



*European Economic and Social Committee*

**NAT/747**  
**CAP legislative proposals**

## **OPINION**

European Economic and Social Committee

**Proposal for a Regulation of the European Parliament and of the Council establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council**  
[COM(2018) 392 final – 2018/0216 (COD)]

**Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013**  
[COM(2018) 393 final – 2018/0217 (COD)]

**Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands**  
[COM(2018) 394 final – 2018/0218 (COD)]

Rapporteur: **John BRYAN**

Referral	European Parliament, 11/06/2018 Council of the European Union, 22/06/2018
Legal basis	Articles 43(2) and 304 of the Treaty on the Functioning of the European Union
Bureau decision	22/05/2018
Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	05/10/2018
Adopted at plenary	17/10/2018
Plenary session No	538
Outcome of vote (for/against/abstentions)	201/11/19

## 1. **Conclusions and recommendations**

- 1.1 A strong CAP policy, with a strong CAP budget based on the European Model of Agriculture and Food Production, supporting an economically socially and environmentally sustainable European agriculture policy and farming sector involving the highest standards, and contributing to ensuring a competitive agricultural sector, is very important for the European Union and all its citizens. Modernising and simplifying the CAP in this reform is essential to make it more fit for purpose to meet the needs for a more sustainable and viable EU farming and agriculture sector everywhere in Europe and in order to address the new challenges on climate change and the environment.
- 1.2 Proposals to reduce the CAP budget are unacceptable. The maintenance of an appropriate financial envelope for the CAP is a precondition for the sustainability (economic, environmental and social) of EU farming in order to preserve incomes and jobs and ensure the production of environmental public goods, thus contributing decisively to the vitality of the rural environment and to the stability of the economy as a whole. The EESC supports the view that the EU budget should be increased to 1.3% of GNI to provide adequate funding for the CAP and the new policy objectives and challenges identified.
- 1.3 The EESC welcomes the new direction proposed for CAP on subsidiarity, with greater responsibility and flexibility for Member States through the CAP Strategic Plans and new delivery model based on performance. However, the EESC is keen to ensure that the CAP remains a strong common policy across all Member States and that the single market is fully preserved. Maintaining the current two-pillar CAP structure with strong direct payments under Pillar I to support farm incomes and rural development measures in Pillar II to support vulnerable sectors, regions and social infrastructure and foster the transition to more sustainable and innovative farms is essential. The common organisation of the markets and an effective single market are also critical.
- 1.4 The increased emphasis and higher ambition in the CAP proposals on the environment and climate change is positive. The specific objectives are clear and strong, covering key issues like water, air and soil as well as landscape and biodiversity, and the sustainable production of quality food. The measures set out in the text of regulation to achieve the objectives must, however, be described much more clearly and specified. An adequate CAP budget is essential to deliver on these objectives, with proper incitative payments for farmers.
- 1.5 40% of agricultural expenditure is to go towards the EU's climate change objectives. The EESC welcomes this goal, but expects the EU to set out a clearly defined set of measures in this connection.
- 1.6 Having been promised in several previous reforms of the CAP, the EESC is strongly of the view that the commitments on simplification at farm level must be delivered in this reform. However, the EESC is concerned that the new subsidiarity and conditionality involving CAP strategic plans for both CAP Pillar I and II and additional Statutory Management Requirements (SMRs) and Good Environmental and Agricultural Conditions (GAEC) will increase rather than reduce the volume of bureaucratic burden on individual farmers.

- 1.7 CAP Pillar I direct payments and Pillar II funding must be fully protected to ensure viable and sustainable farms. Direct payments should only go to genuine farmers and clear objective criteria should be adopted at EU level to better define a genuine farmer.
- 1.8 Increased support for generational renewal and young farmers is positive. This increase in aid must be accompanied by additional measures that allow for effective generational renewal.
- 1.9 Any proposals on internal or external convergence, flattening, degressivity and redistribution must be based on objective and non-discriminatory criteria and cannot be allowed to undermine viable farm units and erode fair competition conditions or farmers' competitiveness in the various regions of the EU.
- 1.10 Any cuts to CAP Pillar II funding are unacceptable, as a strong Rural Development Programme is critical to support more vulnerable areas and sectors and lead to more balanced territorial development.

## 2. **Key issues in the CAP reform 2021-2027**

### *Introduction*

- 2.1 The EESC acknowledges the legislative proposals on the reform of the CAP and particularly the increased emphasis and ambition on climate change and the environment, opposes the cuts to the CAP budget as a strong budget is necessary for a sustainable agriculture sector and to maintain farm incomes, acknowledges the changes regarding subsidiarity and considers that there needs to be real delivery on simplification at farm level.
- 2.2 The EESC provides the following opinion on the legislative proposals with a list of detailed proposals for changes and amendments, and requests that it be taken on board in the future debate in the European Parliament and Council.

### *European Model of Agriculture and Food Production*

- 2.3 A strong CAP supporting an economically, socially and environmentally sustainable European agricultural policy and farming sector is essential for the European Union in terms of food security and food sovereignty and also to meet the growing demand for higher quality food from the Community's 512 million citizens<sup>1</sup>. In addition, the EU must be mindful of global population growth, estimated to reach 9.5 bn by 2050, with 3.0 bn living in water stressed areas, leading to increased food shortages and famine. The EESC finds it therefore necessary that the EU concentrates on knowledge transfer and experience-sharing about how more and better food can be produced sustainably and locally in other parts of the world.
- 2.4 The CAP must deliver for all European citizens and rural communities on the original objectives set down in the Treaty of Rome and also meet the new challenges on climate and development

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<sup>1</sup> Eurostat – EU population January 1<sup>st</sup> 2017.

set out in the EU commitments of the Paris Agreement and the UN's Sustainable Development Goals (SDGs).

- 2.5 The EESC is strongly of the view that the CAP policy 2021-2027 must support and facilitate in all parts of Europe the European Model of Agriculture and Food Production involving the family farm structure, as well as cooperatives, producer groups and other forms of farming, and food produced to the highest standards in the world<sup>2</sup>. The new CAP must better address the issue of low agricultural incomes and closing the widening income gap between farmers and salaries in the wider economy<sup>3</sup>. The European agricultural model cannot be brought under world market conditions and at world market prices. The European agricultural model is therefore now more than ever under threat from current developments and for that reason needs to be supported and promoted by a strong CAP<sup>4</sup>.
- 2.6 While recognising the benefits of trade for the agriculture sector, it is essential that EU agricultural policy through the CAP protects the highest level of standards in farming, food production, environmental controls, health and safety and workers' rights in the world. The EESC believes that there needs to be a much more coherent EU policy approach towards international trade deals in the agriculture and food sector and the CAP<sup>5</sup>. While the CAP is striving to maintain the highest standards, in some trade negotiations, such as Mercosur, the EU is accepting food imports which fail to meet EU food safety standards and are produced with lower environmental standards. Globalisation cannot be allowed to undermine European standards, markets and EU citizens.
- 2.6.1 The Committee notes with concern the large number of farmers in the UK who voted in favour of Brexit, apparently due to the intrusiveness and complexity of the CAP on the ground. In order to prevent similar issues in other Member States, thereby increasing populist and anti-EU pressures, the EESC requests the Commission to ensure that real and practical simplification measures at farm level are a central part of the CAP proposals for 2021-2027.
- 2.7 Given the diverse nature of European agriculture, culinary heritage and market prospects, quality differentiation is a strategic goal and part and parcel of the future of European agriculture, together with efforts to improve efficiency and competitiveness. The CAP should therefore provide different ways to promote quality policy, as has been the case in the past. To meet this objective, quality should also be highlighted when developing the CAP strategic plans.
- 2.8 Any proposed changes to the CAP, involving subsidiarity, must ensure that the EU single market is not affected and continues to operate in a strong and well-functioning manner. It is essential that the national CAP strategic plans do not interfere with the operation of the single market.

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<sup>2</sup> EESC opinion – [A possible reshaping of the CAP](#), OJ C288, 31.8.2017, p. 10

<sup>3</sup> [Presentation](#) by R. Ramon Sumoy, DG Agri, Unit C.1, to the EESC study group on 25/6/2018.

<sup>4</sup> [OJ C 354 du 28.12.2010, p.35](#)

<sup>5</sup> [OJ C283, 10.08.2018, p. 69](#) Sections 10.2/10.3/10.4.

## *Need for a strong CAP budget*

2.9 The proposals to reduce the CAP budget from 38% of the EU budget over the 2014-2020 period down to 28.5% in the 2021-2027 period is unacceptable to the EESC, particularly considering that there is an increase in the overall EU budget. The cuts to the CAP budget vary between 3% and 4% in current prices and 11% to 16% in 2018 prices (taking account of inflation at 2% p.a.), depending on the method of calculations used<sup>6</sup>. For the rural development funds, the proposed cuts in 2018 prices are higher than 25%.

,000 €	2014-2020 (EU28+EDF)	7*2020 EU27+EDF	2014-2020 (EU27+EDF)	2021-2027	% change vs EU27 2020*7	% change vs EU27 2014-2020
<b>MFJ(Current prices)</b>	1,115,919	1,151,866	1,063,101	1,279,408	+11%	+20%
<b>% GNI</b>	1.03%	1.14%	1.16%	1.11%		
<b>CAP(Current prices)</b>	420,015	394,659	391,849	378,920	-4%	-3%
<b>MFJ(2018 prices)</b>	1,136,105	1,107,138	1,082,320	1,134,583	+2%	+5%
<b>CAP(2018 prices)</b>	428,354	379,334	399,608	336,623	-11%	-16%

**Source:** European Commission Working Document on Comparison between MFJ 2021-2027 and MFJ 2014-2020.

2.10 In line with the view of the EP Budget Committee, the EESC feels strongly that the EU budget should be increased to 1.3% of GNI. The CAP budget should retain its current percentage funding from the EU budget. This would provide for an adequately funded CAP budget in order to meet the objectives and ambitions of the CAP policy as well as the other major challenges such as Brexit. Without an adequately funded CAP budget, it is not possible to deliver on the objectives put forward by the Commission in the legislative proposals.

2.11 The cuts to the CAP budget are not consistent with the policy objectives of the CAP set down in Article 39 TFEU, particularly:

- to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to ensure that supplies reach consumers at reasonable prices.

The EESC strongly opposes the cuts in the CAP Pillar II (EAFDR) funding outlined in the proposals as this disproportionately affects many Member States where Pillar II makes up a comparatively larger share of overall CAP funding and points out that Pillar II funding supports the more vulnerable sectors and areas as well as investments, modernisation, learning, resource efficiency and animal welfare across the European agriculture sector.

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<sup>6</sup> EU working document on Comparison of the MFJ 2021-2027 proposals and MFJ 2014-2020.

### *Transfers between pillars and co-financing*

2.12 The EESC is concerned about the level of flexibility afforded to Member States on the transfer of funds between CAP pillars. In order to prevent Member States from avoiding their obligations on co-financing under Pillar II, the EESC is of the view that Member States should only be allowed to use the flexibility to transfer funds between pillars if they fully co-finance these transfers. The EESC is not in favour of allowing Member States to transfer funds from Pillar II to Pillar I<sup>7</sup>.

### *CAP structure and new measures*

2.13 The legislative proposals retain the key components of the CAP (CAP Pillar I on direct payments, CAP Pillar II on rural development measures and the Common Market Organisation (CMO) involving market support measures) in line with the promise by Commissioner Hogan that this reform is an evolution rather than a revolution.

2.14 The EESC welcomes the proposal in Article 14 to make provision for a total of four types of decoupled payments and also coupled payments that should help to stabilise incomes:

- "basic income support" – important: the EESC proposes that "for sustainability" be deleted here and included in the heading of Article 14, as more and sufficient sustainability can only be achieved through a genuinely balanced combination of all four decoupled payments;
- "complementary redistributive income support" – here too it is important to delete "for sustainability" and include it in the title;
- the "complementary income support for young farmers" and the
- "schemes for the climate and the environment".

2.15 The proposals contain new measures on additional environmental and climate change conditionality for all CAP payments (Pillar I and Pillar II) as well as new subsidiarity proposals with a new delivery model (CAP Strategic Plans) designed to provide Member States with much more responsibility and flexibility in terms of how they meet specific objectives, how they tackle specific problem areas and how they implement and apply compliance. This increase in subsidiarity should not result in greater renationalisation; rather, it should lead to the adaptation of the general measures to the specific circumstances of each territory.

2.16 The EESC welcomes the retention of the key aspects of the CAP in terms of Pillar I and Pillar II payments, highlighting the importance of direct payments for farmers and farm incomes, and also welcomes the increased focus on environmental and climate change conditionality and delivery.

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<sup>7</sup> [OJ C283, 10.08.2018, p. 69](#) Section 7.13.

### *Increased environmental and climate change ambition*

- 2.17 While recalling that farmers already contribute to environmental and climate protection, the EESC acknowledges the increased emphasis and higher ambition in the proposals on the environment and climate change and the alignment with the EU commitments under the Paris Agreement and the Sustainable Development Goals (SDGs). However, the EESC points out that achieving delivery on these ambitious targets should not hamper the competitiveness of the sector and will require an adequate CAP budget.
- 2.18 Society is demanding that food production and farming be environmentally sustainable and it is essential that the CAP is modernised and focused to meet these demands. Sustainability consists of three inseparable elements; economic, social and environmental. All three are equally important. Delivery on care for the environment and action on climate change are essential in the new CAP. The EESC is pleased that one of the three general objectives set down in the proposals is to "bolster environmental care and climate action and to contribute to the environmental and climate objectives of the Union"<sup>8</sup>. Such measures should have sufficient budgetary support so as not to compromise the overall cost-effectiveness of family-run farms.
- 2.19 The EESC is pleased that of the nine specific objectives set down in the proposals, three are dedicated to environmental and climate change improvement. Specifically, these proposals:
- contribute to climate change mitigation and adaptation, as well as sustainable energy;
  - foster sustainable development and efficient management of natural resources such as water, soil and air;
  - contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes.
  - it is crucial that the relevant actions and programmes under the schemes for the climate and the environment be backed up with an incitative component which would encourage uptake among farmers and send a strong signal to the public.
- 2.20 The new "whole CAP approach" which will be covered in the Member State strategic plans is set to involve both CAP Pillar I and Pillar II interventions and conditionality. The new enhanced conditionality involves additional cross-compliance and greening proposals covering:
- climate change mitigation such as maintenance of permanent grassland, appropriate protection of wetland and peatland, ban on burning arable stubble;
  - protection of water through implementation of the Community action on water policy, the control of phosphate pollution, the Nitrates Directive and establishing buffer strips along water courses as well as the use of sustainable tool for nutrients (Nutrient Management Plans);
  - soil protection and quality, focused on tillage management reducing the risk of soil degradation, no bare soils in most sensitive periods and crop rotation.

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<sup>8</sup> [COM\(2018\) 392 final, Article 5 – General objectives, p.41](#)



- 2.21 In terms of biodiversity and landscape, the proposals on conditionality set out the details on the conservation of wild birds, natural habitats and wild flora and fauna: a minimum share of agricultural surface devoted to non-productive features or areas, retention of landscape features, ban on hedge cutting or trees during birds' breeding and rearing season and measures to avoid invasive species (GAEC 9), establishment of buffer strips along watercourses (GAEC 4) or crop rotation (GAEC 8). However, the EESC proposes that the EU should attach clear quantitative targets to the GAECs, which should be binding on the Member States.
- 2.22 The EESC welcomes the requirement whereby Member States must spend at least 30% of the EAFRD budget on interventions directly targeting the environment and climate change, and 40% of the total budget (EAGF and EAFRD) must be relevant to climate change.
- 2.23 40% of agricultural expenditure is to go towards the EU's climate change objectives. The EESC welcomes this goal, but expects the EU to set out a clearly defined set of measures in this connection.
- 2.24 The EESC points out that it is critically important that Member State strategic plans give priority to environment and climate change interventions contributing to the resilience and long-term profitability of farms and employment maintenance, and that implementation focuses on the delivery of targets.

*Subsidiarity – CAP Strategic Plans and new delivery model*

- 2.25 The EESC supports the concept of changing the CAP policy focus from compliance to performance and providing the Member States with more flexibility and responsibilities through subsidiarity under the new delivery model and CAP strategic plans.
- 2.26 However, the EESC is keen to ensure that the CAP remains a common policy across all Member States and that the single market is fully preserved. CAP Strategic Plans cannot allow Member States to renationalise markets or create barriers to or restrictions of fair competition in the single market. Under no circumstances shall the implementation of these strategic plans be seen as a step towards the co-financing of the whole CAP.
- 2.27 It is critically important that a level playing field be maintained in terms of implementation at farm level, particularly in relation to cross-compliance and GAEC. Member States and regions must be prevented from adopting gold plate or light-touch variation on implementation plans.
- 2.28 The EESC welcomes the requirement under the CAP Strategic Plans that Member States may make a greater contribution to the achievement of the specific environmental and climate objectives set out. Farmers should be given the choice of a menu of measures to better adapt to their specific circumstances (e.g. crop rotation not possible in rice fields or in multiannual or permanent crops).
- 2.29 The proposal requiring Member States to develop and submit CAP Strategic Plans for both CAP Pillar I and II will be more complex than the current system. It is essential that this requirement

is not allowed to delay implementation and under no circumstances can it delay the efficient and timely delivery of direct payments to farmers. The regions should be involved here, and their expertise fully harnessed.

2.30 As well as the key elements set out in the proposals, the EESC proposes that the CAP Strategic Plans at Member State level should address the following issues;

- how a Member State addresses a country-specific issue in their state, e.g. land abandonment/desertification in parts of southern Europe, water quality/nitrates in parts of north-western Europe, loss of biodiversity in Europe;
- a Member State plan on simplification at farm level;
- delivery plan and payment deadlines dates for all CAP payments;
- incentive system for good environmental and climate change performance;
- performance and delivery targets at national level.

#### *Simplification and conditionality*

2.31 The EESC strongly supports simplification and requests that the political commitment made on this must be delivered on at farm level under the new CAP proposals. While recognising positive elements, the proposed functioning of the new delivery model, the enhanced conditionality, the introduction of indicators in Pillar I and the obligation to prepare detailed CAP strategic plans are particularly worrying and go against real simplification.

2.32 Despite the positive moves on simplification in the Omnibus Regulation, the extension of the yellow card system and the adoption of satellite technology for area checking, the CAP proposals still retain a large volume of detailed requirements with a heavy bureaucratic burden on individual farmers, the vast majority of whom are operating as sole operators under severe income pressure.

2.33 The EESC is concerned that there is a contradiction in the approach taken by the Commission proposals between simplification and subsidiarity. On the one hand the Commission advocates simplification while on the other hand new proposals around the delivery model and the CAP strategic plans extended to both Pillar I and Pillar II, as well as the additional and more detailed Statutory Management Requirements (SMR) and GAEC requirements (Annex III)<sup>9</sup> at farm level, will render the policy more complex and bureaucratic to implement at both Member State and farm level. The different exemption categories established during the 2014-2020 greening scheme must be carried over to the post-2020 conditionality rules.

2.34 To deliver real simplification at farm level, while maintaining full and adequate controls, it is necessary to reduce the volume and burden of bureaucracy on farmers. The current CAP delivery system relies on detailed requirements at EU level and features tight controls, penalties

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<sup>9</sup> [COM\(2018\) 392 final](#), Annex 3 – Rules on conditionality pursuant to Article 11

and audit arrangements<sup>10</sup>. There should be a full review and redesign of the control system at farm level: increased use of technology, satellite inspection and remote sensing, increased tolerances and inspections cannot be allowed to delay payments<sup>11</sup>. In relation to the increased use of remote sensing, the correct identification of the eligible area should also fall on the authorities responsible for monitoring.

- 2.35 The current inspection and penalty regime is designed to catch and penalise as opposed to correcting and improving. The EESC is proposing the concept of the right to rectify with a close-out model introduced at farm level which would allow farmers to correct unintentional non-compliances without penalty.
- 2.36 There is a strong need for further simplification and less bureaucracy at EU and Member State level in relation to CAP Pillar II programmes<sup>12</sup>.
- 2.37 Member States should be required as part of their strategic plan to draw up a specific section on simplification and how they propose to reduce the bureaucratic burden on farmers and outline how it differs from the current regime.

#### *Generational renewal*

- 2.38 The EESC welcomes the increased focus on generational renewal and additional supports proposed for young farmers, who require easier access to land, training and finance. Incentives must be provided to farmers who retire and transfer their holding to a young farmer.

### **3. Specific proposals from the EESC**

#### *Genuine farmers*

- 3.1 The EESC strongly supports the objective whereby direct payments should only go to genuine farmers. Land ownership alone should not qualify a person to receive direct payments, if they are not farming. However, the situation as it affects virtually all farms in the EU must be recognised.
- 3.2 The EESC is of the view that vital definitions such as genuine farmers and eligibility criteria should be defined in a clear, robust, unified way at EU level in order to have a level playing field, to prevent competitive advantage/disadvantage and prevent any weakening of common rules.
- 3.3 As well as examining income tests and labour inputs on the farm as proposed, the definition of a genuine farmer should be expanded to include objective and non-discriminatory criteria such as

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<sup>10</sup> [COM\(2018\) 392 final, p. 3](#)

<sup>11</sup> [OJ C283, 10.08.2018, p. 69](#) Section 1.9/6.4

<sup>12</sup> CAP Pillar II programmes - [Ex post evaluation of rural development programmes 2007-2013](#)

income, assets, time input, output and education criteria among other things. In line with the recent changes introduced in the Omnibus Regulation, Member States could maintain the flexibility to better target the eligibility of support. Thus, it should be possible to design a common framework whilst leaving the possibility to adapt the definition to the real needs and conditions of Member States.

#### *Young farmers*

- 3.4 The EESC proposes that the definition of a young farmer be reviewed so as to ensure payments only go to genuine young farmers. Support for the incorporation of newcomers should be a priority measure in Pillar II.

#### *General objectives*

- 3.5 The EESC wishes to point out that it is not possible to achieve the general objectives around smart, resilient and diversified agriculture, food security, environmental care and climate action and strengthening the socio-economic fabric of rural areas without having an economically sustainable farming sector in the first place. Achieving a viable farming sector must be a general objective of the CAP.

#### *Specific objectives*

- 3.6 The EESC fully supports the nine specific CAP objectives set out in the legislative proposals. However, the EESC proposes that section (f) include the additional objective of avoiding land abandonment and protecting farmland against takeover. In addition, the EESC believes that balanced territorial development should be part of the specific objectives. The EESC would also call for objective 6(1)(b), "increase competitiveness", to be reworded as follows, so as to be more inclusive: "increase the viability of farms on local, national and international markets". The EESC also recommends emphasising the objective of promoting social inclusion and including the development of social infrastructure as a specific objective.

#### *Indicators*

- 3.7 The EESC considers that the proposal to introduce indicators to measure the achievement of the objectives set out with quantified milestones and targets against detailed criteria set down in Annex I<sup>13</sup> should apply at national level only and must not increase the bureaucratic burden on farmers. The new CAP indicators must be simple, realistic, easily quantifiable, controllable and applicable to local realities. They should be directly linked to the defined CAP objectives.

#### *GAEC*

- 3.8 The EESC proposes that having a minimum and a maximum stocking rate for grasslands should be considered in the context of maintaining land in GAEC.

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<sup>13</sup> [COM\(2018\) 392](#), Annex I – Impact, result and output indicators pursuant to Article 7

### *Farm advisory services*

- 3.9 Support and further development of AKIS, including advisory services, knowledge exchange and vocational training, are important to help farmers with the uptake of innovations and new technologies which will, in turn, improve their competitiveness and sustainability. Any EU initiatives regarding advisory services, innovations systems must build upon existing ones at Member State level and focus on delivering added value. With the CAP budget under pressure, the legislative proposals should make it clear that there can be no leakage of CAP Pillar I direct payments to non-farming professionals.

### *Direct payments*

- 3.10 The EESC fully recognises and supports the vital importance of CAP Pillar I direct payments in supporting farm incomes. In this regard, the EESC is of the view that CAP Pillar I payments must be fully protected and any adjustments to the new basic income support must be kept to an absolute minimum.

### *Capping and reduction in payments*

- 3.11 The Commission in its proposal provides for two different forms of direct payments, specifically four different uncoupled payments and various coupled payments.
- 3.12 Regarding uncoupled payments, the EESC clearly stated in its opinions that: "Pillar I direct payments should be capped at a fair and reasonable level for individual farmers, (e.g. equal to the comparable income of a qualified worker). Adjustments should be possible and account should be taken of partnerships, cooperatives, companies and the number of employees with social security."<sup>14</sup>
- 3.13 It also recommended not to apply the cap to payments that reward public services, especially payments in the area of the environment and climate, for which it called for a clear incentive component.
- 3.14 The Committee also advocated a higher premium for grassland.
- 3.15 The EESC welcomes in principle the inclusion of salaries in accordance with Article 15(2)(a) and (b), but does not consider that this should be at the rate of 100%. It is not justifiable for public budgets to finance in full the salaries and related taxes of a specific occupational group and for even unpaid work to be fully included in the calculation. A maximum rate of less than 100% has to be designed by the EU.

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<sup>14</sup> [OJ C 288, 31.8.2017, p. 10 and OJ C283, 10.08.2018, p. 69-82](#)

### *Convergence of payments*

- 3.16 The EESC supports the proposals on external convergence for the continued harmonisation of the level of direct payment support between Member States. The proposal aims to close 50% of the existing gap between the current average Member State direct payment level and 90% of the EU average of direct payments from 2021 to 2027. With an adequate CAP budget, however, the Commission proposals could be more ambitious, particularly with regard to the Member States with the lowest level of aid. The Committee takes the view that at the end of the next budgetary period, the direct payment level should be at least 85% of the EU average.
- 3.17 Flattening payment entitlements is a very crude approach and fails to take into account any objective criteria such as the level of investment made on the farm, the type of farming system, income level, labour requirement, future viability of the farm and how reliant the farm may be on direct payments and the commitment of the farmer.
- 3.18 For farmers to benefit from the internal convergence to move minimum payment entitlements up to 75% of the average by 2026, they should be required to meet certain objective criteria.

### *National reserve*

- 3.19 The EESC supports the concept of a national reserve for young new farmers and first time new entrants. However, the criteria for allocation from the national reserve must be such that the allocation of entitlements is not abused and entitlements are only allocated to genuine farmers based on clear objective criteria, such as age, income, education, time input and output.
- 3.20 In addition, it should be compulsory that any entitlements allocated from the national reserve be activated and used by the recipient for a minimum period of time set by the Member State, and it should not be possible for national reserve recipients to sell allocated entitlements before this 10 year period.

### *Complementary redistributive income support*

- 3.21 While the redistributive income support has yielded very good results in some countries, in other contexts it may further reduce the level of direct payments and incomes to farmers who are most dependent on direct payments for their incomes, many of whom are full-time farmers, and transfer payments to part-time farmers and farmers who are less dependent on direct payments for their entire income.
- 3.22 The proposals highlight the importance of direct payments towards farm incomes and make it clear that securing an adequate level of support and thus farm income remains a key element of the future, in order to ensure food security and environmental and climate ambition, as well as rural vitality. However, the EESC also points out that any option that significantly redistributes direct payments towards farms and regions of lower productivity will, in the short term, lead to

a reduction of EU competitiveness<sup>15</sup> on international markets; at the same time, this will more closely live up to the expectations of consumers and citizens as regards orientating the CAP more towards meeting the needs of the internal market.

- 3.23 The EESC is of the view that the complementary redistributive payment, in the event that it is applied, should be financed only from the funds released from capping and, in order to reduce the wide disparities that exist within the sector, be targeted and directed to farmers who are mainly dependent on farming for their income.

#### *Complementary income support for young farmers*

- 3.24 The EESC supports the proposal to have a complementary income support for young farmers. In order to make sure that this does not harm genuine farmers, appropriate mechanisms will need to be established to avoid financial allocations that do not lead to genuine involvement in farming activity.

#### *Voluntary scheme for climate and the environment ("eco-scheme")*

- 3.25 The EESC notes the introduction of a voluntary eco-scheme for climate and the environment at farm level in Pillar I. However, it is important that the proposed "eco-scheme" in Pillar I should not discourage or undermine farmers from applying and participating in important environmental and climate change schemes in Pillar II.
- 3.26 Provision should be made to allow for a grassland payment for livestock production with a minimum and maximum stocking rate under this measure. In addition provision should also be made for animal welfare payments on a per animal basis, as is currently the case with this type of scheme.

#### *Coupled payments*

- 3.27 Coupled payments have a very important role to play in protecting vulnerable sectors and vulnerable areas. Coupled payments can provide essential targeted and higher level direct payments to low income sectors such as extensive suckler beef or sheep farming, protein crops or livestock farming in mountainous areas, where the retention of livestock is essential to the ecosystem balance. The option of coupled payments should continue to be restricted in general, but should be available to help prevent land abandonment and to promote and encourage pasture farming<sup>16</sup>.

#### *Rural development*

- 3.28 The EESC supports the eight broad EU interventions under rural development. As outlined earlier, the EESC is opposed to all cuts proposed for Pillar II funding, as they disproportionately

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<sup>15</sup> [COM\(2018\) 392 final, p. 7](#)

<sup>16</sup> [The Policy Roadmap for the EU Sheep meat Sector](#) – Recommendations from the EU Sheep Meat Forum, chaired by John Bryan

affect some Member States and raise doubts about a smart, sustainable and competitive development of agriculture.

- 3.29 The EESC considers that, in line with the current CAP, there should be provision for specific animal welfare interventions under the rural development programmes and that this should be included under one of the broad interventions.
- 3.30 The EESC proposes that, in order to increase farmer participation and uptake, a higher proportion of the payment should be allocated for transaction costs or incentives.
- 3.31 The EESC considers that environmental, climate and other management commitments should be considered for periods longer than seven years provided that also the financing of those commitments is guaranteed accordingly.
- 3.32 The EESC considers that ANC<sup>17</sup> payments should be mandatory in the relevant areas in order to prevent land abandonment in Member States. In addition, measures should incorporate minimum and maximum stocking rate measures and specify a range for the period of time animals should spend grazing. ANC payments should be allowed to qualify as part of the environmental expenditure under Pillar II.
- 3.33 Under the proposals on natural or other area-specific constraints, it is important that the principle of no restrictions without compensation be established. In order to change practices, it is very important that compensation be calculated for full losses and that proper incentives be paid.
- 3.34 The EESC favours a positive list of investment proposals as opposed to a negative list.
- 3.35 The EESC considers that the proposals on risk management tools should be voluntary as opposed to compulsory at Member State level. In general, the EESC is of the view that the best protection against income volatility is strong Pillar I direct payments, and that these should not be eroded in any way to transfer funds towards insurance schemes or mutual funds. In addition, the EESC proposes that any funding for risk management should be sector-specific.
- 3.36 The EESC welcomes the new flexibility and range of supports outlined under financial instruments.

#### *Crisis reserve*

- 3.37 The EESC recognises the need for an effective and properly financed permanent crisis reserve fund. The EESC proposes that funding for the crisis reserve should be provided from a new item of expenditure, outside the CAP budget and thus cannot involve any reduction in direct payments to farmers. Under the current CAP legislation, unused funds from the 2020 crisis reserve must be returned to farmers in 2021.

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<sup>17</sup> Areas facing natural or other specific constraints.



### *Common Market Organisation*

- 3.38 The legislative proposals leave the CMO largely unchanged, involving a safety net of public intervention and private storage and exceptional measures. In addition, the CMO provides for marketing standards and rules on farmers' cooperation. The EESC thinks that the Commission should consider further stepping up market regulation to ensure better incomes.
- 3.39 The EESC considers that the proposals should re-examine and re-set the reference prices , taking into account the evolution of production costs, and trigger levels for the introduction of market support at more practical levels, with a view to providing more realistic and worthwhile market support when required. The Commission should focus on market management instruments, in particular by limiting fluctuations in the prices of agricultural products, as this represents the main source of income for farmers.

### *Payments*

- 3.40 The EESC proposes that advance payments from 16 October each year be increased to 80% (currently 50% but usually 70% allowed) for direct payments and to 90% (currently 75% but usually 85% allowed) under rural development measures.

### *Timing*

- 3.41 The timing of the MFF agreement and the new CAP proposals are unclear, particularly in the context of the next EP elections. The reform proposal introduces several new elements such as the Strategic Plan, a basic component of the reform that will not be easy for national administrations to put in place, and a new CAP structure laying down certain obligations for farmers (new enhanced conditionality, compliance with the indicators of the Strategic Plan, etc.) which will require a certain period of time in order to be adopted and implemented by the farmers themselves. The EESC recommends an early agreement on the MFF before the EP elections in May 2019 and a timely agreement on the future of the CAP so that farmers and the agricultural sector can properly plan for the future with certainty. It is therefore essential that a proper transitional period based on the current support system be adopted well in advance for any period post-2020 before the new arrangements are in place.

### *Food chain*

- 3.42 The EESC reiterates its call for the development of a comprehensive food policy in the EU<sup>18</sup>. In particular, the EESC welcomes that the Commission has stressed the important role of the CAP in promoting healthier diets, making nutritious food products such as fruit and vegetables available for EU citizens. Concrete proposals and recommendations on this will be made in an ongoing own-initiative opinion. The EESC welcomes the proposals to strengthen the farmer's position in the food supply chain. Increased market price transparency is essential at every level

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<sup>18</sup> [OJ C 129/18, 11.4.2018, p.18-26](#)

from consumer right through to primary producer. In addition, greater incentives and support should be provided for producer organisations.

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Luca JAHIER

The president of the European Economic and Social Committee

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