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<i>No</i>	<i>Title/kind (email, note) of document</i>	<i>Author of document</i>	<i>Date of document</i>	<i>AGRI decision</i> Ex. Give access, Refuse, Consult MS	<i>Comment or justification in case of refusal</i>
1	Finland's answer to the LFA consultation	Ministry of Agriculture Tiina Malm Tiina.malm@mmm.fi www.mmm.fi	26.6. 2008		
2	MTK'S ANSWER TO THE LFA-CONSULTATION	MTK – Finnish Farmers Union www.mtk.fi simo.tiainen@mtk.fi	30.6. 2008		
3	Comments on the Less favored Area Scheme	Reijo Solantie Reijo.solantie@elisanet.fi	16.6. 2008		
4	Review of the 'Less Favoured Area' Scheme Public consultation document for impact assessment	Hovorka Gerhard, Dax Thomas, Tamme Oliver Bundesanstalt fuer Bergbauernfragen, (Federal Institute for Less-Favoured and Mountainous Areas) Vienna, Austria  email: josef.hoppichler@berggebiete.at	26.8. 2008		

		www: <a href="http://www.berggebiete.at">http://www.berggebiete.at</a>			
5	Review of the "Less Favoured Area" Scheme	<p>REPUBLIC OF CYPRUS MINISTRY OF AGRICULTURE, NATURAL RECOURCES AND ENVIRONMENT</p> <p>Tel No: 00 357 22819359</p>	4.8. 2008		
6	Union of LFA farmers, Czech Republic (Svaz marginálních oblastí)	<p>Union of LFA farmers, Czech Republic (Svaz marginálních oblastí) answers on the public consultation on the review of the "less favoured area" scheme</p>	27. 6. 2008		
7	Estonian positions concerning the Review of the "less favoured area" scheme: public	<p>No author Probably the Ministry of Agriculture</p>	?		

	consultation document for impact assessment	address: Lai tn 39 // Lai tn 41, 15056 Tallinn, Estonia e-mail: pm@agri.ee phone: +372 625 6101 fax: +372 625 6200			
8	Public consultation document for impact assessment	No author Probably the Central Agriculture Office of Hungary  H-1024 Budapest, Keleti K. u. 24. Tel: +36-1-336-9300 Fax: +36-1-336-9094 www.mgszh.gov.hu	30.6. 2008		
9	Public consultation document for impact assessment	No author Probably the Ministry of Rural development: Tel: +36 1 795 3882 Fax: +36 1 795 0410 Email: intcomm@me.gov.hu	27.6. 2008		
10	Public consultation document for impact assessment	No author Research Institute (?) no more information	27.6. 2008		
11	EU CONSULTATION  ON  REVIEW OF  'LESS FAVOURED AREA SCHEME'	Countryside Alliance Ireland The Courtyard Lyall Plant Chief Executive Lyall Plant Larchfield Estate Lisburn BT27 6XJ <a href="http://www.countrysideallianceirela">http://www.countrysideallianceirela</a>	3.12. 2012		

		<p>nd.org/          Republic of Ireland office:          Countryside Alliance Ireland          Courtlough Shooting Grounds          Balbriggan          Co. Dublin</p> <p>Tel: 01 6903610</p>			
12	Irish Farmers Association Position on the EU Public Consultation on the Less Favoured Areas Scheme	Irish Farmers Association <a href="http://www.ifa.ie/">http://www.ifa.ie/</a> <a href="mailto:kerry@ifa.ie">kerry@ifa.ie</a>	25.6. 2012		
13	review of the "less favoured area" scheme - Consultation	Ruth Messner <a href="mailto:Ruth.Messner@provinz.bz.it">Ruth.Messner@provinz.bz.it</a>	26.6. 2008		
14	PUBLIC CONSULTATION DOCUMENT FOR IMPACT ASSESSMENT LFA	<a href="mailto:lzuba@info.lt">lzuba@info.lt</a>	30.6. 2008		
15	Review of the Less Favoured Area' Scheme / Public Consultation on Impact Assessment	For the Province of Limburg Mrs Annemiek Canjels  <a href="mailto:ampa.canjels@prvlimburg.nl">ampa.canjels@prvlimburg.nl</a>	30.6. 2008		
16		Provincie Noord-Holland Directie Beleid p/o box 3007 2001 DA Haarlem Netherlands			

17	Review of the Less Favoured Area' Scheme / Public Consultation on Impact Assessment	Province of Limburg Postbus 5700 6202 MA Maastricht The Netherlands			
18	Review of the 'Less Favoured Area' Scheme  BirdLife International's response to the European Commission consultation	Ariel Brunner, +32 (0)2 280 08 30 ariel.brunner@birdlife.org	30.6. 2008		
19	COPA AND COGECA CONTRIBUTION TO THE PUBLIC CONSULTATION ON REVIEW OPTIONS FOR INTERMEDIATE LFAS	COPA-COGECA Secretariat +32 2 287 27 11	23.6. 2008		
20	Consultation on the review of the Less Favoured Area Scheme 2008 – a response from EFNCP	European Forum on Nature Conservation and Pastoralism Gwyn Jones info@efnecp.org			
21	Euromontana's answers on the public consultation on the review of the "less favoured area" scheme	Euromontana – 2 place du champ de mars, 1050 Bruxelles, Belgique tel : +32 2 280 42 83 ; fax : +32 2 280 42 85 ; email : info@euromontana.org	30.6. 2008		

22	WWF	WWF Northern Ireland 13 West Street, Carrickfergus Co Antrim, Northern Ireland BT38 7AR  tel: 028 9335 5166 fax: 028 9336 4448  northernireland@wwf.org.uk wwf.org.uk/northernireland	27.6. 2012		
23	Subject: Ministry of Agriculture - Ro - position on LFA delimitation	mihai.constantinescu@madr.ro	30.8. 2008		
24	Slovenia's position regarding the reform of less favoured areas	gp.mkgp@gov.si	8.7.2008		
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26.6.2008

3386/312/2007

AGRI-F3@ec.europa.eu

subject: **Finland's answer to the LFA-consultation**

Dear all,

Please find below Finland's answers to LFA-consultation.

- 1. What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?**

*Threats*

The LFA proposal subject to the consultation refers to the economic, social and ecological sustainability of agriculture. In areas with natural handicaps, such as Finland, the economic sustainability of agriculture (profitability, liquidity and solvency) is threatened. When operating on a common market the prices are to a growing extent determined according to the demand and supply as goods and services move easily across state borders. This means that the first place where the production can no longer be continued is where the unit costs are the highest. A weak economic result impacts on social sustainability due to both the negative impacts on regional economies and reduced incentives to continue production. Changes in the economic preconditions for production lead to changes in the environment as well.

Decrease in open and managed farming landscapes causes the most dramatic changes to the rural landscape. To avoid this, the continuation of farming should be ensured, even if Finnish agriculture inevitably suffers from permanent natural handicaps, resulting in higher production costs and lower returns than in more favourable regions. This problem is particularly evident in livestock production, where the unit costs are rising rapidly due to the higher input prices. The constant weakening of the profitability, which also affects the motivation of the producers, is a serious threat to the continuation of farming in Finland. Of our total surface area about 8% is open, managed agricultural land. These arable areas are of primary importance as regards the rural landscape and amenities. Retaining the relatively small agricultural area in sustainable and diversified agricultural production that gives due account to environmental considerations also contributes to the preservation of habitats for plant and animal species living in farming environments.

From the perspective of safeguarding the global food supply in the long term, it must be possible to continue agricultural production also in Finland, despite the permanent natural handicaps.

#### *What can be done?*

Natural conditions affect the competitiveness of agriculture relative to both other regions and sectors. Farming always takes place within the limits allowed by nature. Because of the limitations imposed by our northern location, the productivity of Finnish agriculture is low. The low yield levels obviously mean that the single farm payments to Finnish agriculture remain quite small, which is why natural handicap payments are particularly important for maintaining agricultural production

Without the natural handicap payments farming could not be continued in a country like Finland, where the growing season is short and winters are long and where cultivation suffers considerably from the great variations in the temperature at different times of the year. We should ensure that the income level of farmers in less-favoured areas is equal to those who farm more favourable areas. Without this agricultural lands will not be utilised and landscapes managed and it will be increasingly difficult to find new farmers to take over the farms. The continuous decrease in the number of livestock farms has also affected biodiversity as the area used for grazing has diminished. The measures to enhance biodiversity under the agri-environment scheme are not sufficient to ensure that livestock farms continue to use their lands for agricultural purposes, but actions will also be needed through the natural handicap payments. The need to differentiate the levels of the payments will be known in greater detail after the support level calculations to be made later on.

Rural development measures are also highly important in conditions such as those prevailing in Finland. Natural handicap payments secure the foundation for practising agriculture as they make it possible to continue using agricultural land and to manage rural landscapes. Only when this foundation is in order, the farmers are able to introduce other rural development measures. Investments and agri-environmental measures cannot be undertaken if agriculture is not economically profitable, which would mean that the farm has no future. Open and managed countryside also allows the development of other industries, such as tourism.

## **2. Are the options analysed consistent with the objectives of the review?**

### *Introduction*

In our view the concept of extensive farming is difficult to achieve in the context of natural handicap payments. Measures to develop the production, with due account to environmental considerations, must be allowed also in less-favoured conditions to ensure the preconditions to continue farming. Promoting extensification is included in the objectives of the agri-environment measure and it should be supported through this.

The requirement concerning extensive farming has not been analysed and in our view no unambiguous definition can be presented for it. Extensive farming cannot be defined solely through, for example, the area used for grazing or predominance of a certain production sector. In Finland the pasture season is short and, due to the natural conditions, feeding is largely based on

indoor feeding. Extensive production cannot be defined on the basis of the use of any single input, either, because intensive use of another input may substitute for extensive use of a certain input. In adverse conditions the input-output ratio – i.e. productivity, typically remains weaker than in more favourable conditions. One aim of the review is to create a transparent and comparable support scheme. In our view no equitable indicators for defining extensive farming have been presented – such that would take account of the true conditions in different countries.

### *Status quo*

This option would fulfil the requirements for the less favoured measure of Regulation (EC) N:o 1698/2005. Very likely further updating besides the abolition of the socio-economic criteria would be needed. We were prepared for this when drafting the natural handicap measure for the programming period 2007-2013. In the status quo option the Member States could have several criteria of their own for the intermediate areas, even if these would be based on climate and soil factors.

### *Common criteria*

First step responds to the critique by the auditors as well. When defining common climate and soil criteria to describe less-favoured areas, it is important to use source material that is collected in the same way in all the Member States both quantitatively and as regards the method of measurement. There are still differences between the Member States in how the indicators have been measured.

According to the Commission the premise for the second step (production indicators) is that the natural handicap has been removed in certain regions defined as less-favoured in the first step. Natural handicap due to the northern climate conditions cannot be removed by means of any cultivation methodologies: the growing season cannot be lengthened nor the effective temperature sum increased.

The disadvantages to agricultural production due to the unfavourable conditions have been alleviated by means of production methods and species and varieties developed specifically for the northern conditions. However, the adverse natural conditions still constitute a permanent handicap in Finland. Because of the short growing season no higher-yielding varieties that require a longer growing season can be cultivated in Finland. In the case of, for example, feed maize, such varieties would considerably reduce the costs of cattle farming, which in Finland must be based on grass silage with higher production costs than those of feed maize. Adverse conditions are reflected in the range of plant varieties available to agriculture, low yield levels and the fact that even during the short growing season the plants cannot take full advantage of all available days because in many areas the ground is still frozen when the growing season starts and the cultivation work must be carried out in a very short time (economies of time, described in Annexes 3a, b and c of the Rural Development Programme for Mainland Finland). Adverse conditions are also reflected in the production structure and methods and as high production costs. Production technologies have been developed everywhere, not only in adverse natural conditions. This means that the disparities between the regions have not diminished, but quite the opposite: new production methods are largely based on the utilisation of the economies of scale. The opportunities to take advantage of this are also weaker in the less-favoured areas. All this means that the disparities between the favoured and less-favoured regions are likely to grow further in the future.

The conditions for eligibility should be, like so far, a certain minimum area, cross-compliance conditions and possibly some other elements considered important in the Member State concerned.

#### *Eligibility rules*

See above. The eligibility conditions established by the EU could be a certain minimum area and fulfilling the cross-compliance conditions. We should bear in mind, however, that each Member State knows its own regional needs in these respects. As pointed out in the analysis, creating common definitions and limits for eligibility for the whole Community is very difficult due to the great variation in the circumstances prevailing in the Member States. It also complicates the support schemes and causes various kinds of administrative problems.

#### *High nature value*

The HNV option meets quite poorly the objectives set for a support scheme needed in less-favoured areas. There are no common criteria for defining HNV areas that would take account of the special characteristics of the Member States. The HNV aspects are well suited to the objectives of the agri-environment measure, which is why we suggest that the payments necessary for the preservation, management and development of HNV areas be taken care of through the agri-environment measure.

### **3. What difficulties would the options analysed be likely to encounter if they were implemented?**

#### *Timeframes for the LFA review*

Despite the thorough preparation, a profound review is very difficult to carry through and implement so that it would be effective as from 1 January 2010. Changes to the definitions of regions and eligibility conditions of the support scheme during the programming period cause additional work, not only for the administration but also for the beneficiaries. One major complication is that the ratio between the support schemes would change in the middle of the funding period.

#### *Status quo*

When entering the current programming period we were largely prepared to act in accordance with this option. Finland as a whole would continue to be eligible for the natural handicap payments and the criteria would have been updated and support levels revised. The eligibility conditions would be the cross-compliance conditions, minimum surface area and certain national requirements.

The problem in this might be that we would not fully respond to the critique of the Court of Auditors regarding the common criteria but, still, the criteria would be founded on climate and soil factors.

### *Common criteria*

Natural handicap due to the northern conditions cannot be overcome by means of cultivation technologies, but the growing season stays short and effective temperature sum is still low. The differences between different kinds of less-favoured areas are taken into account through variation in the support level. There are no regions in Finland that would be completely free from the permanent handicap, which means that the second step option would be unnecessary in the Finnish conditions and it must not be required as a compulsory basic phase, but it can be a voluntary step for Member States.

### *Eligibility rules*

Adding any common eligibility criteria on the EU level is not possible in practice due to the differences in the conditions between the Member States.

The extensification requirement would lead to injustice on farm level because of vast variation of farming conditions between farms, production sectors and areas. Severe definition problems of the concept of extensification itself could not be avoided. Furthermore, the requirement would create a lot of extra bureaucracy. No new criteria are needed in the less-favoured areas when the handicap has been established in a commonly agreed manner and calculations have been made to determine the support level. Differences in the degree of the handicap can be addressed by differentiating the support levels.

### *High nature value*

In this opting the natural handicap would no longer be compensated for in all less-favoured areas even if the calculations showed that natural handicap to the production exists. This option would also not respond to the critique by the Court of Auditors because there do not exist harmonised criteria for HNV areas.

4. **What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?**

### *Status quo*

Advantages: Natural handicap is compensated for.

Disadvantages: There are still certain differences between the Member States in the definitions, but they would be founded on climate and soil criteria.

### *Common criteria*

Advantages: Natural handicap is compensated for.

Disadvantages: Second step excludes areas suffering from natural handicap from the compensation. Average value in region or Member State is not fair if the whole region or country is less-favoured

and already under EU-average. Proposed second step might work well in regions where there are also advantaged areas, but not in regions where all areas are more or less disadvantaged.

#### *Eligibility rules*

Advantages: Natural handicap is compensated for.

Disadvantages: Second step excludes areas suffering from natural handicap from the compensation. Average value in region or Member State is not fair if the whole region or country is less-favoured and already under EU-average. Proposed second step might work well in regions where there are also advantaged areas, but not in regions where all areas are more or less disadvantaged. New eligibility rules also increase bureaucracy. Eligibility rules defined on the Community level do not seem appropriate due to the great differences in the circumstances between the Member States.

#### *High nature value*

Advantages: Allows support needed for the preservation and management of HNV areas (in Finland the preservation and management of such areas and payments based on support level calculations are implemented through the agri-environment scheme as the objectives related to the areas have been compatible with the objectives of the scheme).

Disadvantages: Natural handicap would no longer be compensated for in all less-favoured areas. Does not meet the objectives of the scheme.

### **5. In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?**

From the Finnish perspective the climate criteria are the most relevant ones for describing the natural handicap to agriculture due to the northern location (length of the growing season, effective temperature sum). In Finland the ground is still frozen at the start of the growing season, even if the air is warming up after winter frost. Besides the night frosts, excessive moisture due to the melting snow and ground frost shorten the growing season which can really be utilised. The plants cannot take advantage of the early part of the growing season; even if measured by the temperature the growing season is short enough, the period really available to the plants is even shorter. This is why we propose that the threshold value for the climate criteria would be 190 days for the growing period and 1500 degrees for the temperature sum.

Except for slope, structural handicap due to natural obstacles is not taken into account in the criteria. In Finland stoniness, mires, forests, lakes and rivers restrict the size of arable parcels and increase the distance to the farm headquarters. These cost disadvantages caused by natural conditions are not taken into account in the selected indicators.

Neither do the criteria take account of the additional costs to livestock production due to the northern conditions and short growing season. We should also keep in mind that in Finland all cereal must be dried in a special cereal drier. Building the drier and the drying process cause significant additional costs to plant production.

6. What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?

When measuring natural handicap by commune (municipality) the area is quite small and in most cases the information may be difficult to obtain. We would prefer the NUTS 3 level (regions).

7. Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?

Serious natural handicaps due to the northern location cannot be overcome by means of production technologies. This is why there is no need to establish any indicators concerning the northern areas for this purpose.

8. Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?

The requirement concerning extensive production has not been analysed and in our view no unambiguous definitions that would take account of the true conditions in different countries can be presented for it. Extensive production cannot be defined e.g. solely through grazing. In the northern conditions, for example, the building costs are high and the grazing period is short, which means that production cannot be highly extensive in the same means as in more favourable conditions. If this were the case, the expensive buildings would be used inefficiently. In favourable conditions there is much less need for building, at least to protect against temperatures that are far below zero.

9. Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?

In difficult natural conditions the production costs rise to a very high level. Building costs are a good example of this. To avoid stranded costs, production efficiency must be improved. Agriculture must be profitable also in the less-favoured regions - if this is not the case, there will be no agriculture, either.

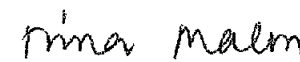
Yours faithfully,

Director-General

Ministerial adviser



Heimo Hanhilahti



Tiina Malm

30.6.2008

97/2008

**MTK'S ANSWER TO THE LFA-CONSULTATION**

Dear all,

Please find below the Central Union of Finnish Agricultural Producers and Forest Owners (MTK) answer to the LFA-consultation.

**1. What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?****Threats**

Agricultural production in Finland takes place in the exceptional natural conditions of the north. The growing season is short and the weather conditions vary strongly from year to year. The harsh natural conditions reduce greatly the number of crops, and harvest levels are low as the short growing season prevents the cultivation of high-yield varieties.

The farming conditions of the north add to the production costs and reduce incomes. As a result, farm incomes are low and profitability marginal. The level and growth of farmers' income must be in line with those of other social groups – otherwise the continuity of agriculture will be seriously threatened. Over the current and previous year, the cost increase in livestock production in particular has been rapid, lowering the profitability of production significantly.

Maintaining agricultural production in less favoured areas like Finland is also very important in terms of preserving our rural environment and scenery. Only some eight percent of Finland consists of open agricultural land. Should the open scenery be further reduced, it would substantially diminish the attraction of rural areas and with it activities such as agro-tourism.

**What could be done?**

The economic importance of the compensatory allowance to farmers is very great in Finland since approx. ten percent of farm and horticultural income and almost one half of net income is made up of compensatory allowances. It would not be possible to secure the profitability of agricultural production without compensatory allowances. The compensatory payments provide active farmers with an economic lifeline.

The compensatory allowance makes it possible to partly compensate for the income losses and unusually high costs caused by the shortness of the growing season and the great annual variations in temperature.

To keep agriculture alive, it is essential that the compensatory allowance continue at least at the current or higher level. By securing the continuance of agricultural production, we will also make sure that the rural scenery and environment remain attractive and well cared for.

## **2. Are the options analysed consistent with the objectives of the review?**

Article 50.3.a of the Council Regulation No. 1698/2005 mentions the maintenance of extensive farming in less favoured areas. In the natural conditions of Finland where the grazing season lasts only a few months, extensiveness is not a suitable criterion for less favoured areas. In the less favoured areas of our country, production must be profitable and worthy of development or it cannot be maintained at all. We must also remember that income increases in other industries and income groups will encourage young people living in rural areas to move away from agriculture especially where farm income and profitability are low.

### **Status quo+**

This option suits Finland best, but it is problematic for the producers of many other member states due to the abandonment of socio-economic criteria. For this reason, we would like to see certain other factors, such as distance, included in the definition of these areas.

### **Common criteria**

Agricultural operating conditions and the extent of natural handicaps may be assessed with the help of common indicators (first step). These indicators must, however, be based on common criteria. The indicators must describe the disadvantage of an area as fairly as possible. Hence it would also be important to know the readings of the various indicators for each member state and assess their economic impact well before decision-making.

The second step is, at least in the Finnish circumstances, impossible to understand. There is no chance that the disadvantage of a handicap area could have been overcome by technical or some other means. In Finland, severe weather conditions constitute a natural handicap that is always present, albeit with annual variations.

Finnish farmers have to use crop varieties that have been developed for difficult conditions and have a smaller yield than varieties cultivated in areas with longer growing seasons. Soil preparation has to be completed in a short time, which also adds to the costs. For both arable farming and livestock production, we can try to reduce the impact of natural handicaps, but the high cost caused by them will always remain.

We would also like to point out that in favourable farming areas it is easier to apply new technologies and high-yield varieties suitable for good conditions. Hence the differences in profitability between favoured and less favoured areas will increase rather than decrease over time.

### **Eligibility rules**

It is important that the rules of eligibility for aid be defined only in general terms at the EU level. These might include a certain minimum area and complementary terms. The specification of more detailed eligibility rules should be left to the member states. In Finland, a key point is that the aid could be targeted to active farmers who maintain agriculture in less favoured areas while at the same time supporting the vitality of rural life.

Due to the very different natural conditions of the member states, it is impossible to define common eligibility rules at the Community level.

### **High nature value**

The HNV option is not suited for delimiting less favoured areas nor does it meet the objectives set for the LFA scheme. The EU has no common criteria for designating HNV areas that would take the special features of each member state into consideration.

### 3. What difficulties would the options analysed be likely to encounter if they were implemented?

#### **Status quo+**

From the point of view of the Finnish farmers, continuing the natural handicap system based on its current criteria would be the best option. A flexible implementation of the system that considers the needs of different less favoured areas would require, however, that the maximum compensatory allowance per hectare would be eliminated or raised, and include the option to differentiate between livestock and crop production farms.

A significant number of the less favoured areas are designated on the basis of socio-economic factors. In this option, these factors can no longer be used when defining such areas. It is important that the LFA reform treat fairly the farmers located in areas designated on the basis of such criteria.

#### **Common criteria**

The natural handicaps caused by the northern climate can not be managed using cultivation technology measures as the growing season is and will always remain short and the effective accumulated temperature low. A system of varying levels of aid takes the differences between different disadvantageous areas into account. No area in Finland is free of natural handicaps, i.e. the second step is unnecessary and should not be made mandatory. These farms already face higher costs. Any additional requirements would weaken their competitiveness even more.

#### **Eligibility rules**

Common eligibility rules at the EU level are practically impossible due to the different conditions of the member states.

The extensiveness requirement would result in excess bureaucracy and may also cause unfairness. The less favoured areas do not need any additional criteria as the disadvantageousness has been established in a manner jointly agreed upon and the level of aid calculated. The variations in the level of disadvantageousness can be addressed using graduated aid levels.

#### **High nature value**

The HNV option is out of the question because the area needed for agricultural production does not equal the areas significant for their natural values. Moreover, the HNV areas have not been defined on the basis of common and fair criteria in all member states.

The problems of agricultural production in HNV areas should be addressed using other means of the Common Agricultural Policy – the compensatory allowance is not suitable for that purpose.

### 4. What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?

#### **Status quo+**

**Advantages:** The continuation of the present system would give farmers the possibility of consistent and stable production.

**Disadvantages:** Farmers located in areas where the eligibility used to be based on socio-economic factors would suffer.

#### **Common criteria**

**Advantages:** Including climate and soil as criteria for natural handicaps would bring stability.

Disadvantages: The second step included in this option would exclude some farmers/areas with natural handicaps. This would not be justified as the cost of alleviating these natural handicaps is not removed in most cases.

### **Eligibility rules**

Advantages: Compensation for natural handicaps is an advantage.

Disadvantages: As above, the second step would exclude farmers/areas with natural handicaps. We must realise that eligibility rules established at the Community level would not work in practice because of the great differences in the conditions of the member states.

### **High nature value**

Advantages: No obvious advantages.

Disadvantages: It appears that in the great majority of the less favoured areas natural handicaps would no longer be compensated for. This option should not be adopted.

## **5. In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?**

Natural handicaps vary greatly in different member states. It is therefore not possible to make reliable estimates about which biophysical criteria would be sufficient to describe the natural handicaps in the entire EU.

It is obvious that climate and soil factors are important in determining a natural handicap in a balanced way. In Finland, climate factors describe well the natural handicap for agriculture resulting from our northern location. The threshold values of 190 days for the growing season and 1500 degrees for the effective accumulated temperature define the natural handicaps of Northern areas in a rational manner. Below these thresholds, harvests are poor, crop variety very limited, annual weather variations great, etc. We must also remember that in the springtime in Finland, even with temperatures already above the freezing point, the ground is still frozen and cultivation work has to wait.

## **6. What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?**

In Finland, not all data is available at the municipal level. Moreover, merger activities are reducing the number of municipalities greatly. The regional level (NUTS 3) is likely to be the best level for these examinations.

## **7. Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?**

As stated above, the natural handicaps of Finland resulting from our northern location cannot be overcome by technical or other means.

## **8. Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?**

Changes in the Common Agricultural Policy of the EU have resulted in a growing amount of aid being based on the number of hectares under cultivation. Even the single farm payment is based on the

number of hectares eligible for aid. This has led to a weakening of the motivation for livestock production.

In Finland, the cost of livestock production is high and compensation payments must be included in the measures used to encourage farmers to continue livestock production. It is therefore important that the LFA reform include examining any possibilities of raising the compensatory allowance of livestock farms to a higher level than that of crop farms. At the same time, the current maximum amount of the compensatory allowance per hectare should be either removed or at least increased. This is justified by the great increase in the costs of the agricultural production in the EU member states.

**9. Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?**

The Commission has not performed a comprehensive impact analysis of each of the options. Each member state should do its own assessment and pay special attention to the changes that have taken place in the profitability of farms operating in difficult natural conditions. The EU Commission is about to change a central support system in a situation where the cost of agriculture is rising rapidly in the entire EU, with livestock farms located in less favoured areas facing particularly difficult circumstances. For this reason, any economic impact assessments of the various policy options must be carried out very carefully. If there is a risk that the changes would drive farmers into an unbearable economic situation, the LFA reform should be postponed, perhaps till the beginning of the next programming period.

Yours faithfully,

President

Michael Hornborg

Director

Seppo Aaltonen

Issue: Comments on the Less Favoured Area scheme-EUROPA Agriculture

by

Dr. Reijo Solantie

Dear Commission officials for preparation of the LFA-system,

thus I like to comment on the determination of the LFA regions due to cool boreal climate.

My background is a career as climatologist at the Finnish Meteorological Institute, with a long experience in agrometeorological applications, research and risk analysis. I am retired since last year but still interested in meteorological applications.

According to the list of criteria for LFA regions the supposed criterion for the cold climate is that the duration of the thermal growing season (during which the mean temperature is over +5 degrees), is shorter than 180 days. This criterion fails when comparing regions of different degrees of continentality with each other, as does the traditional temperature sum in excess of +5 degrees.

Albeit one parameter is sufficient for the cold climate criterion, it should however be a function of more than one thermal factors. In boreal climates the temperature sum during the growing season and day-length are also important, not only the duration. We may construct the thermal parameter  $P$  as  $A + B$ , where  $A$  refers more to the time available for growing processes and  $B$  to the demand of heat and day-light, both given as degree-days. Here,  $A$  is the sum of daily components for days with mean temperature above 0 degree. Daily components (denoted by  $i$ ) are as  $a \times T_i$ , where  $a$  is a coefficient, and  $T_i$  = the daily mean temperature  $t$  for  $0 < t < 5$ , while  $T_i = 5$  when  $t > 5$ . Each daily component of  $B$ , denoted by  $B_i$ , is 0 when  $t < 5$  but when  $t > 5$  it is the mean temperature during the light time period ( $M_i$ ) in excess of +7 degrees. In other words,  $B_i = L_i \times (M_i - 7)$  where  $L_i$  = the duration of light time (hrs) divided by 24. The coefficient  $a$ , relating the effectivity of one degree-day of  $A$  to that of  $B$ , has a value 0.24. For days when  $0 < t < 5$ , we have  $P_i = 0.24 \times t_i$ , while for warmer days  $P_i = 0.24 \times 5 + B_i = 1.2 + B_i$ . If we set the climatic LFA-boundary to fall together with the isoline at which the duration of the thermal growing season (in excess of +5 degrees) is 180 days at the southern coastline of Finland,  $P$  has a value of 1030. At this isoline of  $P$ , describing LFA-limit conditions all over in Europe, the duration of the thermal growing season in Scotland is 230 days and in Austria 195 days. (July means are in Finland 16.5, Scotland 13.7 and Austria 15.5, respectively). Accordingly, this method enables us to compare with each other regions that are different in respect of continentality. So, we may also find counterparts of European agricultural conditions in Siberia or Canada, where they are found at appreciably lower latitudes where days are shorter. Nowadays, hourly values are already available at most of observation stations, and concerning historical values, they can be well approximated as function of diurnal temperature amplitude (DTR) and day-length.

Temperatures between 0 and +5 degrees, involved in P, have meaning for grasses, pasturing and sugar beet yield. The method also takes into account sowing conditions in spring because in regions where temperature rises steeply and temperature sum between 0 and +5 is small, ground still at +5 degrees air temperature is too wet and cool to be sown after melt of snow and soil frost, while in regions of slowly rising temperatures fields are ready to be sown in lower mean temperatures. This method also takes into account the decreasing continentality and the increasing NAO-index involved in the climate change. The development of vegetation by stages is also more correct than by traditional summing daily means in excess of +5 degrees.

Concerning the determination of the climatic limit of LFA-regions, the criterion of the boundary should simply be called 'Cold-climate criterion' or something like that, instead of the complicated cluster of climatic criteria for the LFA subsidies, comprising subsidies for mountain areas (mountain limits run through flatlands, as well. Terms should not be felt ridiculous by farmers!!), subsidies for areas north of the 62nd latitude (climate does not obey latitude!!) and subsidies based on articles 18, 19 and 20 (climate does not obey administration!!). This real jungle of boundaries is in need of simplification and to be logically renamed. If I understood right, the need of simplification was one of the reasons for this consultation request. So, I thank greatly for this proceeding and opportunity to express ideas on the subject, on suggestion of Mrs. Tiina Malm at the Ministry of agriculture and forestry, frequently visiting Brussels.

If You see my idea suitable, I am ready, in a short time, to produce a sample of values of P at stations around the LFA-limit due to cold climates in Austria, Finland, Scotland (and additionally in Canada), also including temperature sums at the end of each month, to be compared with the respective results obtained by traditional temperature sums and durations of the growing season, in that case hoping an appropriate payment for my work as a retired scientist.

Yours sincerely



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## **Review of the 'Less Favoured Area' Scheme**

### **Public consultation document for impact assessment**

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26 June 2008

#### **Introduction**

Even before Austria's EU accession similar measures to the Less Favoured Area (LFA) scheme have been developed and attained a high level of public acceptance. Although the main part of the respective support is targeted since the 1970s towards farmers in mountain areas and the improvement of infrastructures and accessibility in these areas, it was recognized long ago that there are also other areas outside the mountain areas in need of LFA support. Our institute focused within rural development research on the analysis for classifying the respective types of areas, pointing to the differentiation requirements to reflect the divergent production difficulties and assessing the implementation mechanisms and effects of the measure. In particular, it highlighted that efforts to cope with marginalisation trends in these areas are linked to the integration of farm households in the regional economy and society<sup>1</sup>.

A further aspect, the valuation of the environmental impacts of agriculture in LFA, has been an integrative part of the objectives from the beginning of the respective schemes in Austria when the development of the cultural landscapes and the relevance for tourist activities in Austria was addressed as a core element of the scheme.

With the changes in the Rural Development Programmes, establishing it as the Second Pillar of the Common Agricultural Policy (CAP), the attention for the need to remunerate the services of farmers working under severe production difficulties even increased. The current review of the application of the scheme in the intermediate areas, the "other less favoured areas", is mainly led by the need

- to update the classification base of the scheme,
- to increase effectiveness of targeting in these areas,
- to improve comparability between European countries, and
- to avoid overcompensation (if relevant).

Some presentations have summarized the situation and the main issues addressed by this discussion (see e.g. [http://mpira.ub.uni-muenchen.de/6572/1/MPRA\\_paper\\_6572.pdf](http://mpira.ub.uni-muenchen.de/6572/1/MPRA_paper_6572.pdf) ). This contribution intends to provide a short reflection on the public consultation document with the

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<sup>1</sup> The institute participated in various Framework Programmes supporting the close relationship of agricultural activity and regional development, e.g. the FP5 project „Strengthening the Multifunctional Use of European Land: Coping with Marginalisation” (EUROLAN), QLK5-CT-2002-02346, and FP6 project “Towards a Policy Model of Multifunctional Agriculture and Rural Development” (TOP-MARD), no. 501749.

aim to achieve a review that sharpens the orientation towards a measure that mitigates marginalisation trends in LFA of Europe.

### **Intermediate LFAs in Austria**

In 1995, on accession to the EU, the LFA classification in Austria was redefined and adjusted to the EU criteria. This was carried out at the level of municipalities or (in several amendments of the following years) for parts of municipalities (cadastral units etc.). The criteria selected for Austria for the demarcation of other less-favoured areas (intermediate less-favoured areas) and agreed upon by the EU Commission were:

- productivity index not more than 30 (= 70% of Austrian average; agricultural comparability index, criterion for soil productivity and overall agricultural productivity) and
- population density: A maximum of 55 inhabitants per square kilometre (70 in exceptional cases) or an annual out-migration rate exceeding 0.5 per cent and
- employment: a high portion of employment in agriculture (more than 15% of active population).

The main criterion, the productivity index, reflects primarily the presence of land of poor productivity potential. In accordance with EU criteria, 6% of UAA is classified as intermediate less-favoured areas. The evaluation findings for the LFA payment scheme in Austria reveal that this measure made an effective contribution to the compensation of existing handicaps.

The other less favoured areas are a typical intermediate area in Austria. About 3% of the Austrian population lives in these areas. It is an important feature of the Austrian LFA application that the payments are not limited to full time farmers, with part-time farmers being equally eligible since their farm activity is esteemed to provide an equivalent contribution to the multifunctional tasks of agriculture in these regions.

### **Options for the review**

Assessment of the four options identified and selected by the ISSG:

#### **1. "Status Quo+"**

This scenario assumes the removal of the socio-economic indicators which were a fundamental element of the former classification approach. With the changes in the objectives of Rural Development Programmes rural depopulation issues are less directly addressed. Consequently the scenario restricts the criteria scope for the delimitation of the intermediate LFAs to a set of criteria which are esteemed most appropriate for defining natural handicaps of agriculture by Member States. The Member States using index systems might be allowed to base the future definitions on such complex indicator systems, but assuring that the socio-economic indicators have been removed. We'd suggest therefore to address the orientation of this option not as the continuation of the current application, but as a clear option that has to be selected by the Member States. Hence our proposal is to reflect this through labelling this scenario "**subsidiarity approach**".

Countries like Austria might adjust the current index system (productivity index) in line with the renewed objective of the LFA measure set out by the Council in 2005 and remove the two socio-economic criteria (population density and employment). This option would be in line with the intention of the European Court of Auditors (report 2003) and increase the administrative feasibility for the implementation of the new delimitation.

## **2. “Common Criteria”**

This option combines a LFA delimitation based on common and objective criteria referring to natural handicap (bio-physical criteria identified by the Joint Research Centre, JRC) with a limited revision of the eligibility rules, in order to improve effectiveness. The disadvantage of this proposal is that the individual criteria provide very detailed information and don't address the LFA character of an area. They are therefore useful to pinpointing to specific situations, but less meaningful for a geographical classification. The index system instead might be more objective and is capable to take into consideration more aspects of disadvantages than a single criterion. Moreover, it wouldn't be easy and a realistic option for the Member States to collect all the necessary data for the common bio-physical criteria in a comprehensive comparable way. It is not clear how the second step of the common criteria, based on production indicators, will be implemented across all the Member States without jeopardizing equal treatment.

## **3. “Eligibility Rules”**

Option 3 puts the emphasis on the common framework for the eligibility rules to be applied at farm level within the designated areas, in order to further enhance the targeting of LFA support to those farming systems which contribute most to sustainable land management. In general, this is not an option for the classification of the LFA but for the application of the scheme within the area. As such the approach could be applied to any selected geographical unit.

As addressed above, we see several advantages in favouring option 1. That approach provides an orientation on classifying areas as less-favoured ones and wouldn't mix them up with other CAP objectives. Additional environmental aims should be addressed directly by agri-environmental payments, as it is the case in the current RDPs.

We think that additional eligibility criteria could be discussed in a way that individual farms which are located within the LFAs but which do not fulfil the criteria of the index system would not get the payments (or be just entitled to reduced payments).

## **4. “High Nature Value”**

This option links the support to agriculture in areas affected by natural handicaps to the existence, classification and preservation of high nature value (HNV) farming systems defined on the basis of common criteria. Although there is a great overlap between LFAs and HNV areas, a considerable part of areas shows different characteristics and yet reveals the attributes of LFAs.

In our opinion this option would divert from the objectives of LFAs and address other objectives. As such it would not take account of the aspects to remunerate farm management under specific natural production difficulties. Moreover the contribution of LFAs to the wider approach would be lost. In particular this relates to the stronger focus on land management

that should contribute, through continued use of agricultural land, to maintaining the countryside and to maintaining and promoting sustainable farming systems.

### **General aspects**

The consultation document addresses in a series of questions a number of important aspects for the review. We'd like to underpin some of the issues that we consider to be particular important in the review discussion:

- The review of the delimitation of the intermediate LFAs should be based on a geographical classification that seeks homogenous areas of at least a minimum size. The "regional" approach would allow to address the LFA more clearly in their main spatial characteristics and would provide scope for subsequent differentiation for the Member States.
- A classification target might be the level of municipalities or parts of municipalities, where there are very large and/or divergent situations within municipalities. Actually this is a case for MS decision as the administrative structures are very different between (and even within some) MS.
- The options address to a high degree the wish to focus the future action of the LFA scheme more directly on the core target of natural handicaps. This should also result in consequences for the application of the scheme paying particular attention to the degree of production difficulties (differentiation of support on farm level).
- Such a perspective would constitute an effective strategy to avoid overcompensation and provide a closer linkage to the actual level of production difficulty.
- As the thrust of the natural handicaps is not changing over time and irreversible the scheme has to be conceived as a long-term measure with objectives well beyond the agricultural sector alone. Following from this we can conclude that there is a specific task of this measure clearly distinct from the measures of agri-environmental and environmental policy. We have to pay attention not to mix them up, as any too closely environmental measure would endanger to loose the other multifunctional tasks of the LFA measure.
- The close relationship of farm management with the regional situation is particularly expressed in LFAs. Pluriactivity is an important feature of farm households and has an impact on the regional economy. This linkage can provide very useful services at the regional level and its economic effects shouldn't be underestimated. An effective support of land management in these areas can therefore be of high relevance for the regional system.



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4 July 2008

The European Commission  
ISSG "LFAs"  
c/o Josefine LORIZ – HOFFMAN  
130, rue de la Loi  
B 1049 Brussels

**Subject: Review of the "Less Favoured Area" Scheme**

I would like to refer to the above subject and the "public consultation document for impact assessment" prepared by ISSG which has been distributed to technical experts at the meeting held on 23/4/2008 and to provide you with the answers to the questions set out in the document:

**Q1: What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?**

Threats posed:

- Progressive lessening of the availability of natural resources due to adverse weather conditions and/or climatic changes.
- Gradual decrease of farm incomes because of increasing cost to purchase inputs and level of prices of produce that can be achieved in the market.

There should be in place an intervention mechanism to address the environment and social needs.

**Q2: Are the options analyzed consistent with the objectives of the review?**

The options analyzed are relevant and consistent with the objectives of the review.

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**Q3: What difficulties would the options analyzed be likely to encounter if they were implemented?**

Option 1 (reference option)

- Existence of considerable disparities between MS in terms of the area classified.
- Unequal treatment of beneficiaries as a result of the designation process.
- Effects of the measure on farm incomes with implications for its effectiveness.

Option 2

- Areas that might be excluded from LFAs should be identified by using production related indicators attained above a certain ceiling for a series of years under a certain farming system.
- Sustainable farming system should be secured by establishing the necessary infrastructure prior to implementation.

Option 3

This option address the difficulties in case of implementation by limiting LFA support to those farming systems that make a specific positive contribution to sustainable land management taking into account the fact that different farming systems may coexist in the same area.

Option 4

- There are no set criteria for HNV farmland classification.
- Payments should be fixed at a higher level for a limited number of beneficiaries because less areas should be qualified as LFAs.

**Q4: What would be the most significant impact of the options analyzed? What is your assessment of the advantages and disadvantages of the options analyzed?**

Option 1 (reference option)

There is a positive impact on the recipient of the support but there is no clear evidence towards improving the viability of rural communities.

Option 2

Effective in maintaining farming activities and the continuation of land use.

Option 3

Positive effect on the continuation of land use and the promotion of sustainable farming system.

Option 4

Impact on environment in HNV farmland but farming in highly protected areas can be difficult.

**Q5: In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?**

The biophysical criteria are sufficient to reveal the natural handicaps and present an assessment on agricultural areas.

**Q6: What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?**

The area unit for measuring a natural handicap should form an entity.

**Q7: Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?**

Criteria for assessing whether a natural handicap has been overcome can be:

- Average yield for arable crops,
- Average yield for permanent crops,
- Gross margin for a crop within a specific farming system.

D. Ketonis

For Director  
Department of Agriculture

# SVAZ MARGINÁLNÍCH OBLASTÍ



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Horní Police, 27. 6. 2008

## Union of LFA farmers, Czech Republic (Svaz marginálních oblastí) answers on the public consultation on the review of the “less favoured area” scheme

Svaz marginálních oblastí is a non-governmental organisation of LFA farmers of the Czech Republic. These farmers are located mainly in the marginal regions and take care of more than 100 thousand pieces of cattle. Member farms take care of ca 200 thousand hectares of farmland.

Conclusion: As the best option Union of LFA farmers of the Czech Republic evaluated the second option “Common Criteria”.

***Q What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?***

Threats:

1) Selfdestructive transfer to more intensive farming on smaller areas by ploughing up (turning from grass into mould) of the best (relatively) farmland and abandonment of the worst farmland within one farm. This threat is being worsened by:

- rise of commodity prices
- degressive payments in general
- LFA payments applied also on arable land (lowering LFA payments on grassland)

2) Shaping the LFA policy for intensive farmers as the LFA farmers are not the main stream. Farmers with high crops, high percentage of arable land (80 % and more), very high cattle densities (1,5 cattle unit per hectare) receive LFA payments. That is why the LFA payments are sometimes understood as “payments for nothing” = payments for every region.

What could be done:

- exclude intensive crops (plantations) explicitly from LFA payments and concentrate these payments on grassland with the condition of minimum and maximum limit for cattle density. In this way the payments will be decoupled and at the same time farmers will be motivated to keep cattle in reasonable amounts in accordance with natural conditions.

***Q Are the options analysed consistent with the objectives of the review?***

Option 1 – is not consistent. It does not solve the existing problems (e.g. mentioned by European Court of Auditors)

## SVAZ MARGINÁLNÍCH OBLASTÍ

Option 2 – shows the best consistency. It is fair-minded, reflects new situation on the commodity market, targets LFA payments on extensive farming.

Option 3 – is less consistent – LFA classification is on the level of farms, which is too complicated with big administrative burden and it is very unstable in time.

Option 4 – is less consistent – instead of extensive farming it concentrates itself on biodiversity, but this is a target of agro-environmental measures. Thus we see a conflict there and duplicity. Moreover there is a threat of land-abandonment in areas with the combination of natural handicaps and lower natural value.

### ***Q What difficulties would the options analysed be likely to encounter if they were implemented?***

Option 1 - It does not solve the existing problems (e.g. mentioned by European Court of Auditors). There will be conflicts.

Option 2 – depends on selected conditions and indicators

Option 3 – It would be very hard to find consensus on eligibility rules.

Option 4 – There is no consensus on parameters. Instead of extensive farming it concentrates itself on biodiversity, but this is a target of agro-environmental measures. Thus we see a conflict there and duplicity. Moreover there is a threat of land-abandonment in areas with the combination of natural handicaps and lower natural value.

### ***Q What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?***

Option 1 – The main disadvantage is the fact, that there is no targeting on extensive farming and above mentioned threats.

Option 2 – Most significant impact will be viability of extensive farming and prevention of land abandonment. Payments will promote positive externalities. Nowadays also farmers producing negative externalities are eligible for LFA payments. This is experience of the Czech Republic. Moreover these farmers devalue any calculation of economic burden of sustainable farming. Targeting on extensive farming helps in its way to internalize externalities. In this option LFA payments will not go against agro-environmental measures.

Option 3 – EU-wide eligible rules would need compensation against EU average values.

Option 4 – Instead of extensive farming it concentrates itself on biodiversity, but this is a target of agro-environmental measures. Thus we see a conflict there and duplicity. Moreover there is a threat of land-abandonment in areas with the combination of natural handicaps and lower natural value.

### ***Q In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?***

Biophysical criteria are sufficient for the first stage of area delimitation and they are far better than the current system. In the second stage of delimitation, criteria of extensive farming should be used. The condition should be combination of grassland (permanent pastures) and lower + upper limit for cattle density. Only grassland (permanent pastures) should be eligible for LFA payments.

Above all no resuscitation of obsolete and harmful socio-economic criteria should take place. Such criteria as „share of farmers in population“ resulted in the Czech republic in devastation of agriculture in naturally handicapped areas where the industry is stronger and people commute e.g. 50 km into automobile factories. The strength of industry is not the fault of the farmer nor of the landscape. Socio-economic criteria could be used also in intensive agricultural areas. That is why there is no added value for LFA. These criteria can discriminate farmers in naturally handicapped areas. The risk of excluding vast areas from LFA is obvious.

### ***Q What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?***

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The smaller region the better. Natural handicap lowers crops and limits the free choice of farmer. Only extensive agriculture is then sustainable. It can be defined for the commune NUTS 5 (LAU 2).

***Q Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?***

The best criteria is the ratio extensive/intensive farming. It means the percentage of grassland or the share of permanent pastures. The natural handicap has been overcome (or does not exist) if the majority of farmland is arable land (mould).

On the other hand we want to stress, that misleading results could be obtained if the average yields of cereal crops are compared. There are only a few hectares of cereals in some naturally handicapped areas, but with the high yield. But in an area where there are thousands of hectares of cereals, the average yield can be slightly lower. It can misjudge that the first area has better natural conditions.

***Q Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?***

Yes, there are higher investment subventions for farmers in LFA in RDP axis I. This is often the only reason for farmers why they want to be in LFA. Without excluding areas with intensive farming, it happens that super-intensive farmers draw higher investment subventions without applying for LFA payments and thus without meeting conditions for LFA payments (land management, sustainable farming).

***Q Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?***

Main factors have been included/addressed. Analysis is very good.

Best regards

Ing. Milan Boleslav  
president  
Svaz marginálních oblastí

**Estonian positions concerning the Review of the "less favoured area" scheme: public consultation document for impact assessment**

***Q What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?***

Low soil fertility as a natural handicap could lead to the abandonment of land use and agricultural production in certain regions. In these regions combination of different measures is needed. Investment support could help to adjust farm structures in these regions. LFA support could through eligibility rules take into account the needs of different areas and direct the support to high nature value areas or promote grazing in these areas.

***Q Are the options analysed consistent with the objectives of the review?***

Estonia shares the issues raised in reasoning the LFA delimitation, namely the shortcomings of the scheme pointed out by Court of Auditors – variety of criteria used in limiting the areas in Member States are not comparable. In combination with the aforementioned, differing payments across Member States lead to different treatment of farmers. Therefore we think that Option 1 (Status Quo+) proposed is a step back in delimitation exercise and could draw the attention off the original reasons and objectives of delimitation. Instead we should move towards common LFA scheme, based on common criteria and common approach for financing.

***Q What difficulties would the options analysed be likely to encounter if they were implemented?***

Biggest difficulty in case of Option 1 (Status Quo+) is variety of criteria used and no real comparability for the scheme across Community. Therefore we cannot see any advantages in continuation of current scheme.

In case of Option 4 the difficulties derive from the fact that the high nature value areas are defined differently across Member States. HNV areas are not always equivalent to LFA areas. Third step of delimitation in the option could exclude some areas affected by natural handicaps. These areas could be important from some other aspect – peripheral areas with low soil fertility. Biodiversity challenges can more easily be tackled in the framework of agri-environmental measures. LFA should mainly focus on sustainable land management.

***Q What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?***

For disadvantages of options analysed, see the previous answer.

Biggest advantage of Option 2 (Common Criteria) and Option 3 (Eligibility Criteria) is that they would make the LFA scheme more comparable across Member States. Therefore these options are most in line with the objective of delimitation.

LFA delimitation will have no significant impact without revision of the financing of the scheme. In case of some Member States it could increase the pressure on the budget of rural development programme. Therefore in medium term we propose to examine the possibility to integrate LFA scheme with pillar I with appropriate financial arrangements.

***Q In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?***

We consider the biophysical criteria listed in Table 1 sufficient, especially in the context where area would be designated as disadvantaged if it meets one single criterion at the fixed threshold. We also welcome adding soil chemical properties in criteria, especially acidity.

***Q What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?***

Inside the Member State the most appropriate and lowest possible level for measuring a natural handicap for agriculture could be a commune level. It is not possible to use farm as a level for measuring the handicap, as it is administratively not reasonable.

***Q Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?***

We see some problems with the second step used for delimitation in Common Criteria and Eligibility Rules options. In case of biophysical criteria used, in most cases it is not possible to overcome those as those are by definition permanent, only alleviating the handicap for certain time is possible. If some kind of criteria is to be used in assessing whether the natural handicap has been overcome, we propose to use turnover per hectare compared to EU-27 average and 75% threshold as criteria.

***Q Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?***

LFA areas should also be taken into account in dividing the rural development resources between Member States. LFA based on common criteria should also have common financing and equal treatment across Community. Issue to be touched upon should also be demarcation of objectives with CAP pillar I and especially article 69 (article 68 in HC proposal) of Council Regulation 1782/2003.

***Q Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?***

See the previous answer.

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8

**Public consultation document for impact assessment**

- 1. *What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?***

In our opinion, this issue concerns the protection of soils endangered by erosion and of sloping areas already affected by erosion, and also the utilization of soils having been eroded as a result of the application of extreme or inappropriate agri-technology. The response to the situation primarily depends on the extension of agricultural areas with unfavourable conditions, the cultivation branches of the areas, the traditional cultivation methods applied in the areas, and also whether it is worth farming in these areas or the cultivation should be given up, so that only landscape management shall be maintained. However, it needs to be taken into account that without determining the abovementioned, mainly general, but from the aspect of the task essential, common parameters at EU level, the task cannot be accomplished, although finding resolution to the aforesaid problem both at EU and at national level is justified.

- 2. *Are the options analysed consistent with the objectives of the review?***

Yes.

- 3. *What difficulties would the options analysed be likely to encounter if they were implemented?***

The scale of demarcation is important in case of each alternative. Is there any information available to the demarcation at EU level, or the scale of demarcation has to be determined together?

- 4. *What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?***

The second alternative is the most adequate, as the methodology of the demarcation contains certain parameters, but it also provides the necessary flexibility to the Member State to focus on the most important factors.

- 5. *In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?***

Yes.

- 6. *What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?***

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- 7. *Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?***

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8. *Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?*

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9. *Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?*

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27/6/2008

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9

## Public consultation document for impact assessment

1. *What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?*

The most important threats are the bad chemical soil properties, first of all, the acidity (because it can release toxic elements in the soil), and the arid climate. The farmers can defend against them by irrigation, liming, draining etc. These are expensive methods which have to be applied continuously, consequently farmers, who overcame the natural handicap must not be excluded.

2. *Are the options analysed consistent with the objectives of the review?*

Yes.

3. *What difficulties would the options analysed be likely to encounter if they were implemented?*

According to our opinion the second step of the delimitation is unnecessary, because it could exclude complete NUTS 5 regions which are qualified according to the biophysical indicators.

4. *What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?*

See point 3.

5. *In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?*

Yes, these criteria are enough to delimit the LFA area.

6. *What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?*

Physical block. The bigger size, like the NUTS 5 level obscures the differences.

7. *Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?*

The average yield of arable crops, but the farmers have to add a lot of expensive inputs to achieve the higher yields, therefore the second step of the delimitation is not fair entire. It recompenses farmers who input a lot of energy to improve the quality the area to overcome the natural handicap.

8. *Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?*

The time reference of the indicators.

- 9. *Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?***

None.

**Public consultation document for impact assessment****1. *What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?***

- First and foremost, a better definition of what LFA is about is needed. This problem is not about continuation but rather developing and/or maintaining sustainable farming systems as the most benefiting land management option for the society as a whole. The values created on LFA areas has to be measured and valued. Moreover – in line with WTO and other global contexts – intervention to the market mechanism has to be justified. Only following this can the most efficient way of implementing it can take place.
- It can't be overemphasized, that in case of Hungary the structural bases of land utilization or management in general are not yet consolidated. This moment is coming forward vigorous in the process of shifting from SAPS to SPS.
- The increasing rate of extreme weather events – believed by many scientist to be related to the ongoing climate change - affecting areas with natural handicaps with an even greater extent. For continuation of utilizing these areas as farming systems structural change is inevitable. The question is, whether these areas should provide public goods only or produce output as well?
- Although natural handicap is the only LFA is aimed to considered, however agriculture systems embedded in a socio-economic environment, therefore reasonable/interdisciplinary bases is needed for proper delimiting, eligibility rules and payments. Natural handicaps hardly come alone, therefore the continuation often require more effort than that of agriculture (for instance aging population). Either living standard (e.g. access to services) has to be improved or the fact that one is giving up some of it has to be compensated. Making such a decision at the macro level needs a wider view of the problem.
- Note: If the price increase of outputs will exceeds input price increase and profitability of agriculture raises, somewhat different question might be relevant. Better expected profitability induces using marginal land in a less sustainable manner, therefore the problem not only to maintain agriculture systems as land management options, but do it in a sustainable fashion!

**2. *Are the options analysed consistent with the objectives of the review?***

- The options do not have direct relationship to the fact that the farming activity is done in a sustainable manner, only the fact of farming is considered.
- Natural handicap may or may not lead to abandonment of land: it is neither necessary nor sufficient condition for the targeted vision.
- It is hard to see from the options analysed that the critique of no proper measures and tools for avoiding overcompensation can be handled reassuringly.
- It is not hard to see that the goal of better targeting and less burden on the administration side is fundamentally conflicting each other, therefore a clear priority or rule (the access cost on the administration side has to be less than the gain achieved by better targeting) has to be set at Community level.
- No common rule is proposed how the national payment will be validated.

**3. *What difficulties would the options analysed be likely to encounter if they were implemented?***

- The borders set by bio-physical criteria are often times do not coincide with the physical block based land parcel identification system used for subsidy administration. Either adjustment of the existing system or compromise of the common criteria will be needed.
- Transparency and controllability would be most likely violated if Member States would be allowed to use some sort of a "index system" (unless it is regulated on a common basis). This would likely anchor existing areas and beneficiaries, which is neither efficient nor in line with equity.
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**4. *What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?***

- Status Quo +: Not having significant change of rules would definitely results less additional cost from the administration side. On the other hand, failures the current system would be mostly "inherited", that is undesirable.
- Common criteria: Considering the wide spectrum of agriculture production taking place in the EU-27, the sole threshold values agreed in a Council act has to be wide enough to include all extremes, but would live more than appropriate room for all other member states. If threshold values would not fall in to a limit actually could be considered as natural handicap for a given state for instance due to its limited interest or power, these areas would be completely missed out from LFA. The second threat is posed by step two: no clear rule of when a handicap is overcome presented. Moreover, since these areas are not output oriented (competitive), production related indicators such as the proposed "average yield" are worrisome. This would neglect the public good and spillover notion of these areas basically call for intervention and existence of LFA scheme. The limited control of the Community over eligibility rules leaves more place for national goals and priorities can easily jeopardized Community goals.
- Eligibility criteria: This option would leave less room for "inappropriate" divergence from the Community goals. However it is questionable how fluent and costly the administration of such a system could work in practice.
- High nature value: Not knowing even the guidelines for identifying HNV, nor the intensity of support for those areas, it looks very ambiguous to include in the LFA scheme. However, the argument about separate payments for compensating handicap versus paying for providing public goods should be developed in more details.

**5. *In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?***

**6. *What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?***

- The appropriate level very much depends on the nature of a given element. For instance water related issues are mostly only relevant in a watershed basis,

while soil usually classified into classes. However, in most cases, for the agriculture production complex phenomena's or complex systems of elements are considered. Other criterion is the administrative or legal border of land parcels. Altogether, there is hardly one level can suit all needs. Most likely a list of priorities is needed, where the spatial dimension of land use should have high priority.

**7. *Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?***

- Since the question is not only the fact that farming exists or not, complex measurement of sustainability is needed. This requires monitoring in an appropriate sustainable monitoring framework such as DPSIR or indicator systems like IRENA.
- A natural handicap is overcome, if ceteris paribus no access cost or lesser revenue is associated with farming for an unlimited period of time compared to a given normal or average value. Therefore a farm based system should be measures and analysed comparing reference values of appropriate FADN values.

**8. *Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?***

- LFA's are also targeting about preserving the tourist potential of the area completely missed out so far.

**9. *Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?***

- Probability of extreme weather events should be also included.

# **COUNTRYSIDE ALLIANCE IRELAND**

Love the countryside

## **EU CONSULTATION**

### **ON**

### **REVIEW OF**

### **'LESS FAVOURED AREA SCHEME'**

BY

**Countryside Alliance Ireland  
The Courtyard  
Larchfield Estate  
Lisburn  
BT27 6XJ**

09 January 2013

Countryside Alliance Ireland (CAI) is an expert and informed rural campaigning organisation, representing 30,000 people throughout Ireland. We, and many of our members work, live and participate in recreation in Northern Ireland's countryside and therefore our interests are directly relevant to this consultation.

We commend the EU on its professional approach and systematic delivery of information to all stakeholders within this consultation.

We are pleased to submit our views on 'LFA's'. We hope they are helpful and we look forward to continuing to work constructively with the EU for the good of our countryside and its people.

We would summarise our main points as follows:

CAI believes that there is an overwhelming need for the continuing development of LFA's within the Agri environment schemes and that it should be used as a first step on the way to other Agri environment schemes that will benefit the farming community and maintain the local economy and population within these areas.

Without the support that is received through the LFA scheme our countryside and habitats would be at a severe disadvantage. The farmers and small holders within these areas provide Northern Ireland's countryside with its diverse habitat management that the EU so desperately wants to maintain and encourage.

It is therefore imperative that the EU is fully aware as to the importance of LFA's to Northern Ireland. We need to be fully aware of the added value to our environment that is generated from the maintenance of these habitats.

We are aware that in order to designate LFA's the EU require a pre defined method of establishing boundaries for LFA's to be approved. In Northern Ireland we have two types of designated areas already established namely, Townlands and Wards. We believe that the Townland criteria should be used as the preferred method of defining LFA boundaries.

Of the four options identified by the ISSG we feel that there is only one option available to Northern Ireland. We will discuss the options separately.

#### Option 1. Status Quo

This is not an option under the present climate as the socio-economic indicators would be removed and therefore would not be status quo. Also, since the establishment of the original criteria back in 1975 much has changed. Even with the criteria having being updated in 1984/1990 to remain with this option would not take into account the significant changes in our rural communities.

Therefore, we reject Option 1.

#### Option 2. "Common Criteria"

"Common Criteria" would be our preferred option. Under this option LFA's would be delimited according to bio physical criteria as identified. We approve of a two step stage. This would allow a positive and transparent assessment and a clear set of objective criteria referring to natural handicap and in turn would improve effectiveness of the scheme.

However, we believe that the Joint Research Centre Table is not complete in the case of Northern Ireland and we would stress that rainfall should be included as a primary criterion under 'Climate' within this table.

The inclusion of rainfall as a primary criterion would have a positive effect and show a true picture of the areas combined with the other criteria for Northern Ireland. It would also allow the threshold values triggering the handicaps to be transparent and consistent with our climate and would indeed be targeting the farmers in areas affected by natural handicaps.

With the completion of Stage 1 Northern Ireland is best placed to fix the eligibility rules that would be transparent, objective and non discriminatory and consistent with the objectives of the option. We would wish to see the eligibility rules take into account the amount of part time and full time farmers, to ensure that the criteria set would not seriously affect the effectiveness of the scheme.

#### Option 3 "Eligibility Criteria"

We believe that this option is not acceptable to our organisation.

#### Option 4 "High Nature Value"

We believe that we have not enough information to make a valued decision on this option.

Lyall Plant  
Chief Executive

## **Irish Farmers Association Position on the EU Public Consultation on the Less Favoured Areas Scheme**

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### *Introduction*

1. The Less Favoured Areas Scheme, which has been implemented in Ireland since 1975 is a vitally important measure in supporting farm income in areas where the production capacity is limited. In addition the LFA Scheme plays an important role to achieve its socio-economic objective by ensuring the continuation of farming in economically fragile areas as well as in helping to sustain the rural economy.
2. Currently around 75% of Ireland is classified as less favoured with over 102,000 farmers benefiting from payments each year.
3. In 2001 the changeover from a headage payment system to an area based system led to significant changes with some farmers losing out under the new system.
4. Proposals by the Commission to change the criteria from socio-economic to natural handicap is of concern as it could lead to a redefining of the current boundaries.
5. Attempts by the EU Commission in 2005 to devise Europe wide criteria failed as significant areas of some member states would lose out. New proposals must ensure that such anomalies do not recur.

### *IFA Position on the EU Commission Public Consultation Document.*

6. IFA believe that the decision to change the criteria should be postponed until the start of the next Rural Development programming period from 2013. This is necessary given the complexity of devising natural handicap criteria which clearly highlight the adverse conditions for agricultural production in less favoured areas.
7. Specifically on the various options
  - Option 1- Status Quo; and Option 2 - Common Criteria – IFA is strongly of the view that detailed examination of natural handicap is necessary so that areas can be clearly defined. In Ireland's case details on some of the criteria has not been well defined in some areas. For example the detailed Teagasc soil analysis only extends to half of the counties.
  - The main criteria that should be taken into account when defining LFAs should be an area's capability for agricultural production. The current LFAs represent this handicap and therefore should qualify under these options. Other factors which are not biophysical should also be included i.e. peripherality, remoteness from market and rainfall.

- Option 3 Common Criteria + Fixing Eligibility Criteria at Community level – This option would clearly not work as natural handicap criteria are not the same from one member state to another. There is great variability in the climate and soil types.
- Option 4 High Nature Value Areas – This option is too narrow and it is already mainly covered through the Natura 2000 Network. Also linking it to HNVs would effectively make the LFA scheme into an agri-environmental scheme.

*IFA Overall Position on LFA Review*

8. IFA believe that the LFA review should be postponed until 2013 as the natural handicap criteria are not yet clearly defined.
9. Member states should be allowed to define their natural handicap based upon guidelines laid down from the EU. In addition member states should be allowed to choose from a number of criteria.
10. The existing less favoured areas which have already qualified under stringent rule must continue to qualify for payments and that the review should only take into account the addition of new areas.

13

**From:** AGRI F3  
**Sent:** jeudi 26 juin 2008 10:51  
**To:** PAGE Alexander (AGRI); ZONA Antonella (AGRI)  
**Subject:** FW: review of the "less favoured area" scheme - Consultation

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**From:** Messner, Ruth [mailto:Ruth.Messner@provinz.bz.it]  
**Sent:** Thursday, June 26, 2008 10:46 AM  
**To:** AGRI F3  
**Cc:** Pazeller, Martin  
**Subject:** review of the "less favoured area" scheme - Consultation

Dear Sirs,  
for the farmers situated in less favored areas it is essential to take in consideration criteria that allow to give a value to the problems they have by working in agriculture.  
That's why it is very important not to have too much criteria and to have criteria that are simple to apply, also for calculation of appropriate compensatory payments and also understandable for farmers.  
In South Tyrol criteria actually in use for delimiting less favored areas are the soil and climate criteria "slope" and "altitude", there are no socio-economic indicators.

With kind regards  
Ruth Messner  
South Tyrol - Italy

Dr. Ruth Messner  
Autonome Provinz - Bozen/Südtirol  
Provincia Autonoma - Bolzano/Alto Adige  
Abt. 31 Landwirtschaft - Rip. 31 Agricoltura  
Brennerstr. 6 Bozen / Via Brennero 6 Bolzano

Tel. 0471 415128  
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14

**From:** AGRI F3  
**Sent:** lundi 30 juin 2008 16:17  
**To:** PAGE Alexander (AGRI); ZONA Antonella (AGRI)  
**Subject:** FW: PUBLIC CONSULTATION DOCUMENT FOR IMPACT ASSESSMENT LFA

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**From:** Eimantas Pranauskas [mailto:izuba@info.lt]  
**Sent:** Monday, June 30, 2008 4:08 PM  
**To:** AGRI F3  
**Subject:** PUBLIC CONSULTATION DOCUMENT FOR IMPACT ASSESSMENT LFA

Hello,

I would like to express my personal opinion concerning LFA.  
There is something wrong if **more than half of Utilized Agricultural land** was classified as less favored?  
Then logical question is arising with **what kind of land we are comparing it?**  
So the first task is to find averagely favorable land that necessarily encompasses more than 50 % of total utilized agricultural land.  
Next proposal would be to bring more initiative for farmers in order to find the type of agribusiness that offers best possibilities for them. It means that farmers who have chosen support in accordance with LFA scheme, are losing priorities to get investment (farm modernization) support against others farming in normal conditions. This would meet also society's expectations – money to be spent in most effective way.

With kind regards  
Eimantas

P.S. Current situation (when Utilized Agricultural land covers more than 50 %) is acceptable if EU wants to have free space in WTO negotiations.

15

The European Commission  
ISSG - LFA's -  
c/o Josefine LORIZ-HOFFMANN  
130, Rue de la Loi  
B - 1049 Brussels  
Belgium

Maastricht, 30 June, 2008

**Subject:**

Review of the Less Favoured Area' Scheme / Public Consultation on Impact Assessment

Dear Mrs Loriz-Hoffmann,

Hereby we send you the opinion of the Province of Limburg on the LFA review. The Province of Limburg is one of the twelve Dutch regions. You may already have received a reaction from several other Dutch regions also. Limburg wishes to state that we support the reaction sent by the Province Noord Holland and that we would have joined in on this reaction if we had had a little more time.

**The current situation**

A small Limburg area; the hills in the far South of the Netherlands - 14.000 ha - , are currently eligible for LFA payments. Our reaction however takes the total of the Dutch LFA area into account. For this we wish to refer to the annex on LFA that was sent to the Commission with the Dutch Rural Development Programme 2007 - 2013 last year and that at the time was approved. In order to draft this annex, several studies have been carried out in our order by independent Institutions. In the final report we founded that in specific areas due to physiological circumstance our agricultural enterprises had considerable disadvantage in making a living. The main disadvantages these circumstances forced upon them where and are:

- high water levels necessary to prevent drought and soil setting
- water salinity
- very small parcels and paths, imposed to preserve a historical small scale landscape and nature area
- slopes, causing erosion, leading to complications when treating the land with machinery and - as in most mountainous areas - limiting the use to small scale grazing purposes

I presume that the Commission has these reports available for you. In case you would like to receive a full copy, please ask me to get it for you.

## New circumstances

In general Climate Change is an important driver in changing circumstances that may further effect competitiveness. Appointing LFA can be part of the strategy combating climate change as mentioned in the Commissions' Legislative Proposals on the CAP Health Check, the New Challenges.

In these proposals the Commission also suggests to increase the milk quotas with an annual 1 percent, which has an impact on LFA policy. I quote from the draft overall conclusion derived from many amendments on the draft opinion on the CAP Health Check Legislative Proposals on this issue:

The Committee of the Regions welcomes the initiative of the Commission to increase the milk quota, however,

- a. Is concerned that the proposed increase of milk quota by 1% annually from 2009 to 2013 may not be sufficient in order to meet the demand and suggests that the proposed increase should be raised to 2% annually;
- b. would favour the annual milk quota increase of 2% for at least those regions and countries with greater production potential, thus providing a smooth transition from the proposed milk quota expiry in 2015 and offering a "soft landing";
- c. however notes the Commission's own acknowledgement that ending the quota system, or simply allowing quotas to increase gradually, could eventually lead to lower prices
- d. suggests that to manage excessive volume and price fluctuations, market management mechanisms should remain in place until the quota system expires,
- e. **urges the EC to establish an extraordinary Community budget fund, supplemented if necessary by State resources, with the aim of improving the viability of farms, situated in less competitive and naturally disadvantaged regions or circumstances;**
- f. **suggests that Member States should be allowed to support these farms in various ways, like by re-appointing Less Favoured Areas, by offering Pillar 2 measures and/or by applying article 68, thus providing a safety net;**
- g. in the light of the Commission's proposal to present a report before 30 June 2011 on the conditions for phasing out milk quotas, suggests that any final decision on the future of the quota system should be postponed until that date;
- h. commends that the proposals on ending the quota system in 2015 should be closely monitored and reconsidered in view of the current situation on the milk market;
- i. recommends that for as long as considered useful, the quota system as a market instrument should be kept stand-by; on a zero-level.

For more comments on your document, please see the Q&A list attached.

If you would prefer to receive a written letter signed by a member of the Provincial Executive for the Province of Limburg, I could arrange this with of the politician that is responsible, Mr H.T.J. Vreken.

For any questions please contact me, Mrs Annemiek Canjels, senior officer for EU Public Affairs on Agriculture, e-mail [ampa.canjels@prvlimburg.nl](mailto:ampa.canjels@prvlimburg.nl), mobile phone 0031 6 46 19 54 58. Currently I am also

the advisor of Mrs Dwarshuis, the rapporteur on the CAP Health Check Legislative Proposals for the Committee of the Regions.

I wish you good luck with drafting your advice on this complicated matter.

With kind regards,

Mrs A.M.P.A. Canjels

For the Province of Limburg  
Postbus 5700  
6202 MA Maastricht  
The Netherlands

On behalf of

Mr H.T.J. Vreken  
Member of the Provincial Executive for the Province of Limburg

Dear Josefine LORIZ-HOFFMANN

Hereby we sent you the main view points of Noord-Holland on the future of LFAs, and the challenges linked to it. We kindly ask your special attention to our view on question 5. In our answer we illustrate the situation of the LFAs in our region. We are able to give verifiable factual information.

Mr. S.B.C. Melis

Provincie Noord-Holland

Directie Beleid  
p/o box 3007  
2001 DA Haarlem  
Netherlands

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**Q1 What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?**

Threats are the:

- Instability of maintenance of the public cultural and ecological values: more intensive farming (cultivation, manuring, pasture) in case of increasing market prices and abandoning land in periods of decreasing prices. Only LFA payments and cross-compliance do not give a guarantee for sustainable maintenance of the public values. Additional payments from agri environmental measures are logical.
- Slow increasing of handicaps like the salinity because of changes of water management and climate change. This will affect the biotopes and ecological values and biodiversity. It will also limit the production and also options for other regular ways of land use like energy crops. The handicap increases. This will make the farmer more vulnerable.

These main threatening ask for a different approach:

- Making the payment variable in time and place could help to avoid instability of the maintenance of the land.
- For the short term there is no proper answer to the increasing salinity. Research, development and innovation might give on the long term solutions by developing more salt resisting crops and cattle or systems to desalinize water.

**Q2 Are the options analysed consistent with the objectives of the review?**

In general yes, option 1 is closest to our view on the targets of the LFA areas. We consider the discussion about LFA in the wider context of the reform of the CAP. Public values are in our case related to the handicaps. These values can be under severe pressure as side effects of the CAP reforms. In this approach there might be a more

objective and legitimize way for delimitation of the LFA. The values are important in the context of both the first and second pillar of the CAP.

**Q3 What difficulties would the options analysed be likely to encounter if they were implemented?**

- the indicators (incl the values) might not be available on a detailed scale.
- In the financial scope: the impact of the payments in different areas is different: in most area's in the Netherlands a maximum of € 150 per ha in many areas hardly effects the farmers income so only LFA is hardly an incentive to confirm to cross-compliance.

**Q4 What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?**  
Common criteria: In some areas the LFA side-effect might be that it can take a way the incentive to invest in cultivating to overcome the handicap regarding to the bio-physical criteria. For example to invest in watermanagement, drainage or improving the texture.

Areas regarded as LFA give farmers most security for the longer term (in perception longer than the period of the contract in case of agri-environmental payments). The LFA give the most guarantee that farmers and landowners accept and invest in sustainable maintenance of their land. This is one of the most important impact factors.

**Q5 In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?**

No, they are not sufficient for our region. In our region the "natural" handicaps are related to the physical indicators soil and water and mostly not from natural origin:

- the **organic texture** is the main cause for the handicaps
- the permanent high water level
- the high waterlevel demands a high density of ditches and
- the inefficient **parcelling** (with a high cultural value)
- the **limited maximum carrying** load of the organic soil,
- the **limited possibilities for drainage** and watermanagement,
- limited options for **sustainable crop growing**, maily limited to extensive meadows,
- increasing **salinity** in natural way and also related to climate change.

The high water level is needed to limit the oxidation of the organic matter. Avoiding oxidation is not possible in case of agriculture use. In our region the level of the current handicaps is increasing because of the sinking ground level. The difference between the permanent up scaling farms in areas without handicaps and farmers in areas with handicaps will increase further.

All these meadow areas the landscapes has high public scenic, cultural and ecological values and a high biodiversity.

These factors lead to substantial higher costs for production and logistics. These factors also lead limit the development of the farmers in these areas: extensive cattle farming. Climate change can also effect the impact.

**Q6 What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?**

At level of the MS, where indicators production costs, legislation and labour are comparable.

**Q7 Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?**

Economic comparison with a current farming systems in the region, which are not facing natural handicaps.

**Q8 Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?**

The financial compensation is not connected to the prices. Increasing product prices might under press the public target values like biodiversity due to more intensive farming, even within the limitation of cross compliance.

**Q9 Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?**

- The effect and impact of climate change: more rain can decrease salinity.
- Development of new techniques, farming methods, products: some might help to limit the deprivation; in other cases up scaling farms in areas without handicap increase the deprivation;
- Price development of land, products (energy crops, dairy) etc;
- Possibilities of changing the production due to market development, supply and demands (prices, new products).

Their influence can both be positive, neutral or negative.

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## **Review of the Less Favoured Area' Scheme / Public Consultation on Impact Assessment**

**Reaction sent by**

**Province of Limburg  
Postbus 5700  
6202 MA Maastricht  
The Netherlands**

**Q What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?**

**Threats:**

Farms in these areas are often smaller. As the influence of large supermarkets still increases, it will get more difficult for small farms to meet demands and to survive on low prices. On the other hand, maintaining these farms becomes increasingly important, not only to preserve the landscape and nature values, but also to meet the growing demands for food in times of scarcity on both food, fibers, fuel and feed. Regional food strategies, including more local for local production, should be encouraged. Not in order to disturb free trade, but in order to reduce food miles and to support local values.

Increase of milk quota. Many LFA areas are being maintained by dairy farmers. The CAP Health Check legislative proposals suggest an increase of the milk quota. Many regions fear, that small scale farmers will not survive, because prices may fluctuate more and supermarkets chains, buying in bulk, may gain more market share. Regions agree with the proposed increase, but suggest that more supported measures must be created for small farmers (see letter also).

(see reaction Province Noord Holland, copy:)

- Instability of maintenance of the public cultural and ecological values: more intensive farming (cultivation, manure, pasture) in case of increasing market prices and abandoning land in periods of decreasing prices. Only LFA payments and cross-compliance do not give a guarantee for sustainable maintenance of the public values. Giving additional payments for agri-environmental measures – when performed – would make sense.
- Slow increase of handicaps like for instance the salinity because of changes of water management and climate change. This will affect the biotopes and ecological values and biodiversity. It will also limit the production and limit options for other regular ways of land use like growing energy crops. The handicap increases. This will make the farmer more vulnerable.

**Q Are the options analysed consistent with the objectives of the review?**

The general change, deleting the socio-economic criteria, is supported. After implementing this, there would be much less EU area classified as LFA and the amount – probably down from 58% to about 30% - would be more in balance with real bio-physical disadvantage. LFA would be much more targeted already. Next, socio-economic problems could be addressed with the Structural Funds and parts of the EAFRD.

There are options presented in which the Commission takes the lead in appointing LFA and other options in which the Member State decides. On behalf of subsidiarity we believe that the Member State level is favoured, also because it would be very difficult to define general criteria on competition disadvantages – and on how to deal with these - throughout the EU.

**Q What difficulties would the options analysed be likely to encounter if they were implemented?**

See the above. We also agree with the Province Noord Holland:

- the indicators (incl the values) might not be available on a detailed scale.
- In the financial scope: the impact of the payments in different areas is different

**Q What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?**

Here's a look at pros and cons of the options:

1. Status Quo +: room voor MS judgement. Some risk of level playing field distortion. To be solved by EC guidelines and by co-financing.
2. Common Criteria: yes, but to be completed by MS. In order to perform this perfectly, a full scan of all of the drivers determining the level playing field should be executed. Drought in Spain could be compensated, but lack of infrastructure in Latvia could not ? This would hardly be fair. It will be very hard to compare competitiveness outside the Member State.
3. Eligibility Rules: meant to secure sustainable land management: very close to Good Agricultural and Environmental Conditions, main target: keeping land in good condition. Good, but objective too narrow.
4. High Nature Value: farming as a tool to maintain HNV, very close to agri-environmental measures. Good, but objective too narrow.

Once again we see how GAEC, cross compliance, LFA and agri-environmental measures are different policy to target the same objectives: food sufficiency, environmental quality and fair competition within the EU.

LFA is supposed to be a basic compensation that must support farmers to stay and survive in areas that are least favoured because of bad biophysical conditions, but in which farming is welcomed by society for various reasons. Small payment per acre. GAEC is minimum good behaviour, no payment.

Agri-environmental measures are paid for additionally, compensating the extra costs (a small plus should be allowed to create an incentive)

Cross compliance is the next step to GAEC, and a basic condition to get any EU payment.

So the objective of LFA should not be more than described above. Deciding what negative conditions are related to the public values to be guarded, can hardly be performed at EU-level. There fore we would favour a combination of 1. and 2.

We agree with the Province Noord Holland that the acknowledgment of having LFA-acres, according LFA payments and broader possibilities on other support schemes (more state aid permitted) is of importance for long term investments. LFA stabilises land use. It is an important tool.

**Q In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?**

No they are not sufficient. In the Noord Holland region the "natural" handicaps are related to the biophysical indicators soil and water and mostly not from natural origin:

- the organic texture is the main cause for the handicaps
- the permanent high water level
- the high waterlevel demands a high density of ditches and
- the inefficient parcelling (with a high cultural value)
- the limited maximum carrying load of the organic soil,
- the limited possibilities for drainage and watermanagement,
- limited options for sustainable crop growing, maily limited to extensive meadows,
- increasing salinity in natural way and also related to climate change.

The high water level is needed to limit the oxidation of the organic matter. Avoiding oxidation is not possible in case of agriculture use. In our region the level of the current handicaps is increasing because of the sinking ground level. The difference between the permanent up scaling farms in areas without handicaps and farmers in areas with handicaps will increase further.

All these meadow areas the landscapes has high public scenic, cultural and ecological values and a high biodiversity.

In the region Limburg, we are mainly looking at

- very small parcels and paths, imposed to preserve a historical small scale landscape and nature area
- slopes, causing erosion, leading to complications when treating the land with machinery and – as in most mountainous areas - limiting the use to small scale grazing purposes (data and calculations available)

These factors lead to substantial higher costs for production and logistics. These factors also limit the development of the farmers in these areas to extensive cattle farming. Climate change can also further effect the impact.

**Q What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?**

The appropriate level is Member State. MS should discuss with its regions how to define comparable region profiles. MS should discuss consistency with other MS. As reference they should use an EU profile

**Q Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?**

Completed public infrastructure or solutions, avoiding new disadvantages: f.i. dikes, filters, water systems, genetically modified crops, innovative machinery, change to nature area.

**Q Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?**

- The financial compensation is not connected to the prices. Increasing product prices might under press the public target values like biodiversity due to more intensive farming, even within the limitation of cross compliance.
- Entanglement with cross compliance, GAEC, environmental measures
- Free trade versus local for local production
- State aid versus cumulation

**Q Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?**

We agree with Noord Holland:

- The effect and impact of climate change: more rain can decrease salinity and erosion.
- Development of new techniques, farming methods, products: some might help to limit the deprivation; in other cases they may help upscaling farms in areas without handicap and then increase the deprivation;
- Price development of land, products (energy crops, dairy), fuels, feed etc;
- Possibilities of changing the production due to market development, supply and demands (prices, new products).

Their influence can both be positive, neutral or negative.

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## Review of the 'Less Favoured Area' Scheme

### BirdLife International's response to the European Commission consultation

30<sup>th</sup> June 2008

BirdLife welcomes the opportunity to respond to this consultation, and supports a version of Option 3 as presented in the consultation document. This should however incorporate elements of the High Nature Value concept from Option 4. LFA support, as an integral component of Axis 2 of the RDR, must address the objective of sustaining agricultural land management that contributes to the improvement of the environment and the countryside. As stated in the Commission's own consultation document, the LFA measure should sustain *"agriculture which delivers public goods, such as valuable landscapes, biodiversity, soil conservation and fire prevention"*. LFA payment must, therefore, differentiate farming that delivers these public benefits from farming that does not. Only Option 3 is able, by targeting support through meaningful eligibility criteria, to provide such a system of payment. It would allow support to be targeted at the extensive, lower-input agricultural land management that is critical to maintaining rural landscapes rich in biodiversity and other environmental assets. This type of farming, often called High Nature Value (HNV) farming, is typical of Europe's areas of natural disadvantage, and should be the focus of targeted LFA support.

BirdLife welcomes the principle that lies behind Option 4, in identifying areas of HNV farming. However, the mapping approach it proposes does not go beyond an identification of boundaries within which payments may be made, as is also the case with Options 1 and 2. The essential element to reforming LFAs, and providing a clear Axis 2 policy objective, is to identify those farms which, by virtue of their existing management practices, deliver environmental benefits in the countryside, and should be supported to continue farming in this way. This cannot be achieved solely through a mapping approach, but rather requires eligibility criteria based on actual farming practices. A coherent European policy that achieves this is only possible through Option 3 as presented in the consultation.

## **1. Introduction**

1.1 There is an evident need to reform LFA support. As currently implemented in many Member States and regions, the measure does not adequately address the Axis 2 objective of '*improving the environment and the countryside*'<sup>1</sup>, nor is it '*targeting the sustainable use of agricultural land*'<sup>2</sup>. Many national LFA schemes are still focused only on addressing socio-economic issues in rural areas, and payments are used as 'income support' for farmers, with no clear policy objective other than retaining rural populations. As many countries have delineated a large proportion, or indeed all, of their rural area as LFA, particularly under the 'Intermediate' category, this results in a very untargeted system of support, that does not focus payment in any meaningful way on sustainable land management.

1.2 The positioning of LFA support within Axis 2 of the RDR means that its policy objective must relate to the environmental delivery of agricultural land management. The types of extensive farming systems that are important to the maintenance of countryside features and high levels of biodiversity, and typify areas of natural handicap, can be called 'High Nature Value' (HNV). These tend to be geographically and economically marginal, feature large proportions of semi-natural habitat, be extensive and low input by nature, or be characterised by the presence of important wildlife species. It is the maintenance of this type of farming that the LFA mechanism must support if it is to fulfil its Axis 2 objectives. These systems are currently under very real threat of abandonment, in many parts of Europe, but may also be subject to pressures to intensify or amend their HNV practices<sup>3</sup>.

1.3 Delimiting 'Intermediate' LFAs based on objective physical criteria that denote natural handicap, and not on subjective socio-economic criteria, is an important part of the process of reforming support, to ensure it is limited only to areas of natural disadvantage. BirdLife welcomes this exercise, as a first step.

1.4 Re-drawing the intermediate LFA boundary using new criteria should be seen as the first stage in the process of identifying recipients of LFA support. A delimitation exercise alone will not allow the direction of LFA support to farms that contribute to managing our rural land in a way that delivers environmental benefits. Within any boundary, there will both HNV and non-HNV farms, and

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<sup>1</sup> EC Regulation 1968/2005, Article 4

<sup>2</sup> EC Regulation 1968/2005, Article 36

<sup>3</sup> Illustrative material on the environmental benefits of HNV farming, and the environmental impacts when it is abandoned, intensified or changed will be appended at Annex 1.

support should be targeted towards the HNV farms. If not, the distribution of LFA payments would not be in line with the environmental objectives of Axis 2, and there would be no incentive contained within the support scheme to maintain the beneficial practices. There is, therefore, a need to identify which farms should be supported by LFA payments and which should not. This is true for intermediate LFAs, but also for those designated under Articles 18 and 20.

1.5 BirdLife believes that all LFA support should evolve into a system of support for HNV farming. This would constitute a base level of support to retain extensive farming associated with the delivery of wildlife, landscape, water quality, climate change mitigation and other environmental public goods (Annex 1 illustrates the contribution of HNV farming). This should be supplemented by higher-tier support provided through agri-environment, which would pay for the delivery of specific public benefits, including habitat managed for key species. It is essential that a clear longer term vision for LFA support is identified as part of the ongoing reforms of the CAP, and the evolution of rural development policy across Europe. BirdLife's vision for the future of the CAP (as outlined in 'New Challenges, New CAP', published in 2007<sup>4</sup>) has effective support for HNV farming as a central concept. There should be strategic use of rural development funding from all three Axes to underpin a system of HNV support that encompasses baseline maintenance payments (such as through LFA), socio-economic support available through Axes 1 and 3, and targeted agri-environment support through Axis 2. It is only this holistic approach that will conserve the crucial environmental services and benefits provided by these types of farming.

1.6 Ultimately, the identification of HNV farms, on whichever side of an LFA boundary they might fall, should form the basis for targeting of support payments. There would be no need to identify delimited areas as a much more focused system of support would target farms based on their management practices. However, the current structure of LFA support requires that geographic areas of natural disadvantage are identified (within which support can be targeted more closely). As such, a mapping exercise to delimit boundaries is necessary, but BirdLife firmly believes it should form only a first stage in the targeting process.

1.7 The HNV map produced by JRC using Corine and other data sources, serves a number of useful policy purposes, but its use cannot be extended to determining eligibility for LFA support. Its broad scale identification of areas of semi-natural habitat and important species make it a valuable policy analysis tool at EU level. It identifies areas with a high proportion of HNV farms.

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<sup>4</sup> <http://www.birdlife.org/eu/pdfs/CAP%20Brochure.pdf>

However, farm level identification of HNV status is not possible using this, or any similar, mapping approach (unless mapping was to be carried out at farm level). It cannot therefore provide the means for targeting LFA funding at specific farms or even at specific practices. This function must be provided by eligibility criteria.

1.8 BirdLife advocates a focus for LFA support on meaningful eligibility criteria that serve to select HNV practices. This is close to what is proposed in Option 3. It will be important to ensure that Member States and regions are clear about the types of farming activity they would seek to classify as 'HNV' and therefore support with LFA funding. The relationship between these types of farming and Axis 2 objectives within rural development plans should be made clear, as should the contribution of the detailed eligibility criteria Member States and regions draw up to select HNV farming. An explicit definition of the HNV farming practices/habitats at national level will increase the transparency of the scheme and help maintaining flexibility while reducing the risk of eligibility criteria being set in more arbitrary ways.

1.9 Detailed eligibility criteria should be drawn up at Member State or regional level, within a tight framework of required elements set at EU level. Member States and regions would identify the HNV farming systems they seek to support, and devise suitable detailed eligibility criteria, suited to specific national/regional circumstances, to target support. Eligibility criteria that should be required elements within the EU framework would include:

- Minimum and maximum stocking densities
- Limits on drainage
- Limits on irrigation
- Limits on field size
- A minimum percentage of semi-natural habitat and landscape elements in the holding
- A minimum percentage forage area in the holding
- Limits on fertiliser use
- Limits on indoor keeping of livestock

EU Regulation should require Member States to use these categories of eligibility criteria, as appropriate, on the bases of an identification of the HNV farming practices relevant for the specific country. The actual detailed eligibility

criteria (e. g. actual stocking densities or % of semi-natural habitats) will necessarily have to be determined at national or regional level.

1.10 The contribution of these criteria to identifying and retaining HNV farming is illustrated in Annex 1. There should be no limits on eligibility by age or part-time status of farmers, as these characteristics do not have a bearing on HNV land management practices. Indeed, farming activity in disadvantaged HNV areas is more likely to be part-time, as economic marginality demands multiple sources of income, and the age profile of HNV farmers may often be older. These eligibility criteria currently exclude from support many of the HNV farmers that the system is supposed to assist.

## **2. Responses to consultation questions**

### **2.1. What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?**

2.1.1 The key issue facing areas with natural handicaps is a reduction in High Nature Value (traditional, extensive) agricultural activity. In many parts of Europe, this is manifest in the reduction in numbers of farms, resulting in an increase in larger, more intensive operations. In other parts, there are changes in the farming activities that are carried out, which result in declining nature value. In particular, there is a noticeable loss of extensive livestock keeping in many areas. HNV farming is often marginal in terms of economic viability as well as geography. This type of agricultural activity is threatened by an inherent lack of market competitiveness, coupled with the absence of a policy instrument designed to support it. As a result, abandonment of previously extensively grazed land is becoming more of a feature in parts of Europe, with potentially serious impacts on wildlife and landscapes. **Annex 1** provides illustrations of the environmental impacts of changes to HNV farming from across the EU.

2.1.2 HNV farming is often under pressure to intensify and alter in response to market demands or the perversities of existing CAP support structures. Changes to land management including increased drainage, irrigation, and the use of inputs all threaten the continued existence of HNV farming. Pressures within HNV areas also include development of land for other activities, including residential, recreational and other rural land uses, which can also threaten the nature value of these areas.

2.1.3 The majority of support currently delivered through the CAP's Pillar 1 does not reward this type of farming as it has not been historically productive, and this subsidy stream still rewards historical productivity. Neither does Pillar

1 support serve to maintain the environmental benefits associated with HNV farming. Cross-compliance (including GAEC) is supposed to provide a baseline for support that prevents environmental degradation. This means that it is meant mainly to deal with damage caused by increased intensification. It is not capable, however, of safeguarding the practices that make HNV farming deliver for the environment, such as appropriate levels of livestock grazing.

2.1.4 Existing CAP structures do not adequately support HNV farming. Current LFA support, for example, does not distinguish it from any other types of farming within the delimited area, therefore failing to incentivise the retention of particular practices. The lack of targeting of funding within LFAs means many HNV farms often receive payments that are too low to maintain their business viability, as the money is spread too thinly, or most if it is directed to more intensive systems, due to the persistence of bias created by old headage-based supports.

2.1.5 The limited amounts of funding available through other Pillar 2 measures, including agri-environment, also do not provide adequate support for HNV systems. Agri-environment, in particular, is designed to incentivise management practices which deliver additional environmental benefits, such as the management of habitats for specific biodiversity requirements. Being based on income forgone and (extra) cost incurred, it is not effective in supporting ongoing sustainable activity. In most cases of HNV farming, the issue is how to help farmers carry on existing activity when this may not be economically viable. There remains a lack of targeted support for farming characterised by the low input and low output practices that do so much to maintain the countryside. This is the very type of farming that is at risk of change or abandonment.

## **2. 2 Are the options analysed consistent with the objectives of the review?**

2.2.1 Option 3 is fully consistent with the objectives of the review. It serves to address issues of delimitation, targeting of aid, transparency, controllability, consistency and complementarity. It could give the LFA measure a clear and transparent policy objective.

2.2.2 Options 1 and 2 will not achieve the aims of the review as they address only the objective of adapting the delimitation. They would serve to perpetuate the existing problems of LFA support, in terms of a lack of clear Axis 2 policy objective, and a lack of targeting. The existing LFA measure already allows Member States to identify additional eligibility criteria, as proposed in options 1 and 2. This has led to a lack of harmonisation across the EU, and no coherent EU LFA policy. BirdLife believes that a framework of eligibility criteria should

be specified at EU level, which Member States can tailor to support the farming systems and practices they have identified as HNV in their countries.

2.2.3 The aim of Option 4 is to target aid to HNV farmers, which is welcomed. However, the mapping approach it proposes would not target support to HNV farms within a boundary, and would therefore not provide any incentive to prevent the abandonment of HNV practices. The potential for developing the HNV mapping approach to identify areas within which to target support is recognised. Longer term, a system of support could be developed that maintains HNV farming through identifying the practices that deliver HNV outcomes, and therefore produce HNV 'areas'. Support would reward these, rather than compensate farmers for the disadvantage of being in naturally less productive areas.

### **2.3 What difficulties would the options analysed be likely to encounter if they were implemented?**

2.3.1 Both Option 3 and Option 4 provide a clear Axis 2 policy objective for LFA, but may face difficulties in terms of resistance to the re-distribution of support that has historically been in place. However, this re-distribution would be linked to public goods delivery, within a similar boundary and amongst farmers. This may meet less resistance than more radical re-drawing of boundaries, with no associated policy rationale. In maintaining similar LFA boundaries and focusing support on targeting within these, the positive aspects of the 'LFA package' that go beyond the basic payment structure could be emphasised (including State Aids and tax implications as appropriate). Under Option 4 other areas affected by natural handicaps and characterised by a prevalence of extensive farming systems, but not classified as HNV, would be excluded, creating a risk of land abandonment.

### **2.4. What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?**

2.4.1 Options 1 and 2 cannot target support at the delivery of environmentally beneficial land management, in line with Axis 2 objectives, and risk delivering untargeted support within a re-defined boundary. All farmers within an LFA would potentially be eligible, so there is no way of ensuring that the extensive farming, which is so important for managing the countryside is supported above any other type of farming in a specified area.

2.4.2 Option 3 provides a clear Axis 2 policy objective for LFA, and allows the targeting of support to achieve retention of existing farming systems that deliver environmental benefits across Europe. The key challenge to this

approach will be the identification of an EU framework for setting required eligibility criteria, although BirdLife believes there are criteria with widespread applicability that can identify HNV systems at the broad scale. Member States and regions should be able to identify more detailed eligibility criteria that effectively identify their own HNV systems within this wide framework, and identify at what sub-national scales these may be most appropriate.

2.4.3 Option 4 provides a clear Axis 2 rationale for identifying the LFA boundary, but would not achieve the improvements in targeting funding that are required to remedy the problems of the existing system of LFA support. Current HNV mapping performs a very useful policy analysis function, but cannot allow improved targeting of support that is necessary to ensure LFA support contributes to the retention of environmentally beneficial agricultural land management. We would like to see, in the longer term, a coherent system of HNV support that encompasses current mapping approaches and the development of indicators, as well as policy developments that ensure all environmental and socio-economic elements of HNV farming are recognised.

**2.5. In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?**

2.5.1 BirdLife believes the biophysical criteria can describe the natural handicaps in the EU, although the detail (e.g. % slope) will be vitally important in assessing level of disadvantage.

**2.6. What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?**

2.6.1 The only truly appropriate level to assess handicap is at the farm level. Within broad systems of baseline support such as LFA, however, this may not be feasible, other than through the use of eligibility criteria or baseline conditionality for payments (hence BirdLife's support for Option 3). The identification of handicap for designation purposes, would be best achieved at the level of the agricultural 'parish' or similar unit. This would be the lowest possible level above individual farm level, which would allow for the significant variation in natural handicap that can occur at relatively small geographical scales.

**2.7. Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?**

2.7.1 The aim of LFA support should be to identify and support farming activity in order to retain the environmental benefits associated with it. Natural handicap can be 'overcome' by technical solutions to increase productivity

(such as drainage, irrigation, or intensified livestock keeping). However, once these 'solutions' have been introduced, the more intensive mode of production that results is no longer HNV, and should not be the focus of LFA support. Ideally, Member States should define the HNV systems that should be supported (e.g. traditional extensive olive groves, long rotation fallow- dry cereal systems, extensive grazing) and exclude farms that have moved away from such management. To assist Member States and increase the level of harmonisation, certain principles of exclusion could be defined at EU level, with the detail agreed at Member State level:

- Drainage, in the case of areas classified as LFA on the basis of waterlogged soils
- Irrigation, where identification is based on water and heat stress (exception could be given for small scale traditional irrigation systems that cover only a limited portion of holdings)
- Areas that have been subject to mechanical stone removal or crushing
- Indoor livestock keeping (except in traditional hay based livestock systems or where climatic conditions make out wintering of livestock impossible)
- Holdings with over a maximum % of artificial feed
- Holdings with a minimum % of forage dry matter produced on the farm
- Fertiliser use on grasslands

The foregoing principles would allow limitation of LFA support to those recipients whose natural handicap has not been overcome. As outlined in section 1.9 above, the eligibility criteria would also serve to limit payments to those whose activities mean that they maintain HNV systems, and deliver the associated environmental public benefits.

**2. 8. Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?**

2.8.1 The LFA policy mechanism suffers from a lack of transparency and coherence in payment rates across the EU. The widely differing payment rates per hectare that are available to farmers in different Member States do not make for a coherent EU policy. An analysis of how to achieve increased consistency and greater transparency in devising rates would be useful. The success of the measure in benefiting biodiversity is dependent not only on the area designated as LFA, but also on a determination of who can and cannot receive aid. If

extensive pastoral systems are supported at the right level, benefits to biodiversity should occur through the appropriate maintenance of HNV farmland. Inappropriately designed eligibility criteria could exclude certain farmers and possibly result in land abandonment. The map in **Annex 2** shows the intensity of expenditure (in terms of the average annual amount allocated on a per hectare UAA basis for the 2007-2013 period) on the LFA measure for each programme area as well as the approximate presence of HNV farmland. The intensity of spend exceeds €200/ha UAA per year in Malta, largely because of the island's small UAA. In Finland and Luxembourg the intensity of expenditure exceeds €100/ha UAA per year. Among those programmes that prioritise the measure in terms of the share it takes of total expenditure, the intensity of spend is more variable ranging from €18/ha UAA per year in Scotland to €85/ha UAA per year in Austria. Some EU regions do not make use of LFA at all. Whilst UAA is not the most ideal discriminator of the intensity of expenditure on the LFA measure, the variation in intensity of expenditure and the priority given to it in terms of overall Pillar 2 expenditure suggests that the measure's potential contribution to the maintenance of extensive livestock systems and HNV farmland is not fully realised.

2.8.2 At Member State and region level, extreme disparities in payment rates per hectare can also result from the implementation of the existing LFA measure. These may not reflect real patterns of disadvantage within the LFA boundary. For example, **Annex 2** includes maps from Scotland, showing how LFA payment rates per hectare there mirror patterns of Pillar 1 payments per hectare, therefore disproportionately rewarding the more productive parts of the LFA.

**2.9. Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?**

2.9.1 There are a number of factors beyond the scope of this exercise in assessing the impact of the options analysed. LFA support provides one piece of a policy 'jigsaw' that must be tailored at national level to meet national objectives for agriculture, and for rural development more widely. The future size and distribution of the CAP's Pillar 1 budget could have impacts upon the options presented here, for example. The impacts of a huge range of factors, including climate change, on HNV farming systems, are likely to be serious but remain uncertain. Targeted support that recognises and rewards the environmental delivery of HNV systems, as would be possible through Option 3, is more likely, however, to ensure the continuance of these systems regardless of other external factors.

2.9.2 Other policy instruments can and should be utilised to support the economic viability of HNV farms so that their environmental benefits are not compromised (for example LEADER).

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## COPA AND COGECA CONTRIBUTION TO THE PUBLIC CONSULTATION ON REVIEW OPTIONS FOR INTERMEDIATE LFAS

### A. INTRODUCTION

1. On 15 February 2008 COPA and COGECA adopted a common position on the preparations for a future system for designation of intermediate LFAs which provides input from the farming community. This common position forms the basis for COPA and COGECA's reply to the public consultation, launched on 22 May 2008, and is enclosed to this contribution. *For more information see [PR(08)1061].*

### B. GENERAL REMARKS – THE VALUE OF LESS FAVOURED AREAS, THREATS POSED TO THEM AND ADEQUATE POLICY RESPONSES

2. Less favoured areas are areas facing adverse conditions for agricultural production. Lower productivity levels and incomes make the viability of the farm businesses active in the areas fragile. Because of the difficulties to maintain production in these areas sustainable land management and the up-keep of farming systems is at risk. **Unless the core agricultural business is viable, farmers will not be in place to continue to deliver environmental and social non-market benefits, nor to act as the backbone of rural economies.** The LFA support scheme helps farmers to secure this contribution, and it will together with other Community instruments ensure the maintenance of open traditional landscapes, semi-natural habitats and biodiversity, forest fire prevention, good soil and water management and valued farming features in the European cultural landscape. Supporting farming activities in such vulnerable rural areas indirectly also support the development of rural areas because of the value generated by farming up- and downstream the agri-chain. Paying compensatory allowances to farmers for the income foregone and additional costs of farming in less favoured areas is clearly recognised as a way to ensure positive contributions to the sustainability, attractiveness and vitality of rural areas.<sup>1</sup>
3. **The Less Favoured Area (LFAs) scheme has proven to be a valuable instrument in the CAP tool-box, as confirmed last by the evaluation report of 2006.<sup>2</sup> It has its distinct purpose alongside the CAP Pillar 1 payments and the rural development agri-environmental measures. As such it is fundamental to the fulfilment of the European Model of Agriculture. It ensures continuation of agricultural production spread throughout the EU territory; it makes a contribution to the vitality of rural areas, and prevents land abandonment and depopulation. Its purpose corresponds to the CAP objectives, including rural development.**

<sup>1</sup> Paragraph 3.2(ii) and (vi), Council Decision of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007-2013), (2006/144/EC), OJ L 55, p. 25f.

<sup>2</sup> An Evaluation of the Less Favoured Area Measure in the 25 Member States of the European Union, IEEP report prepared for DG Agriculture. November 2006.

## C. COPA AND COGECA EVALUATION OF THE COMMISSION'S REVIEW OPTIONS

4. COPA and COGECA classify the four review options presented by the Commission into two main categories – one feasible, and the other one unfeasible. Option 1 and 2 could with some necessary modifications fall into the first category, whereas option 3 and option 4 are impaired by major shortcomings, which render them both unfeasible and undesirable.

### C.1 POSSIBLE OPTIONS IN NEED OF MODIFICATIONS

#### **Option 1: Status Quo +**

Empowering Member States to delimit LFAs according to national indicators of natural handicaps and excluding previously used socio-economic criteria. This would establish a 'no policy change' reference scenario, more consistent with the new LFA rationale and closest to the current situation.

#### **Option 2: Common criteria**

Combining an LFA delimitation based on common and objective biophysical criteria referring to natural handicap with a limited revision of the eligibility rules. Similar to Option 1 the Commission proposes not use to socio-economic criteria.

5. Within the category of feasible options, there are several things to be done to improve the characteristic of the review in order to safeguard the economic, social and environmental sustainability of the LFAs.
  - **COPA and COGECA insist the main criteria should be an area's capability for agricultural activities.**
  - **Biophysical criteria should be scrutinised in a peer-reviewing process.**
  - **Recognition of wider concept of handicaps, i.e. socioeconomic conditions such as remoteness (access to markets e.g.) should be allowed.**
  - **Concerns linked to lack of information and data need to be addressed.**
  - **Political concerns regarding a significant upheaval of the current intermediate LFAs need to be addressed.**
6. The Joint Research Centre, JRC, has focused on the Problem Land Approach and the Liebig's law of the agronomic minimum in defining common criteria for natural handicaps adversely affecting farming. Nine criteria and associated thresholds have been presented.
7. **The main criteria to take into account when delimitating the intermediate LFAs should be the area's capability for agricultural activities.** Corresponding to the objectives of Regulation 1698/2005, for the intermediate LFAs, COPA and COGECA find biophysical criteria as being of primary importance.

Farming organisations from different parts of the EU-27 have reported technical difficulties with the current nine criteria presented by the JRC. These difficulties range from lack of data for the criterion listed to the 'non-applicability' of the common criteria to the specific national situation. As an example there is concern from North-Western Europe that the JRC criteria are too Mediterranean to be of relevance to that climatic zone. **COPA and COGECA support efforts to find objective and relevant criteria and therefore propose that a peer-reviewing process of the criteria listed by JRC is done before a legislative text is presented.**

8. According to our opinion the way to measure if areas are significantly affected by natural handicaps can also be done through use of indicators transcending the soil and climatic conditions. For example remoteness/'peripherality' is a persistent handicap reducing the farmers' access to markets. Low agricultural out-put and higher in-put costs in combination puts them at a less favoured position competition-wise, and this is shown in lower average yields and return per hectare, lower farm income levels, and other similar land productivity and economic performance indicators. The system should hence also allow for recognition of socioeconomic parameters in regions where such criteria are of relevance to the continuation of farming. (Any technical problem, such as those relating to obsolete data, can be addressed by regular updates e.g.)
9. The outcome of the mapping exercise carried out by Member States is still unknown in its details. According to unofficial figures, the outcome would result in a 12 % average increase of the intermediate LFA area in the EU. This however disguises the fact that there is going to be major redistribution effects on national and sub-national level. In short, existing areas risk falling out and some new areas will be included, often in a patchy way. COPA and COGECA are concerned with the substantial upheaval of the current LFA designation this would mean. *See also point E on Stability for the LFASS (LFA Support Scheme).*

## C.2 'NO-GO' OPTIONS

### **Option 3: Common criteria + fixing of eligibility criteria at Community level**

Combining an LFA delimitation based on eight common and objective biophysical criteria referring to natural handicap with a common framework for the eligibility rules to be applied at farm level within the designated areas.

10. Option 3 will neither deliver improved efficiency nor effectiveness of the LFA mechanism. First of all, the performance rate of the LFA instrument has not been called into question, neither by the Court of Auditors nor the evaluation report by the IEEP. The conclusions instead confirm the relevance and value of the instrument, which has had an extensive up-take by Member States since the day of its conception.
11. Secondly, a review based on stricter requirements for fragile farms delivering particularly valuable public goods, and, EU centralisation in the form of fixing Community wide eligibility criteria, will in fact reduce the economic, social and environmental sustainability of less favoured areas. Per definition LFAs are areas where the capability for agriculture is adversely challenged with lower yields, productivity and resulting income as a result. Moreover, in these marginal areas the costs of meeting environmental standards under cross-compliance, in particular the 'Good Agricultural and Environmental Conditions' (GAEC), are likely to be greater due

to the fact that returns are lower at the same time as the area is more prone to land marginalisation and over-vegetation (shrub invasion).

12. The LFA instrument has its distinct purpose alongside the agri-environmental measures and the CAP Pillar 1 payments. Hence it can not be diluted into a sub-agri-environmental or nature conservation measure. Any notion of excluding, or adding environmental requirements on, these farms in less favoured areas, which already face higher costs and/or foregone income, and sometimes lower SFP levels, would put them at an even worse competitive position. It negatively affects their profitability and viability, and as a consequence these vulnerable and valuable agricultural systems would at a greater risk of going out of business with land abandonment, loss of semi-natural habitats, and marginalisation trends as negative side-effects. This would be counterproductive to the objective of ensuring continuation of sustainable farming and maintenance of the countryside, through continued agricultural land use.
13. According to our assessment it would be neither feasible nor desirable to introduce fixed common eligibility rules at the Community level because of the negative impact on the overarching objective to support environmental, economical and social sustainability of less favoured areas.

#### **Option 4: High Nature Value (HNV)**

Linking the support to agriculture in areas affected by natural handicaps to the preservation of high nature value farming systems defined on the basis of common criteria.

14. The same arguments as mentioned above also hold true for any additional narrowing down of the LFA instrument's applicability to selected farming systems. More importantly, however, the HNV concept *per se* is yet under discussion and does not lend itself to serve as basis for designation of intermediate LFAs.<sup>3</sup> COPA and COGECA support the assessment that targeting of HNV farming systems fits better with the agri-environmental payment schemes. Agri-environmental schemes are in this respect more likely to successfully support high nature value farming/farmland as they apply potentially to all farms, both within and outside LFAs.

### **D. THE IMPLEMENTATION OF A FUTURE DELIMITATION SYSTEM FOR INTERMEDIATE LFAs**

15. COPA and COGECA advocate postponing the implementation until 2013 so to avoid disruptions in the middle of the running rural development programmes 2007-2013. There is no problem with a legal vacuum as the relevant provisions can remain in force until the new policy framework for rural development has been set up for the period beyond 2013.

This would also allow for a more profound, holistic view to the future of agriculture in the scenario beyond 2013.

16. In line with the subsidiarity principle the **EU should establish the framework conditions for the delimitation criteria and ensure the comparability between Member States. Detailed implementation within the EU framework should be left to Member States.** The most appropriate level would mean commune, depending on data availability, and resources of the administrative units. However, farming

<sup>3</sup> HNV is going to form part of the RD policy framework 2007-2013 insofar that is intended to be applied within the context of the Common Monitoring and Evaluation Framework. Currently however, discussion is on-going and there is not an agreement on a common definition and guidance on how to apply the HNV concept.

organisations report problems concerning the technical aspects of the mapping exercise as the availability of such data appears to be limited in some cases.

17. The Rural Development Regulation 1698/2005 contains general criteria for the intermediate areas. Article 50.3(a) lists soil productivity, climatic conditions, and maintenance of certain agricultural land management (extensive farming systems) as framework criteria. In the Rural Development Policy framework for 2007-2013 the LFA scheme has been placed in Axis 2 (land management). While the legislation stipulates minimum repartition between the Axes it does not further restrict Member State choices in deciding the importance they wish to attach to the LFA measure among the rural development measures. Nor does Regulation 1698/2005 prevent the use of different indicators by the various Member States. The concern raised by the Court concerning variability, lack of harmonisation and comparability is primarily coming from the administrative side of the LFA scheme. Current disparities and wide-ranging use of indicators not only reflect different national priorities but also the varying agro-economic situation in the different regions of the EU-27, ranging from the far North of Scandinavia to regions bordering to Africa, and all areas in-between.
18. COPA and COGECA acknowledge the value of a common framework for a methodology established on EU level. However, at the same time, COPA and COGECA recall that it is imperative to offer adequate possibilities to designate areas in such way that national and sub-national specificities are taken into account. **Hence a flexible framework which balances the interests of harmonisation and subsidiarity should be the aim of the review exercise.**

## **E. STABILITY FOR THE LFASS IN THE FORTHCOMING COMMISSION PROPOSAL**

19. In summary, COPA and COGECA are in favour of applying transparent and valid criteria in a workable system, as outlined in the position paper PR(08)1061. The aim must be stability, by which the end result neither increases nor decreases the area.
20. At times of increasing market volatility and pressure on the European model of agriculture, COPA and COGECA are concerned about the first indications obtained from the Member States, giving evidence of a significant upheaval of the intermediate LFAs throughout the EU-27. **COPA and COGECA underline the great sensitivity of any re-designation of the intermediate LFAs as it affects the use of such an important CAP instrument as compensatory allowances for less favoured areas.** In 2005 around 9 % of the farms in EU-25 received support pursuant to the provisions for intermediate LFAs and the delimited area covered 39% of the total UAA.<sup>4</sup> **It is therefore of paramount importance that the preparation and review exercise also include substantial analysis of the effects.** COPA and COGECA call on the Commission and the Council to recognise the complexity of the process and to take great care in the re-designation process in order to avoid unintended effects and/or drastic changes for the areas affected.

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<sup>4</sup> Draft Commission Working Document "Delimitation of areas affected by significant natural handicaps according to Article 50, 3 (a) of Council Regulation (EC) 1698/2005", p. 7-9. DG AGRI, European Commission. November 200



## **Consultation on the review of the Less Favoured Area Scheme 2008 – a response from EFNCP**

EFNCP welcomes very much the decision of the Commission to allow adequate opportunity for reflection on the reform of LFA support, which we believe to be central to the future of sustainable farming in marginal areas, including HNV farming systems. We are grateful for the opportunity to give our opinion and also for having had the chance to give a presentation to the ISSG earlier in the year.

EFNCP congratulates the Commission on the clear and well-thought out consultation document, which addresses most of the key issues that we believe need to be addressed. We hope that the Commission's robust and rational analysis will be reflected in the final decision of the Council and in the subsequent implementation by Member States.

In accordance with the invitation in the consultation document, a more detailed setting out of our rationale follows the summary of our conclusions.

### **Summary of our recommendations**

1. LFA is central to the achievement of the EAFRD Axis 2 objectives, so the LFA reform must result in a robust and easily defensible set of rules which can play a strengthened role in the CAP over future programming periods.
2. LFA payments should aim to support farming that is a) handicapped by natural conditions and b) operates within these physical handicaps in such a way that ecological values are conserved ("sustainable land management").
3. Criteria for setting the boundary of the LFA should be transparent and rigorously enforced, but should not be tightly drawn. Effective targeting of LFA payments is best achieved through farm-level eligibility criteria.
4. Criteria for farm eligibility and for setting payment levels should be drawn tightly. They should be set at Member State level but conform to a set of common EU guidelines, and be clearly related to Axis 2 objectives. Criteria which are unrelated to Axis 2 objectives, such as a requirement to be a full-time farmer or being below the age of retirement, should be disallowed.
5. Farms which are not disadvantaged, or have been able from market returns or CAP support to overcome the natural disadvantage of an area through intensification, should not receive payments, whether or not they fall within the LFA boundary. In many cases, the intensified farms within LFAs have been heavily subsidised by the EU taxpayer to be better able to respond to the market, and in doing so to move away from providing public



goods in the strict sense<sup>1</sup>. Examples are farmers using irrigation (other than certain very localised traditional systems, particularly flooded meadows), polytunnels or whose farms are dominated by agriculturally improved grassland.

6. Eligibility rules and the requirements which applicants must fulfil should be clearly separated in the logic of schemes. For example, an eligibility rule might be that a certain percentage of a livestock farm's forage area should be under semi-natural vegetation. To ensure sustainable land management, a maximum stocking density limit might be applied as a requirement.
7. Sustainable land management should not be interpreted merely as compliance with GAEC and SMR. The LFA have particular fragile environments and the conservation of these environments depends on the continuation not of farming in general, but of specific types of farming, generally characterised by a low intensity of input use and land exploitation. The LFA cover vast areas and funds are limited, so eligibility criteria and payment scales should aim to target most support on the types of farming that are best placed to deliver the environmental priorities defined for a given LFA.
8. Payment levels must be closely aligned to the requirements and to the cost of meeting these requirements in the specific natural conditions in which the farm operates. For example, an LFA scheme requiring farmers to maintain a minimum grazing density of 0.15 LU/ha should have payments calculated only on the basis of the direct costs of maintaining that required density of livestock, whatever the actual stocking density on the claimant farms. Schemes which in the past have not followed this rule have ended up paying significantly higher payments to less disadvantaged than to more disadvantaged farms.
9. All payments within a particular scheme should aim as far as reasonably possible to compensate additional costs and income foregone to the same extent and in the same proportion in all areas; Member States should be required to demonstrate this in RDPs.
10. A high proportion of semi-natural vegetation<sup>2</sup> in the total forage area of a farm (including all seasonal, short-term and common grazing land) is an indicator that a farm is disadvantaged and also that the farming is highly relevant for environmental goals. For livestock farms, the proportion of semi-natural forage should be a criterion for both eligibility and the setting of payment levels. This is the best way to link the LFA measure to the delivery of the HNV farmland objectives of Axis 2.
11. Many Member States have a semi-natural grassland inventory, which some have incorporated into their LPIS/IACS systems. Others have cadaster-based systems which can be adapted to give information which better identifies semi-natural vegetation. As part of their preparation for the new LFA measure (and to facilitate their monitoring of the HNV indicators in their RDPs), all Member States should ensure that their LPIS/IACS

<sup>1</sup> Public goods are services which people cannot be prevented from using (non-excludable) and/or ones whose use by one person does not diminish the value of the resource for another (non-competitive). Thus, though public goods may in theory be valued by society, and though they certainly represent a service for society, the market mechanism cannot provide an incentive for their provision. Thus goods and services desired by the public include both Public Goods and private goods. A beautiful landscape is a public good; a fine artisan cheese is not, but the maintenance of the cheese-making tradition in the absence of a market might be.

<sup>2</sup> Specifically semi-natural vegetation (including grazed scrub or woodland), as distinct from permanent pasture or grassland in general.



system is able to identify all semi-natural farmed vegetation used by farmers (including grazing land off the UAA).

12. As for all CAP support, the basic requirements of the LFA scheme should be the minimum specified in GAEC. Some aspects of GAEC are not adapted sufficiently to the realities of farming, particularly in the LFA, and do not ensure sustainable land management in their current form. For example, farmers should be required to demonstrate that their use of land and water complies with legal requirements. Currently, farmers using land and water illegally are able to receive CAP payments. This is a significant concern in some LFAs in Southern Europe.
13. In order to address the GAEC issues concerning "Minimum level of maintenance: Ensure a minimum level of maintenance and avoid the deterioration of habitats" (Annex IV of Regulation 1782/2003), Member States should not limit their standards to "preventing the encroachment of unwanted vegetation". It is important to include standards that define "Minimum livestock stocking rates or/and appropriate regimes" (as stated in 1782/2003), in terms of the active management (grazing and/or mowing in the case of semi-natural vegetation) that is required to avoid deterioration of the habitat in question. A requirement merely to "prevent unwanted vegetation" is not sufficient to ensure the continuation of the range of environmental values associated with an active farming system. However, the necessary tightening in cross-compliance criteria *must* be matched by improved targeting and more tailored payment calculations in LFA schemes and better use of Pillar 1 support.
14. The interaction of the LFA measure with agri-environment measures and also with SFP and Article 69 measures should be made explicit in the RDPs, with a clear justification of the costs and benefits being paid for through each measure.
15. Remoteness from markets and key services should be included in the set of natural factors recognised as leading to disadvantage. Remoteness is clearly a natural and physical factor beyond the control of the farmer and is as important in defining marginality as the other factors proposed by JRC.
16. We do not support an approach which involves attempting to map and delineate HNV farmland areas, either as a suitable tool for targeting support at HNV farmland, or as a substitute for LFA boundaries. The HNV farming concept is not best applied through delineation of areas, but rather through farm-level criteria. Furthermore, the concept tends to be interpreted purely in relation to biodiversity values, whereas sustainable land management in the LFA is concerned with a wider range of environmental issues (e.g. soil conservation, fire prevention). Therefore we do not support Option 4 of the consultation document.
17. With the caveats referred to above and explained in more detail below, EFNCP supports Option 3 as the most likely to deliver the aims of the LFA reform, by ensuring the application of robust eligibility criteria focused on sustainable land management, within a common EU framework.



### **Our vision for the LFA measure**

▪ **The LFA measure more important than ever**

Where technology and the availability of capital permit it, Europe's farmers have responded to market signals and intensified their production to maximise their net incomes, leading to massive declines in many formerly common species and habitats across much of the continent, and putting increasing and unsustainable stress on basic natural resources, such as soil and water.

For both agronomic and economic reasons, many farmers in marginal areas such as Europe's mountains, drylands and marshlands were unable to respond in this way. Unintensified farms in these Less Favoured Areas became further marginalised economically and socially. Because these farms did not intensify, large areas of semi-natural vegetation managed in an extensive manner, as well as other low-intensity farming systems involving arable and permanent crops, have survived as a public good into the 21<sup>st</sup> century.

The factors which limited the extent of agricultural 'improvement' in the LFA now pose an ever-increasing threat to these same areas, as general economic development and the success of rural and regional policies increase the number and range of economic opportunities outside agriculture. Decoupling of CAP support only serves to further highlight the disadvantage under which these farmers operate, as many would be far better off if they could cease production while receiving current support payments.

It is also apparent that in many LFAs, a proportion of farmers have been able to intensify production, often with the aid of subsidies and grants delivered through the CAP. Examples of intensive farming systems now found within LFAs include large areas of intensive olive plantations, vineyards and other permanent crops, arable cropping including irrigated tobacco and maize, and agriculturally improved grassland.

Particularly in southern Europe, the fragile environments existing within LFAs (vulnerable soils, scarce water resources) have suffered from these processes of agricultural intensification. Farms that represent a clearly unsustainable use of land and water are in receipt of LFA payments under the current scheme. This situation should be remedied by applying eligibility criteria and requirements that exclude over-intensive farming systems from LFA support, and also by changes to GAEC, particularly concerning illegal use of water.

Disadvantaged areas illustrate the inherent tensions within the CAP between the drive towards efficiency and a world market orientation and the provision of adequate reward for the provision of public goods. Whereas in less disadvantaged regions these issues can be separated, with the farm business selling produce profitably on the one hand and receiving support for provision of specific services on the other, in the LFA the two questions cannot be conveniently decoupled. Indeed, to do so is likely to ensure the failure of the policy.

Resolving these tensions sets a challenge for both the EU as whole and for Member States in their individual Rural Development Programmes. At present the CAP has only two mechanisms for supporting existing but uneconomic basic land management – Single Farm Payment and Less Favoured Area. Of these the latter has the clearest potential to link payment levels to disadvantage and the continued provision public goods, while maintaining



public confidence in the long term. We believe therefore that the future of this measure is central to the continued delivery of public goods and to the legitimacy of the CAP in the mind of the taxpayers.

▪ *Sustainable land management is central*

EFNCP welcomes the increased clarity of focus of Axis 2 of EU Rural Development policy and fully support the shift in the rationale of the disadvantaged area payments away from a variety of objectives to that of contributing to sustainable land use.

One of the challenges facing LFA policy is how to ensure that such a long-standing measure, one so firmly embedded in the bureaucratic traditions of both the EU and Member States, is able fully to make the transition to what in some countries is a totally new function for the measure. It is a reasonable expectation that scheme proposals which have a substantially new rationale should be accompanied by a full and comprehensive justification and explanation; the Commission should insist on this to avoid in effect an automatic rollover of the status quo.

A particular and basic failing of the current scheme is that the objectives of national implementation models are not clear. Now that a new and more focused EU objective has been defined (sustainable land management), it is essential that future national and regional RDPs spell out clearly how this objective is interpreted for their LFA. Programmes should be required to:

- analyse the main environmental concerns in these areas, including sustainable use of soil and water, and the conservation of biodiversity
- define priorities for achieving sustainable land management with reference to the above themes
- specify which types of farming and farming practices are best placed to deliver this goal, with reference to the specific sustainability themes
- and explain how their proposed eligibility criteria, requirements and payment formula will ensure that support is targeted on these specific farming types and practices.

▪ *Natural disadvantage felt at the level of the business*

LFA policy should aim to target *all* naturally disadvantaged farms, but *only* those farms. The level at which natural disadvantage makes its economic impact felt most keenly, and the one at which the level of support should be determined, is that of the farming business.

Being within an area which contains many other disadvantaged farms adds little to the individual farm's disadvantage. Conversely, being the only disadvantaged farm in an area does little to lessen that disadvantage (quite the opposite, in fact). Thus, while an area approach is implicit in the scheme, it should not be the main level at which eligibility criteria are set and payment calculations carried out.

On the other hand, the relationship of disadvantage to the proportion of disadvantaged land is not linear, so disadvantage is not something to be measured primarily at the field scale. While a farm with 10% of difficult or unproductive land is more disadvantaged than one with only 5% of such land, in neither case does the disadvantage significantly affect the business options open to the farmer. However, farm businesses with more than 30-40% of handicapped land find that it dominates not only their management options, but the



profitability of the choices which are available to them. We would think that any mechanism which assessed disadvantage at a field-by-field level thus also misses a key aspect of real marginal farms.

The appropriate level of assessment is therefore that of the farming business. At the same time, efficient and effective targeting of the scheme is best achieved at the farm level, not through attempting a tight delineation of the LFA boundaries. The latter approach is likely to exclude a number of genuinely disadvantaged farms, while still including a number of not disadvantaged farms which ultimately will have to be excluded through eligibility criteria.

▪ Setting criteria for the definition of the area

To obtain LFA funding, farms have to be within the eligible area and to fulfil certain eligibility criteria. We believe that in the past too much stress has been placed on delimiting the former and not enough on defining the latter. Ideally we would like to see a scheme which adequately compensates for the cost effects of natural disadvantage on minimal, baseline, agricultural activity wherever it is located (in much the way in which Article 69 can target certain systems).

We recognise that the Court of Auditors' criticism is being understood as a call for smaller LFAs. We would make a plea for it to be understood as a call for better targeting of the scheme at disadvantaged farms. Within that context, there is still a need for the Commission to monitor the criteria used for area definition.

▪ Distance is a natural disadvantage

EFNCP believes that while the abolition of the social criteria for LFA delimitation may cause technical problems for Member States during the period of transition, there is no reason in principle not to welcome the exclusive focus on physical factors proposed by the Court of Auditors.

This being said, we strongly urge the Commission to reconsider its view that distance (remoteness) is not a physical or natural disadvantage. *Some* of the costs of distance can be overcome by social policy, though they seldom are – subsidies to avoid higher fuel prices are an example. However, those costs which are the result of the increased travel times, for instance, cannot all be addressed in this way. Working Time Directive and road safety restrictions on drivers' time for the haulage of goods, and restrictions under the transport of farm animals codes all add considerably to real costs and should be permissible in payment calculations. They are a major factor adding to the disadvantage of farms in remote areas.

▪ Criteria for eligibility should relate only to Axis 2 objectives

We believe that any eligibility criteria should relate exclusively to the objectives of Axis 2, as set out in the Strategic Guidelines. All farmers within the delimited area who contribute to them should be eligible – exclusions for reasons of age or of part-time farmers are no longer justified a priori.



- Identifying genuine disadvantage at farm level

Farms should not receive LFA payments just for being situated in a disadvantaged area – they must contribute to Axis 2 objectives. That means focussing support on those which have not been able to overcome that natural disadvantage and move into intensified production methods which deliver few public goods. What this means will vary from region to region. In Mediterranean areas where the disadvantage is due to drought, it will rule out support to those farms using irrigation (with the exception of certain very specific traditional systems for flood-irrigation of meadows).

In livestock systems, farms that are able to carry high stocking densities would be excluded (it is essential that calculation of stocking densities takes account of all off-farm grazing, not only the UAA of the farm holding). The livestock systems which provide the majority of Axis 2 public goods are characterised by a high proportion of semi-natural forage in their farmed area. LFA payments should be targeted at them, and payments should reflect both the carrying capacity of the semi-natural vegetation and the proportion of that vegetation in their IACS area (including common, short-term and seasonal grazing).

- LFA equals HNV farmland?

The HNV farmland approach is explicitly not about designating areas. We consider the LFA measure, complemented by Agri-environment schemes and an expanded use of Article 69, to be the best way of targeting basic support to the vast majority of HNV farmland in the EU.

Besides, existing attempts to map HNV farmland (e.g. by EEA/JRC) are known to be imperfect, and data simply are not available at present to produce reliable maps of HNV farmland.

The Forum therefore believes that the best way to achieve a fit between the LFA measure and the delivery of the HNV farmland element of Axis 2 is firstly through the criteria for excluding intensive farmers. In the case of livestock farms, the proportion of the forage area consisting of semi-natural vegetation should be central criterion. Equally critical is the formula for calculating payments, which should ensure that the most disadvantaged farms that also comply with criteria for sustainable land management receive sufficient support from the CAP to maintain their activity.

The LFA contains both Type 1 and Type 2 HNV farmland. We believe that the appropriate vehicle for locating and targeting both these type is IACS and the Land Parcel Identification System which underlies it. Member States should agree to a deadline by which *all* LPIS/IACS systems in the EU should be able to identify farmed semi-natural vegetation.

- LFA must support active farming

The Forum believes that the "minimum maintenance" aspects of GAEC should be framed in terms of active management. The extra costs of bringing active management back to an area which loses it are such that GAEC should not permit a passive 'can be brought back into use' approach, based solely on the requirement to prevent encroachment of unwanted vegetation.



Whereas the link between the level of payments and the costs of GAEC is poor for SFP, in the LFA this logical connection is central. Additional costs and income foregone can only be defined in relation to a particular activity. It is essential to define that activity and to require it as a condition of payment.

▪ Setting payment levels

One source of embarrassment in the present set of LFA schemes is that while some Member States have a rigorous and transparent set of criteria for setting payment levels, others have a set of payments which can only be described as perverse, where disadvantage seems to be more or less inversely related to the amount of support given.

LFA payments should be aligned to the costs and income foregone of a defined minimum standard and that standard should be set in GAEC. LFA should not pay for occasional clearance of invasive vegetation, but for meeting positive management requirements defined under GAEC. One example is the maintenance of a minimum grazing pressure on semi-natural vegetation.

▪ Fit with other instruments

The LFA measure is the only RDP instrument that can pay for the costs of carrying out the minimum amount of activity demanded by GAEC. 'Broad and shallow' agri-environment measures are not permitted to perform this function.

The official justification for Single Farm Payment is also to meet GAEC standards not required of non-EU competitors, but neither the historic nor the regionalised models are sufficiently flexible and well-targeted to support fully the delivery of GAEC in marginal areas, despite their importance for stated EU objectives. While LFA payments should be sensitive to changes in the distribution of Pillar 1 support, the potential for precision and focus which they offer makes them invaluable in any truly integrated policy framework.

Article 69 payments potentially overlap with LFA, but if the latter is limited to achieving GAEC standards (e.g. a minimum livestock stocking density per hectare of forage), the former could then be used to target particular systems (e.g. encouraging grazing by cattle rather than sheep in NW Europe; or sheep rather than cattle in southern Europe; special support for shepherded systems would be especially beneficial to sustainable land management in southern Europe).

LFA could legitimately be used to pay for going beyond GAEC, for example, where maximum stocking density limits need to be applied to ensure sustainable land management. However, at present we are not aware of any Member State where the scheme properly pays for the additional costs of disadvantage for all marginal farmers, even at the level of GAEC. Paying for the additional costs of higher levels of activity for less marginal farmers while the most disadvantaged are put in a loss-making position is, we believe, completely inappropriate.



▪ Importance of supporting a minimum level of management, especially grazing of semi-natural vegetation

Semi-natural vegetation under farming use (generally grazing, but also mowing of semi-natural hay-meadows) is the basis for much of Europe's biodiversity. The continuing decline of such activity is one of the reasons for biodiversity decline, as semi-natural land is abandoned or converted to other uses (e.g. afforestation, agricultural intensification). It also leads to a loss of valued open landscapes and to increased fire risks (a concern for several reasons, including contribution to climate change, soil degradation and biodiversity loss), especially in southern Europe.

The continuation of a minimum level of farming activity on all remaining semi-natural vegetation therefore should be a basic environmental objective of the CAP payments system, and of the LFA scheme in particular (the largest areas of such land are found within the LFA where they reflect the natural limitations to intensification).

This environmental objective is central to the concept of sustainable land management in many LFAs, yet current CAP rules and definitions give rise to a situation in which support payments are not linked to this objective, and in fact work against it in various ways. These are summarised below.

It is important to distinguish semi-natural vegetation from Permanent Pasture as defined under CAP Regulation 796/2004. On the one hand, the latter includes grassland that is ploughed and reseeded every 5 years, and so is under more intensive use and generally is of less biodiversity value than strictly semi-natural vegetation. On the other hand, grazing land consisting of heaths, scrub or woodland is excluded from the Permanent Pasture definition, which refers only to "herbaceous forage", thus excluding non-herbaceous types.

These non-herbaceous types of semi-natural forage are precisely the types found on the most disadvantaged land and most prone to abandonment, resulting in the loss of critical biodiversity values and in increased fire risks. Such grazing land is excluded from the Permanent Pasture category in many Member States, and as a result is excluded from the GAEC requirement to "protect Permanent Pasture", and from Member States' reporting on their commitment to prevent a significant reduction in the area of Permanent Pasture.

In some Member States, grazing land with bushes and/or trees is excluded entirely from LPIS on the grounds that it is not "agricultural land", and as a result it is not eligible for CAP payments. This is in spite of Article 8.1 of 796/2004 which states that "*A parcel that contains trees shall be considered an agricultural parcel for the purposes of the area-related aid schemes provided that agricultural activities referred to in Article 51 of Regulation (EC) No 1782/2003 or, where applicable, the production envisaged can be carried out in a similar way as on parcels without trees in the same area.*"

The GAEC requirement to prevent "unwanted vegetation" also can act as a barrier to the payment of support on marginal semi-natural land, as land with a certain proportion of shrubs or trees may be considered to not comply with the GAEC requirements. Farmers may be obliged to clear shrubby vegetation in order to comply with GAEC, whereas a mosaic of grassland with scrub and trees generally is of especially high biodiversity value.



These barriers to the payment of support on semi-natural grazing land need to be addressed, as they work against the “sustainable land management” objectives of the LFA scheme. EFNCP proposals are as follows:

- Payments that support a minimum grazing level on semi-natural vegetation contribute to basic environmental objectives without significant distortion of production and markets, and therefore are WTO Green Box Compatible. An LFA payment scheme that fails to support this objective (as occurs with existing CAP rules) is failing to ensure a key element of sustainable land management in the LFAs.
- There should be a presumption that all semi-natural land under grazing by domestic livestock is eligible for CAP payments (LFA and Pillar 1), regardless of whether the forage is purely herbaceous, and including vegetation that is shrubby or includes a proportion of shrubs/trees. This could be made clear in Article 8.1 of Regulation 796/2004. Exclusions could be applied by Member States on specific sites, parcels or habitat types where grazing is not desirable for clearly defined reasons.
- The GAEC provisions on protection of Permanent Pasture should be extended to cover all types of semi-natural forage vegetation, by making it clear in the definition of permanent pasture (Article 2 of Regulation 796/2004) that all types are included.
- In order to address the GAEC issues concerning “Minimum level of maintenance: Ensure a minimum level of maintenance and avoid the deterioration of habitats” (Annex IV of Regulation 1782/2003), Member States should not limit their standards to “preventing the encroachment of unwanted vegetation”. It is important to include standards that define “Minimum livestock stocking rates or/and appropriate regimes”, in terms of the active management (grazing and/or mowing) that is required to avoid deterioration of the semi-natural habitat in question.

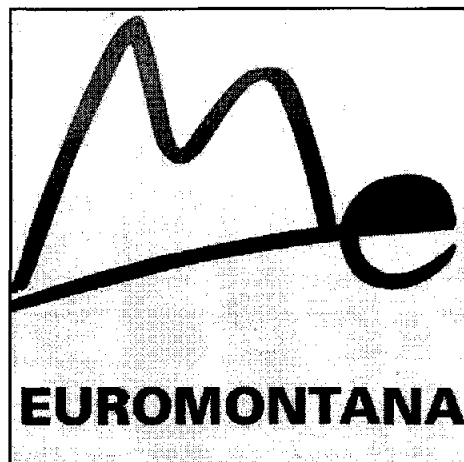
*Initial contact: Gwyn Jones*

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*The European Forum on Nature Conservation and Pastoralism is a EU-level NGO which aims to highlight the positive relationship between certain types of low-intensity agricultural systems and nature conservation (High Nature Value or HNV farmland). The environmental and socio-cultural public goods produced by European agriculture are delivered primarily by this low-intensity, economically marginal agriculture.*

*HNV farming systems are marginal in the market but are not out of the market. The fundamental issue for policy is to allocate production between low-input and high-input farming systems while keeping the former's low-input characteristics.*

*The Forum believes strongly that if farming in HNV areas is to become and remain socio-economically sustainable, and to continue to provide the current benefits for nature, it requires greater consideration in the design and delivery of EU agricultural and rural development policies. Its needs should be a major consideration in the design of the CAP as a whole.*



## Euromontana's answers on the public consultation on the review of the "less favoured area" scheme

*Euromontana is the European multisectoral association for co-operation and development of mountain territories. Euromontana brings together organisations of mountain people: development and environmental agencies, agricultural and rural development centres, territorial authorities, research institutes, etc. It includes organisations from Western Europe as well as from Central and Eastern European countries with the aim of developing international co-operation. Currently 72 organisations from 17 wider European countries are members of Euromontana.*

*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 organizing 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 related affairs.*

**What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?**

Due to the natural handicaps they are faced with, farming systems in LFA have to develop specific strategies that take into account the subsidies they receive from the European Union. However, changes (recent or expected) are threatening the balance on which farming in LFA is based on. These new threats are the following:

- Direct economic threat. Data from Scotland (B. Yuill, P. Cook, 2007<sup>1</sup>) indicates that the total decoupling of animal premium has led to a dramatic decrease of sheep population in the Highlands and Islands of Scotland; the same trend is now observable on cattle, whose number is also declining. Euromontana therefore welcomes the proposal of the Commission in its report on the Health Check Reform to maintain coupled premium for animal payments to prevent the abandonment of agricultural land, which would affect firstly the most remote and less productive areas. We also call for further studies on the impact of decoupling, especially in the countries where the 2003 reform has already been implemented for a few years, such as Germany.

We are also worried about the announcement of an increase by 1% per year of the milk quotas, before their abolition in 2015. Although the use of the article 68 is mentioned as a means of support to the dairy sectors in fragile areas such as the mountains, we regret that the proposal limits its use to 2.5% of pillar 1. We believe that more than 10% of the 1<sup>st</sup> pillar budget should be dedicated to article 68, and that it should be possible to dedicate more than one fourth of the budget thus released to the support of specific production.

There is consequently a risk of abandonment of agricultural land, especially in the most remote and less productive land

- Undirect economic threats: with farmers stopping their activities, there is a strong risk that associate businesses (feed and material suppliers, slaughter houses, dairy industries) will not be profitable enough anymore to remain in the area. The departure of such associated business will definitely prevent the reversal of the vicious circle since it prevents new farmer from settling. The LFA payment must therefore play a role to maintain a sufficient critical mass of farmers.
- Environmental threats. It is currently very difficult to assess the full impact of the climate change. However, experts agree in that mountain areas will be the most touched by the global warming. More droughts are expectable in the south of Europe; extreme climatic events such as heavy rains will cause damages especially in sloped mountain and hilly areas. Agriculture has a very important role in maintaining biodiversity, preventing erosion...in those areas, but at the same time, farming will be challenged by the climatic difficulties. The LFA payments as well as the agro-environmental measures will therefore continue to play a crucial role.
- Threat linked to the structure of food sector. Farmers in mountain and fragile areas often have smaller holdings than in the plains. A strong organization of farmers is necessary to prevent this atomized structure from being a weak point when negotiating with a concentrated processing and retailing sector. There is a need of more support to the organization of farmers in LFA.

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<sup>1</sup> B. Yuill, P. Cook, 2007. Trends in Agriculture and Supporting Infrastructure within the HIE area 2001-2006 – With commentary on the North West Highlands area – Report for highlands and Islands Enterprise; SAOS Ltd P & L Cook & Partners, 32 p.

### **Are the options analysed consistent with the objectives of the review?**

We appreciate the effort made to build consistent scenarios that offer interesting possibilities for discussion. In our view, apart from the first option that does not offer solution to the existing problems, the three other proposed options meet more or less the objective of the review.

However, we regret the shift in definition of the LFA, which tends to ignore the impact of the structure of rural life on the dynamism of farming in the area. We recognize that the point according to which the regional policy is to play a role is very valid; however we think that, as long as no proposal to replace the LFA payments in rural areas with socio-economic difficulties is made within the regional policy strategy, there is a strong risk of dismantling agriculture in the mountain and fragile areas if farmers will cease to receive LFA payments. In particular the piedmont region can be threatened if the socio-economic criteria are not taken into account. Farming sector provides the population base in the mountain and fragile areas and without it these areas risk depopulation and land abandonment which will mean also the loss of the precious positive externality assets such as the potential for quality production, tourism, land management in protection for hazards, biodiversity and local cultures.

Moreover, we think that the 4 scenarios should also be assessed according to other objectives than the four aims of the review. For instance, another objective of the review should be to target payment towards sustainable and less intensive farming.

### **What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?**

The 'status quo +' option appears to be the least interesting of the 4 options proposed: by removing socio-economic criteria, the areas with a real risk of depopulation would not be eligible anymore. On the other hand, the option does not bring in additional criteria linked to extensive production or environment. In conclusion, the option leaves out farmers who would need support because they are faced with a difficult socio-economic situation, but maintains support to farmers who are located in LFA but who are not faced with serious handicaps and who could have very intensive farming practices and obtain excellent yields.

The 'HNV' option is a very interesting and ambitious option, which we would fully support, were we not afraid that the designated areas are too restrictive and that this could prevent farmers from LFA not currently defined as HNV areas to change their practices for more environmental-friendly. Moreover, that option could lead to weaken areas affected by natural handicaps but with lower natural value, that could result in land-abandonment in those areas.

For Euromontana, two options are more appropriate, because they are more targeted to sustainable agriculture without adding to heavy burden on farmers and without competing with agro-environmental measures:

The 'common criteria' option goes further than the first option in the direction of pro-environmental and sustainable farming by leaving out farmers who have very intensive practices, that is to say farmers with the most polluting practices. At the same time, it leaves enough room for manoeuvre to each member state thanks to subsidiarity to determine the eligibility criteria according to national priorities.

The 'eligibility criteria' option will allow farmers within a less favoured area to be granted a support if they indeed have to face a handicap (which is likely not to be the case if the production indicators are above a certain ceiling), and if they adopt extensive and environmental friendly practices (with again the reservation already expressed that some areas with serious socio-economic difficulties, such as very depopulated areas should be included in the LFA scheme), that take into account the wish of the society to go for a more sustainable agriculture. We also support the principle of minimum stocking density, combined with coupled premia and/or the use of article 68, in order to have a minimum activity level. However, the criteria should be define at the European level in a general way to give to the member states the

possibility to adapt them locally. For instance, if as we support it, it is decided at EU level that a minimum stocking density will be required, the member states should be able to decide what is that level.

**In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?**

We appreciate the work done by the JRC to elaborate criteria describing the natural handicaps. However, we think that two criteria should be added:

- Remoteness: although located in areas that may not be classified as less favoured areas according to the list of biophysical criteria elaborated by the JRC, the distance from market centres severely affect farmers of remote regions and should be taken into account to design the LFA.
- as stated previously, we do not think that only biophysical criteria are sufficient and that some socio-economic criteria should be included. Those socio-economic criteria should be selected in order to reflect the reality of farming and to support extensive farming. For instance, the average wages in rural areas are not valid enough indicators since can be locally increased due to the presence of some industries. However, a combination of socio-economic criteria related to farm structure could be used (fragmentation of plots, share of permanent grassland...).

**What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?**

We think that in order to capture the actual natural handicap the measuring of the natural handicap must be done at the level of LAU 1 (equivalent to district level in UK or cantons in Luxembourg) or LAU 2 (communes).

**Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?**

In Euromontana's view the question should be asked differently: the objective of the LFA payment is not to overcome a handicap but to compensate for it. No payment will make possible to increase yields of handicapped areas to the level of the yields of more favourable areas. Less Favoured Areas, such as mountain areas do have handicaps that do not allow them to practice intensive agriculture. On the other hand, the natural handicaps oblige farmers to develop strategies different than the ones in plain areas, such as developing mountain quality food products, and those strategies bring with them benefits for the whole society in the form of positive externalities.

We therefore believe that indicators to assess the results of LFA payments could be:

- number of farmers and agricultural workers in activity in LFAs. The objective with this criterion is to assess the trend in agricultural employment. The relative share of agricultural employment in the area is not a sufficient criterion since it can evolve due to modification of other sectors, especially in areas close to cities where commuters settle.
- ratio of revenue of farmers compared with the revenue of farmers in other areas
- indicators linked to the production of positive externalities, such as estimation of the reduction of fire hazard, landscape assessment... Geographical Information Systems

tools could be used. Those criteria should however be considered as secondary criteria since the main objectives of LFA payment are not agro-environmental.

**Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here that the analysis should try to evaluate? What are they? Can you illustrate them?**

In any option eventually adopted, part-time farmers should not be excluded, even if including them implies a heavier administrative burden for the member states and for the Commission. As EU citizens and as farmers, especially since most of them have extensive practices and play an active role in the production of positive externalities, they must be supported in their activities.

Moreover, fragile productions should also be targeted in the LFA scheme, with a special attention on productions associated to grassland production (for instance pig or poultry production working complementarily with grassland for a better management of organic fertilizers)



**WWF** *for a living planet*

22

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The European Commission  
ISSG'LFAs'  
c/o Josefine LORIZ-HOFFMANN  
130, rue de la Loi  
B 1049 Brussels

27 June 2008

Dear Ms Loriz-Hoffmann

Thank you for the opportunity for WWF Northern Ireland to provide input to your review of the Less Favoured Area Scheme.

WWF Northern Ireland is part of the world's largest voluntary conservation organisation, with a global network operating in 90 countries. WWF's mission is to take action to protect the environment for the benefit of people and nature and it endeavours to conserve endangered species, protect endangered spaces and address global threats to the planet by seeking sustainable solutions.

WWF Northern Ireland believes that the Less Favoured Area Scheme (LFA) has been successful in helping to retain farming in areas of Northern Ireland with natural handicaps and has helped to prevent environmental damage to those areas through cross-compliance. Evidence indicates the rate of farm rationalisation would appear to be similar across Northern Ireland and it would be fair to assume that in the absence of the LFACA this rate would have been greater in disadvantaged areas. WWF Northern Ireland would therefore not see LFACA as an environmental scheme *per se* but acknowledges that it has contributed to basic environmental protection. It has also provided a good foundation for more proactive environmental work through targeted agri-environment schemes by keeping farmers on the land in areas where natural disadvantage could have forced many to cease farming.

However, if future LFA funding is to be on the basis of delivering environmental goods rather than socio-economic factors WWF Northern Ireland would like to see a more environmentally-focused approach and welcomes the Commission's Review to that effect. At the very least the rationale for future LFA support should be the protection of public goods associated with disadvantaged areas, particularly habitats and biodiversity, and provide the basis for restoration and enhancement through targeted agri-environment measures.

WWF Northern Ireland believes that whilst the current LFA encompasses much of the naturally disadvantaged area of Northern Ireland, the borders were too arbitrary and left it open to public scrutiny and criticism. There is also a wide range of definitions throughout and within Member States that undermines the principle of providing support to farms on disadvantaged land across



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Europe. WWF Northern Ireland would like to see the new designation process being scientifically robust and consistent across all Member States.

On this basis WWF Northern Ireland would have difficulty accepting the Status Quo+ Option. Although in Northern Ireland reference to soil and physical factors would help to define more clearly and consistently the boundaries of disadvantaged land, there would be no uniform approach across Member States. Verifying the approach of all Member States would place a huge burden on the Commission and would undoubtedly lead to variation. Bearing in mind the Court of Auditor's report, WWF Northern Ireland is not convinced that the Status Quo+ option is defensible in the longer term.

WWF Northern Ireland is very supportive of the Common Criteria Option in principle. It potentially provides a basis for uniformity across all Member States without adding to the Commission's scrutiny role. However WWF Northern Ireland would like to see some modifications made to the criteria to ensure that they provide the basis for robust identification of disadvantaged land.

Poorly draining soils predominate across Northern Ireland but post-war incentives to improve agricultural productivity have resulted in extensive drainage. More than 123,000 ha wetlands have been drained in Northern Ireland and 7,000km water courses are managed at public expense to improve drainage resulting in some of the heaviest soils being the most agriculturally productive land in Northern Ireland. Conversely some of the freest draining soils are thin and on steeply sloping ground. These cannot be ploughed and the rough grazing they support provides much of the biodiversity and many desirable habitats from an environmental perspective. It is essential that an LFA scheme identifies these areas and in order for the common biophysical criteria to be effective in properly identifying Northern Ireland's disadvantaged land it is necessary to include rainfall in the criteria.

WWF Northern Ireland applauds in principle the idea of trying to include eligibility in Option 3. However the organisation envisages several flaws in the method proposed. Firstly the success of Option 3 in practice will depend on the robustness of the first step, which, as discussed previously, WWF Northern Ireland does not believe will work in Northern Ireland unless rainfall is taken into consideration. Secondly, WWF Northern Ireland is concerned that as there is so much variation in farming conditions and practices across Europe it is very difficult to prescribe eligibility rules that will deliver the Commission's objectives in all Member States.

Similarly, WWF Northern Ireland likes the theory behind Option 4 but cannot see how it could be delivered successfully in practice across all Member States.

Yours sincerely

Alex McGarel  
Freshwater Policy Officer WWF Northern Ireland

From: AGRI F3  
Sent: lundi 30 juin 2008 17:03  
To: PAGE Alexander (AGRI); ZONA Antonella (AGRI)  
Subject: FW: Ministry of Agriculture - Ro - position on LFA delimitation

23

-----Original Message-----

From: Mihai Constantinescu [mailto:mihai.constantinescu@madr.ro]  
Sent: Monday, June 30, 2008 5:07 PM  
To: AGRI F3  
Cc: Viviana Mihaela VASILE  
Subject: Ministry of Agriculture - Ro - position on LFA delimitation

Dear Mrs./Mr.,

I am presenting you bellow the position of the Romanian Ministry of Agriculture upon the review of the LFA:

1. We consider that both Option 1 and Option 2 are well responding to the Court of Auditors request from 2003, with the remark that in case of Option 1 a system of correlation between land soil and climate indicators and production should be set in place at community level for ensuring equal treatment between Member State, system which should also guarantee an equivalence with Option 2 criteria.

In case of Option 2, it should be made clear that soil-water balance will consider only the available water which is present in the soils at maximum rooting depth.

Also, slope threshold should be established at 12%, as most of nationals GAEC's details are imposing requirements starting with this value.

2. Regarding second step in delimitation, in search of a common indicator that should indicate the extensive use of the land, we believe that land fragmentation (parcels/ha or average farm size) is a relevant indicator as only large farms are intensive, this indicator being also very easy to collect and can be use at a certain value across EU.

As regard the indicators proposed by the Commission, these are very hard to collect and present a very high risk to lead at variations between MS because of the reference level, jeopardizing this way the aim of Court of Auditors in establishment of equal criteria and treatment among Member States (a reference level can be only at European level).

3. No further safety nets for excluding intensive farmers are needed, having in mind that a clear demarcation with HNV philosophy is obligatory for not

disturbing a sound mechanism, were this is set in place.

Furthermore, if any intensive farmers are requested to be excluded, then not working intensively must to be compensated in comparing with intensive farm activity.

Regards,

Mihai Constantinescu

- Councilor -

Programs with European Union Department

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European Commission  
Agriculture and Rural Development  
DG AGRI G.1 'Consistency of Rural Development'  
Mr. Alexander Page

Date: 08.07.2008  
No.: 3310-1/2008/26

### **Slovenia's position regarding the reform of less favoured areas**

Dear Sir,

after having reviewed the options for the redesignation of other less favoured areas, we are hereby sending you Slovenia's comments.

It is difficult to decide which indicators would be appropriate for the second step as long as the first step has not been definitively laid down since the criteria has not yet been defined. Certain inconsistencies also show in data collection and processing. Therefore, it is not possible to designate areas set out by the first step, which is very important for further (also political) decisions at the national level. Individual areas have their own characteristics and the second step could be carried out only by means of specific indicators which would relevantly reflect the rate of the handicap for individual areas.

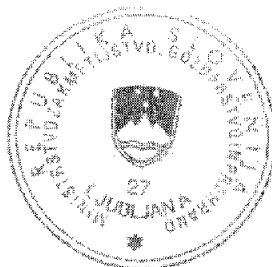
Slovenia has reservations regarding the adequacy of the proposed indicators for the second step and is not in favour of such a solution. The average yields and livestock density indicators are very much dependant on farmers' decision and their technological orientations. Hence, their inputs in the agricultural production are of great importance, which can result in different average yields and livestock density in an agricultural area with equal production potential. These two indicators are very variable not only in a certain area but also between individual years, when market prices, weather conditions or current socio-economic conditions on an agricultural holding can impact farmers' decisions.

Standard gross margin is a typical economic indicator. In our opinion it is not an appropriate indicator as the reform of other LFA is aimed at putting away the social, demographic and economic indicators.

Another difficulty with the proposed indicators is the fact showing that for Slovenia the comparison of the reference indicators with the national average is not appropriate due to the high share of utilised agricultural area (UAA) in mountain areas (54%) and additional 16% of UAA in areas affected by specific handicaps. This should be taken into consideration for all MS with the prevailing share of LFA.

In addition to having reservations about the adequacy of the proposed indicators, we practically do not have the possibility to apply them in the proposed manner (NUTS 5/regions), because in Slovenia, data is collected at the national level (Statistical Office of the Republic of Slovenia) and certain data at the farm level (FADN).

Best Regards



  
Head of Managing Authority  
Branko Ravnik  
Director General