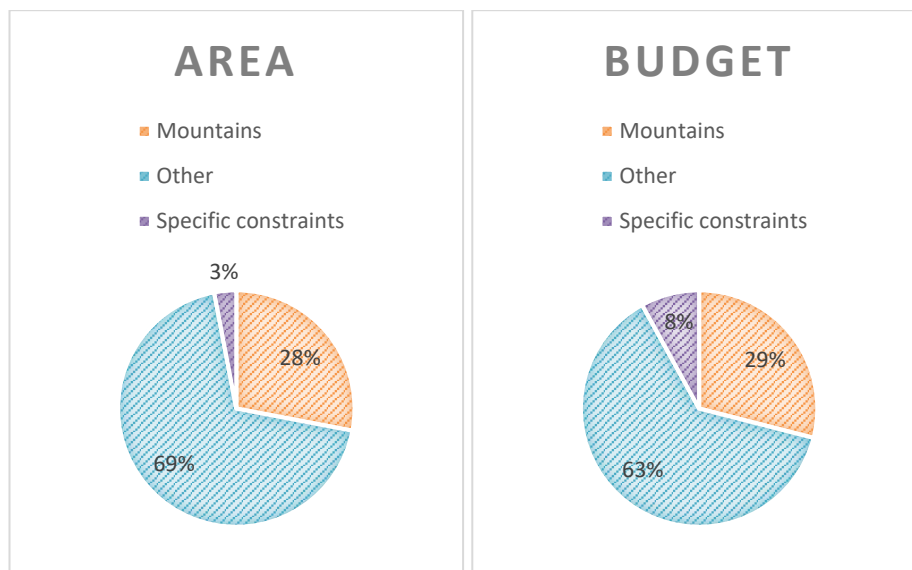


Implementation of the measure on areas facing natural or other specific constraints

Compensatory allowance for areas facing natural constraints (ANC) is a payment scheme of the Common Agricultural Policy (CAP) which aims to prevent land abandonment. The compensatory allowance for permanent natural handicaps applies to areas with natural constraints as well as other specific constraints. Since the 2013 reform of the CAP, the European Commission (EC) has asked the delimitation of areas facing natural or other specific constraints to be reviewed ([Regulation No 1305/2013](#)) by Member States using a new approach with more transparent and coherent indicators, such as 8 biophysical criteria. The implementation of this reform is still ongoing and Member States are encouraged to send in their new ANC delimitation to the EC before 2018. A workshop was organised by Copa-Cogeca in Brussels on the 18th November 2016 to assess the current situation.

Areas facing natural or other specific constraints fall into three different categories: **mountain areas, areas facing natural constraints other than mountain areas, and areas facing specific constraints**. In all these areas, farmers face higher costs of production and are eligible for compensatory payments calculated based on the additional costs incurred and income foregone. Overall, ANCs cover approximately 52 million hectares of the EU. In the 2014-2020 financial plan, **16 billion € are attributed to ANCs (measure 13 in Rural Development Programmes (RDPs))** which represents 16% of the total European Agricultural Fund for Rural Development budget (EAFRD).

Figure 1: Comparative data on the different types of ANCs



What are the different types of ANCs?

Mountain areas are defined following slope and altitude criteria which were first defined in 1975 (EU Directive CEE 75/268) with the first aids to Less Favoured Areas and more recently in the CAP, in [Council Regulation no. 1257/1999](#). These criteria are associated with conditions that affect agricultural activity (climate, altitude, etc.) thus significantly limiting land use and considerably increasing labour costs. Thus, all areas considered as mountainous can benefit of this compensatory allowance.

An **area with natural constraints** is defined by low soil productivity and difficult climatic conditions, but not by economic or population-related parameters. ANCs other than mountains should now be delimited by **8 biophysical criteria and further economic fine-tuning** as will be described hereafter. This new methodology is the solution brought forward through this reform to the previous 140 criteria used by the different Member States which were neither transparent nor comparable. A Critical report of the Court of Auditors in 2003

pointed out the discrepancies between ANC delimitation (“intermediate Less Favoured Areas” before 2003) in the different Member States and the poor targeting of the payments, which was starting point of the reform.

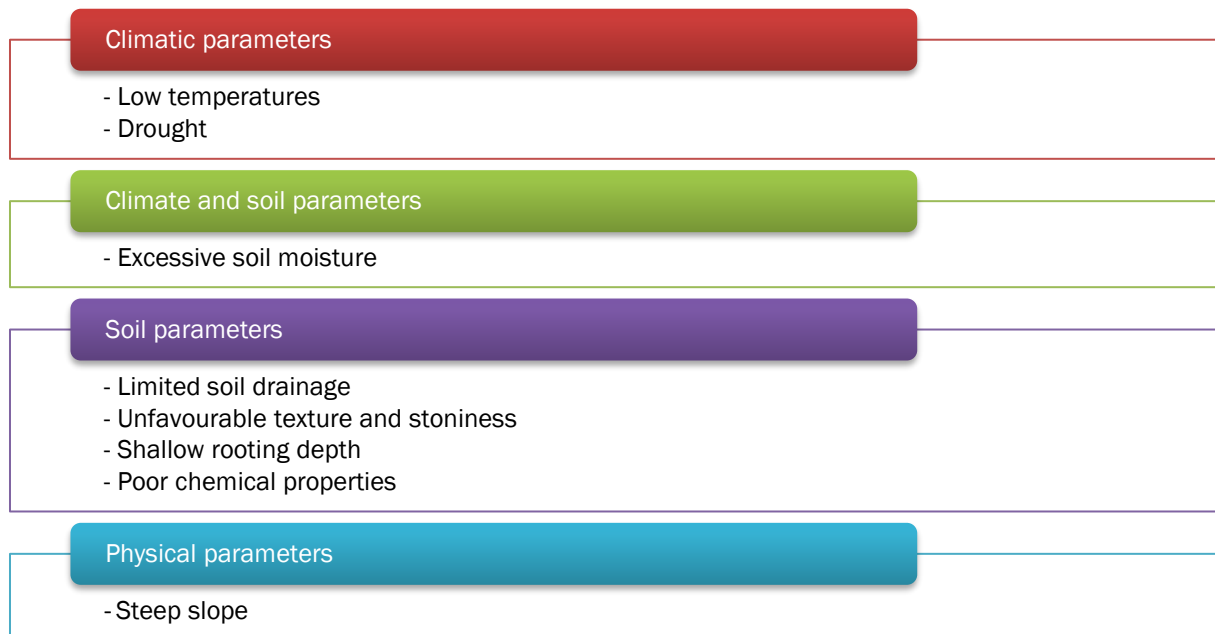
Finally, Member States can include 10% of their total agricultural land in the “**areas facing specific constraints**” category. An example of specific constraints could be soil with a karst content superior to 50% (used in Croatia, see [presentation](#) by Branka Palčić from the Croatian Ministry of Agriculture).

How to delimit areas facing natural constraints?

1. Natural constraints other than mountains

The reform of the CAP introduced 8 biophysical criteria (see figure below) with fixed thresholds to assess whether an area is an ANC or not (except in mountain areas). **Fine-tuning of this first delimitation is then carried out by the Member States based on economic and investments indicators to exclude from ANCs areas where the handicap has been overcome or where economic return is sufficient** to ensure no risk of land abandonment. For example, the poor soils of the Rhone valley in France are compensated by the high added-value of the production.

Figure 2: Biophysical criteria to define an ANC



The thresholds are detailed in Annex 3 of the [EU regulation 1305/2013](#). For example, a shallow rooting depth is defined by less than 30 cm between the soil surface and coherent hard rock or hard pan. The biophysical delimitation should be mapped by the Member States, then assessed by the EU’s Joint Research Centre and DG AGRI, and finally the fine-tuning is also assessed by DG AGRI.

Minimum 60% of the agricultural unit concerned should be constrained to be considered as part of the ANC. Several criteria may be combined to reach that threshold, whether it be in areas of specific constraints or areas of natural constraints other than mountains. The combination rules are the following.

Areas may be considered as areas facing constraints if:

- **At least 2 of the biophysical criteria apply**, each within a margin of no more than 20% of the respective threshold values, in a given local unit and covering at least 60% of the agricultural areas.
- **At least 60% of the agricultural area is composed** of areas where at least one of the biophysical criteria reaches the threshold value and of areas where at least 2 of the biophysical criteria each falls within a margin of not more than 20% of the threshold value.

This place-based approach is considered to be neutral because it doesn’t favour a particular production system or dominant crop. The criteria-based methodology is comparable and transparent which makes it easy to evaluate throughout the EU. The threat to this method is the lack of statistical data to map correctly

the ANCs. For that reason, part of the subsidiarity is left to Member States because the delimitation is based on the national statistics, collected and analysed within the country.

2. Fine-tuning ANC delimitation

In the examples presented during the workshop, fine-tuning led to exclude 1 or 2 municipalities of the initial ANC delimitation to more than 30% of the total area (see the [example](#) of Saxony, presented by Alfred Hoffmann from the German Ministry of Environment and Consumer Protection). The methodology used for fine-tuning follows the same logic as the delimitation process: Member States need to collect data, build a methodology and chose indicators to define the final delimitation map.

The Member States may choose one or several indicators out of the following list:

Figure 3: Fine-tuning economic or investment indicators

Type of indicators	Indicators	Threshold
Economic activity	Standard output	80% of EU or national average
	Average yield of dominant crop	80% of EU or national average
	Livestock density	1,4 livestock unit/ha
	Permanent crop or tree density	80% of EU or national average
	Normal land productivity	80% of EU or national average
Investment indicators	Irrigation for aridity	-
	Artificial drainage	-
	Greenhouses	-
Farming systems and production methods	Min. 50% of the agricultural area covered by certain farming systems or production methods.	

Thresholds given by the EC are not compulsory, but guidelines, which gives leeway to the Member States in the definition of their ANCs. However, if Member States want to use different methodologies, whether it be different indicators altogether or thresholds, they must justify the logic and consistency of it and the assessment of that different methodology will be done more carefully by the EC.

Payment scheme

The payment scheme will also evolve following the implementation of the CAP reform but the new payment scheme will not be enforced before the new delimitations have been defined. The deadline for payment application submission by the Member States is in 2018, otherwise a mechanism of digressive payments shall have to be implemented, which means Member States should send in their reports with the new ANC delimitation by the end of 2017 at the latest to leave time to the administration to process it. Member States should decide if natural constraints are to be totally or partially compensated.

Thord Karlsson from the Swedish Board of Agriculture presented an [example](#) of differentiated payment scheme. The level of payment is differentiated depending on climatic conditions (temperature criteria) and the farming system (additional costs and level of income). Differentiation was also done according to the farming systems (type of land used for forage, intensive or extensive system, arable land or permanent natural grassland, etc.) to avoid overcompensation. The Swedish authorities used animal units to categorise different systems. Digressive payments applied depending on machinery level.

The EC fixed minimums and maximums have been defined for the payment scheme:

- Minimum: 25€/ha/year
- Maximum: 250€/ha/year, exception made for mountains where the maximum is 450€/ha/year because regulations allow higher support rates.

Payments cannot be related to specific products or volume of production (following World Trade Organisation agreement requirements). Payments can be digressive above a certain threshold (determined by the Member State) to take into account the economy of scale.

Phasing-out schemes exist for areas that are not eligible anymore after the new designations and fine-tuning, or if the Member State isn't ready before the EU deadline. The phasing out scheme **may last maximum 4 years and end in 2020 at the latest**. The level of payment should start at maximum 80% of the average payment of the previous period. However, in 2020 the payment cannot exceed 20% of the amount which was fixed in the previous programming period.



Conclusion

The EC and Copa-Cogeca insisted on the importance of ANC support for farming in the EU. In mountain areas especially, the compensatory allowance is vital to support the agricultural activity which contributes to fighting erosion and keeping open landscapes through pastureland management for instance but also supports employment and avoids depopulation in rural areas.

Although the reform of ANCs does not concern mountain territories, they will still be impacted in a second phase, in areas where the number of farmers eligible for measures under the second pillar of the CAP is increasing. Since the financial envelopes of the RDPs are issued from a closed budget, the new eligibility rules require the payment of the allowance to any active farmer working in one of the classified sectors. **Euromontana therefore calls on Member States to maintain the priority given to mountain areas, in particular when concerned with the payment of the compensatory allowance, and as permitted by the new EAFRD Regulation.**

More information

The ENRD's dedicated [page](#) about ANCs

The [presentations](#) from the workshop

The JRC methodology and guidelines:

- [Methodology on how to combine the criteria](#)
- [Guidelines for applying common criteria to identify ANC](#)

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