Background note

on Copa and Cogeca position regarding the CAP post 2020 in view of the first trilogue meeting on 10/11/2020

As we are heading towards an essential part of the CAP negotiation process, the trilogues, Copa and Cogeca would like to express its gratitude for the work already done by both the Agricultural Council and the European Parliament. At the same time we must underline that farmers and agricultural cooperatives have high expectations from the outcome of this process, both content and time-wise, in order to ensure the much necessary legal certainty.

It is important to recognise that the CAP is an EU success story. Despite its flaws, it has delivered significant benefits for all European citizens: food security, the vitality of rural areas, and contribution to environmental challenges.

The co-legislators must continue improving on the Commission’s proposals for the future CAP. The next CAP must become easier to use and less burdensome, and its system of controls and sanctions must be simplified all across. The New Delivery Model must provide simplification and ensure the commonality of the CAP – one with common EU rules, while Member States are provided with some degree of flexibility.

Member States must ensure that they adopt a balanced approach to all three pillars of sustainability when designing and implementing their strategic plans and addressing the nine proposed specific objectives. The role of farmers and agri-cooperatives in this process would be essential.

The Enhanced Conditionality must comprise rules that are simple, realistic as well as easy to execute and control given the significant increase in the requirements that farmers must comply with and their related cost and burden. A particular attention should be paid to farmers participating in the small farmers’ scheme. Penalties for non-compliance must be proportional.

We support measures to address environmental sustainability and climate policy in the CAP. However, this must not be done at the expense of the economic sustainability and competitiveness of the agricultural sector.

It is imperative to maintain the communality of the policy when implementing voluntary measures in Pillar I.

The CAP plays a crucial role in maintaining vibrant rural areas and ensuring a sector that is economically, environmentally and socially sustainable at a moment where it is being faced with volatile markets and extreme weather events and in which the impact of the COVID-19 pandemic will have a lasting impact.

It is therefore important to ensure that the CAP is equipped with the necessary tools to help farmers to remain economically viable and competitive while they respond to these challenges.

Recognizing the specificities of the agricultural sector and allowing farmers to work collectively are essential to strengthen farmers’ position in the food supply chain. The end result must be to
improve their bargaining power and get a better share of the consumer euro. But we need to provide farmers with legal certainty to guarantee that they can use these policy tools.

Within the National CAP Strategic Plans, the measures targeting investments and innovation recognised POs and cooperatives beyond the SME threshold must also be eligible for support.

Copa and Cogeca would like to underline as well the need to put in practice clear effective measures that will secure generation renewal and attract young people to farming. This is of the utmost importance given the current low income level in the agricultural sector.

The future CAP must seriously consider the future of investments in agriculture and the innovations that we will need to feed Europe’s future. This is crucial for the future of our farming sector and of our cooperatives.

All this requires stability and the tools to adequately manage risks.

Commonality, simplification and farmers’ income, alongside sustainability and climate change are key priorities for us.

If we do not see clear results on these, the economic viability and sustainability of the sector will be at stake. As a consequence we will have a rural exodus and farmers will not be able to deliver on environment and climate.

You can find below some more detailed points regarding the key political aspects of the three proposals (Strategic Plans, Horizontal regulation, CMO).

**CAP Strategic Plans proposal for a Regulation**

**Article 4 – Definitions.** Copa and Cogeca support a clear/strong definition of active farmer across the EU based on real and effective agricultural activity or provision of public goods in line with the CAP Strategic Plans objectives to ensure targeting of support to where it is really needed. This definition should however not exclude pluri-active farmers. The inclusion of landscape features as part of eligible hectares would allow farmers to continue receiving direct payments for those areas, would provide flexibility and avoid administrative burden in the aid application. We could support a permanent grassland definition that is close to the current definition to avoid any dramatic change in the reference area or a decline in the number of hectares.

**Article 11 and 12 – Conditionality and Annex III** – The enhanced conditionality should allow some degree of variability across the EU in a manner that does not jeopardise uniform implementation. On GAEC 1, it remains important that that grassland is managed at national/regional level as it is today. On GAEC 2, appropriate protection of wetland and peatland would be challenging in countries with a large share of this under agricultural use. We regret the non-inclusion of “sensitive areas” under this obligation. On GAEC 7, the obligation needs to make sense from an agricultural perspective. Sensitive periods should allow for good agricultural practices, as this requirement is difficult to be implemented in Baltic and Nordic countries. On GAEC 8, Copa and Cogeca supports the inclusion of crop diversification as alternative practices and the exemption for crops under water, but we regret permanent crops were not included. On GAEC 9, Copa-Cogeca support the same percentage as the EFA under greening which we have today, meaning 5%. In reaching this target, productive features need to equally be included as they can have higher environmental benefits than simple set-aside and are also crucially important for providing feed for animals in critical situation, such as during a heat wave.

**Article 15 – Capping.** For Copa and Cogeca, the obligatory capping does not take into account the different farm structures across the EU, for which a voluntary approach would be a better fit.
Similarly, capping should only apply to the basic income support for sustainability and must include a full deduction of salaries of employees and non-remunerated family members.

**Article 28 – Eco-schemes.** Implemented under Pillar I, eco-schemes must be obligatory for Member States and voluntary for farmers. We need more clarity regarding the type of agricultural practices that benefit the climate and environment that could be included under the eco-schemes. These must not compromise the agri-environmental measures under pillar II that have proven to work. They should be one of the cornerstones of the new enhanced conditionality and complementarity with the European Green Deal targets and visions. To achieve these targets and enable the transition, farmers need to be first and foremost well supported financially. In this regard, it is fundamental for Copa-Cogeca farmers’ economic sustainability and, as a consequence, an adequate income through basic income support. For this we have called for **BISS to represent at least 60% of Pillar I allocations.** Taking this into consideration and the allocations for other measures in Pillar I, we cannot support for eco-schemes an amount higher than 20% of Pillar I.

**Article 30 – Coupled support.** It 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 allowed to identify the sectors that should benefit from this. In this regard, we should not be limited to a prescriptive list of sectors, but MS should have the freedom to target the sectors that really need support, based on their SWOT analysis. Coupled support should be maintained at the current level, at least.

**Art 70 – risk management tools.** Copa and Cogeca would prefer a Pillar II approach instead of the possibility for Member States to grant up to 1% of direct payments for risk management tools. Also, risk management tools must be obligatory for Member States so that beneficiaries can use them and voluntary for farmers.

**Article 86 – Financial allocations.** An adequate income through basic income support is fundamental for European farmers’ economic sustainability and to ensure that high standards are compensated for. For this we have called for **BISS to represent at least 60% of Pillar I allocations.** Taking this into consideration and the allocations for other measures in Pillar I, we cannot support for eco-schemes an amount higher than 20% of Pillar I. We must ensure a degree of financial flexibility between eco-schemes and other direct payments interventions under Pillar I to prevent loss of funds in case of under uptake of eco-schemes measures. The initial years of such new measures require careful preparation and information to farmers. Copa and Cogeca backs the inclusion of the support to areas facing natural or other specific constraints (ANCs) under the eligible interventions that contribute to the environmental objectives that are part of the 30% minimum ring-fencing of the budget dedicated to AECM. This is consistent with the benefits this measure has on sustainable management of the agricultural land, preventing land abandonment, contributing to biodiversity, the natural landscape and to tackling climate change.

The 5% ring fencing for Leader would not be needed. Instead, MS should be given flexibility how to spend their budget based on their priorities.

**Article 90 - Transfers between pillars** – Copa and Cogeca have repeatedly underlined the importance of two strong CAP pillars and do not favour excessive transfers between the pillars (mainly from Pillar I to Pillar II). We believe that, besides other consequences, this will have a distortive impact in the implementation of the future CAP.

**Horizontal proposal for a Regulation**

**Article 14 – Crisis reserve.** The crisis reserve should 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. Crisis
reserve should focus on exceptional measures and should not go towards measures to stabilize the markets and measures to take over income stabilization tools under risk management tools. This might prove to be difficult as these tools are established under Pillar II (multiannual and co-financed) and the crisis reserve is established under Pillar I. Moreover, no upper ceiling should be introduced for the crisis reserve.

**Article 84 - Control system for conditionality.** Farmers participating in the small farmers scheme should be exempted from the controls and penalties (Copa and Cogeca believe they should be exempted from conditionality).

**Article 86 - Application and calculation of the penalty.** Copa-Cogeca believe that the early warning system should offer more guidance and more possibilities to correct errors. An upper limit for penalties would have been desired. Penalties for non-compliance must be proportional. Allowing beneficiaries to voluntary correct their aid applications submissions could further contribute to a more proportional and guidance system.

**Results-based system:** Copa-Cogeca has stated in multiple occasions the support to the new delivery model and the result-based system provided that they deliver simplification for beneficiaries and do not endanger the communality dimension of the policy. As such, the basic outlines of the result based system must be retained and remain fully functional.

**Common Market Organisation (CMO) proposal for a Regulation**

**Article 15 – Public intervention price.** Copa and Cogeca support the fixed price system before activating the tendering system as it gives more certainty to operators in times of crisis. Relying purely on the tendering system might not be beneficial for the overall market evolution.

**Articles 218b new, 219a new, 219b new** – When addressing the market disturbance measures, we cannot support the proposed voluntary reduction scheme tied together with the measures to stabilise production in periods of severe market disturbances by imposing a levy on those producers increasing production since it does not take into consideration the differences between sectors, nor it provides an indication on where the financing to cover these interventions would come from. The EC has indeed flexibility, according to the current legal basis, to adopt delegated acts in order to take the necessary measures in case of market disturbance in a particular sector.

**Meat denominations:** Copa and Cogeca strongly support the protection of meat denomination at EU level, in order to avoid misleading practices. Moreover, this should be extended to other types of agricultural products, for the same reasons. 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.