

ELARD Submission to the Consultation Process of DG AGRI Concerning the CAP Reform

As part of the preparation of legislative proposals for the Common Agricultural Policy after 2013, scheduled for mid-2011, the Commission Services solicit input from interested parties to complete the diagnosis and exploration of options for reform outlined in the Communication "Meeting the food, natural resources and territorial challenges of the future" and in the consultation document for the impact assessment. The European LEADER Association for Rural Development took part in this consultation process by answering and submitting the following questionnaire.

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

The three policy scenarios reflect well the reform's objectives. However they expect the old two pillars thinking. As the main objectives are three (agriculture, environment and vitality of rural areas), there should be also three pillars. The current setting reserves all pillar 1 for agriculture, most of pillar 2 for agricultural environment and only leaves marginal support to non-agricultural environment and vitality of rural areas. The pillars must be renewed so that every objective has its own pillar and a fund allocation - this would stop the national level political compromises and hazards on funds allocation, often contradicting with the EC suggestions / recommendations.

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?

The problem definition section only talks about agriculture - a rural industry amounting to 1.2 % of the EU-27 GDP. Other rural industries often having more impact to rural economy have been fully ignored. The OECD for example talks about "old" and "new" rural policy paradigms when reflecting the old agriculture-driven rural policy and new tendency to look at the wider rural economy. Rural tourism, green care and creative industries are good examples of the wider rural economy from the services sector while wood processing, metal processing, mining and construction represent the industry sector.



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These rural industries have a good capacity to grow and bring Europe towards that smart, sustainable and inclusive growth targeted in the Europe 2020 strategy. The main problems of these usually micro-sized rural businesses are 1) lack of capacity to innovate, 2) family-based businesses need support to become growth-oriented, 3) lack of skilled labour and 4) difficulty to access international markets. The problems can be addressed through the rural development bottom-up measures, where businesses themselves can define their region-specific bottlenecks and apply support for their solution.

The problem definition section also forgets to talk about rural demography, even though it is people who should be at the centre of the CAP reform. Agricultural intensification has already led to population loss and ageing in the rural areas - is this also the future that the new CAP wants? If the rural areas are to be devoted to extensive agricultural plantations and the capitalist farmers are packed in the nearby cities, we can say goodbye to the rural vitality objectives as well as the other rural industries. Keeping rural areas populated and viable should be the number one objective of the CAP reform - without that all rural industries including agriculture are at risk.

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?

The scenarios hardly mention the rural development, or the rural development policy instruments. For example the LEADER approach, successfully implemented for bottom-up rural development since 1991 in the EU, is not even mentioned. Without grassroots level commitment of rural inhabitants all three CAP objectives are just words on the paper.

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?

The adjustment scenario is a "business as usual" option. It wouldn't change anything and calling it a reform is just a trick.

The integration scenario gives even more focus to agriculture than now - this would artificially endanger the gradual and necessary industrial re-structuring of the countryside and lead to excessive agricultural production in the EU and major difficulties in global fair trade / WTO policy.

The re-focus scenario is what the EU needs from the Europe2020 strategy point of view. However the scenario is written in such a dramatic way that its purpose is to scare everyone back to the "business as usual" model. Why "solely re-focus the support around ensuring the environmental and climatic change objectives" - sounds like rural Europe would be reforming to one big nature protection area. And why



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then "rural areas and territorial balance would be achieved by the cohesion policy"? With a little bit less dramatic re-focus model we could try to reach a better balance between the agricultural and rural development pillars, in such a way that these two that critically need each other would both gain at the end of the day.

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

The only sustainable way to increase farmers' income levels is through innovation and farm diversification - we have seen it in all LFA-areas where agricultural profitability is at lowest in the EU. Trade takes a lion's share and market volatility exists also on other rural production businesses.

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?

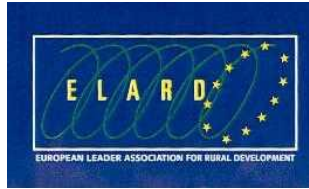
Environment-targeted payments help protect the environment from large global phenomena such as eutrophication of the seas. The causal relations of land-use and climate change must be studied better in order to effectively include this objective to the CAP - piloting of course is very welcome in the CAP renewal and a good argument for CAP spending. On micro-scale farmers, forest owners, village development associations and other community groups, hunters, nature protection associations, youth clubs etc. shape and manage the rural landscape. As the primary sector gets more and more busy earning their living in the free competition environment, more incentives should be targeted to the civil society actors to take care of the landscape values, traditional ecosystems and wetlands - just like the current axis 2 of the Rural Development Programme has enabled but with higher and more motivating subsidy levels.

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

The major opportunity is to diversify the rural economy and find new innovations from the emerging sectors. As the result the rural areas become more competitive and add to Europe2020 strategy. The agriculture would remain one of the most important rural businesses, but it would better follow the regional comparative advantages and needs of the local consumers. Strategic targeting is very necessary in all regional policy but there must be more choices than environment and climate change!

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?

The scenarios' weaknesses and strengths are already analysed above. All three main scenarios expect control and administrative tasks - thus main focus must be put in the effective delivery mechanisms.



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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?

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

- amount of rural population in the EU
- number of farmers
- farmers' income levels
- self-sufficiency/ food security indicators
- number of micro-enterprises and SMEs in rural areas
- number of jobs in rural areas
- number of civil society community development groups in every region
- share of GRP (gross regional product) invested in development of service/ product innovations in private, public and civil sectors
- number of active transnational contacts in the region

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?

European food security has been affected by several disease / infections over the past decades. The EU cannot afford similar crisis situations anymore because they lead the member states finally go back to national, safe agricultural policy. On common market area the consumers must be able to be sure that the food they buy in a supermarket is clean, safe and healthy not depending on which member state it comes from.

Bioenergy field is in very quick development at the moment. It may bring new competing land-use options with agriculture in near future.