

COM-2/015

Brussels, 3 July 2000

## **OPINION**

of the Committee of the Regions

of 14 June 2000

on the

### **Reform of the CAP - Developing rural competitiveness**

#### **The Committee of the Regions,**

**HAVING REGARD TO** the decision of its Bureau on 15 September 1999, under the fifth paragraph of Article 265 of the Treaty establishing the European Community, to issue an opinion on this subject and to instruct Commission 2 (Agriculture, Rural Development and Fisheries) to undertake the preparatory work;

**HAVING REGARD TO** Council Regulation (EC) No. 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations<sup>1</sup>;

**HAVING REGARD TO** the draft opinion (CdR 526/99 rev. 2) adopted by Commission 2 on 4 May 2000 (rapporteur: **Mrs Mitchell** (Member of Dumfries and Galloway Council, UK/ELDR)

unanimously adopted the following opinion at its 34th plenary session on 14 and 15 June 2000 (meeting of 14 June).

#### **1. Introduction**

1. The COR supports the principle of a sustainable, holistic and integrated rural development policy. National policy frameworks, it is hoped, will also strive to

support viable rural communities, maintain the countryside and promote sustainable and efficient farming systems. There is therefore a need to pursue a better balance between measures which promote the well being of agriculture and those which help the wider sustainable development of rural areas.

2. The Commission's recently approved Rural Development Regulation (RDR) and Structural Funds Regulation (SFR) provide a framework for taking forward the above aims. There is however a role, an opportunity and a need for national, regional and local governments to:

- support actions under the terms of the Rural Development and Structural Funds Regulations,
- promote and enable parallel actions which might assist the development of efficient and sustainable farm and rural businesses.

3. It is clear that despite the recently aborted talks at the WTO, European agriculture will continue to be severely constrained and under challenge at the international level. At the same time it is recognised that agriculture and its related support industries and rural enterprises will continue to play a central and long term role in the social, cultural and economic survival of rural Europe. Jointly, these factors reinforce the need for measures to support the increased efficiency, competitiveness and diversity of European agriculture and rural businesses. In doing so, it is hoped that many farm businesses may be enabled to perceive themselves as viable and sustainable rural businesses and no longer viewed as "an industry apart".
4. Many local and regional authorities have already begun to help to support the increased efficiency and competitiveness of the agriculture and rural business sectors through the commissioning of rural and agricultural studies and research projects, many of which have included a series of proposals for the development of support services and inter-agency partnerships aimed at developing innovative responses to local needs .
5. The COR believes that local and regional authorities should be encouraged to support the development of the rural economy in this way but is also aware of the potential for stronger action in this field which could directly and through actions under the SFR assist rural development in parallel with RDR related actions either through integrated intervention, as planned in some areas, or through proper coordination of RDR and SFR measures, to be applied in all Europe's rural areas.
6. The important role of local government in land use planning and control is recognised. Local authorities must give supportive consideration to new approaches to rural development and how these might be encouraged at local level. At the same time such development should be both sensitive and sustainable. Local and regional authorities play a vital role in organising personal and family-based services, business services, and services for local communities. Without a positive revision of these services, rural areas will not be able to develop.

1.7 In recognising these roles for local and regional governments, the COR also affirms that there is a major role for Member State Agriculture Ministries in supporting and encouraging more

creative responses to the conversion of agriculture. Closer partnership with local and regional government agencies is required. Flexible interpretation and implementation of, for example, Rural Development and State Aid regulations will be a further way in enabling positive development.

## 2. The rural development regulation

2.1 The COR believes that the emphasis of the Rural Development Regulation adopted as part of the reform of the Common Agricultural Policy should be in providing support for local initiatives that complement strategic frameworks at the national, regional and local level. A strategically designed, locally supported, multi-sector, partnership approach should be promoted that will maximise the economic, social, cultural and environmental regeneration of the rural economy. Coordination of strategies with other agencies and partners is imperative and should encourage joined-up working practices and strategic cross-boundary partnership working. There is however the need for a coordinated approach to the use of the EU Structural Funds, LEADER + and the RDR.

If the Rural Development Regulation and the Community framework of aid for agriculture constitute a new context, it is important that their methods of implementation at national and regional level are not a barrier to the intervention of the local and regional authorities in this sector.

2.2 The COR notes and supports the fact that the Rural Development Regulation is broad in its scope and is therefore able to assist in a number of areas of action. There is sufficient scope within these regulations to support both on-farm and off-farm activities as well as giving support to a strong environmental strand. In getting the balance and integration right between these three elements, there is tremendous opportunity to promote sustainable development in rural Europe.

2.3 Rural development actions under the RDR should be integrated, or at least coordinated, with those under the SFR, thereby contributing to the achievement in rural areas of the priority European objective of economic and social regeneration of regions with structural problems.

2.4 In relation to 2.2 above, there are some important principles which are supported by the COR in the terms of this opinion:-

- Rural development must include on- and off-farm activities.
- The growing importance of pluri-activity and multiple sources of income at farm unit level is recognised.
- Farmers must be free to (and initially will require support to) pursue diversification activities both within and without their own mainstream farm businesses.
- The COR recognises that pluri-activity and diversification are best supported where local rural economies are financially buoyant and well developed. A proportion of rural development funding will meaningfully be directed to the wider economic regeneration of local rural communities and market towns, particularly where local jobs are sustained or created.

2.5 The COR believes that with its approval by the European Commission, the Rural Development Regulation should develop (in the forthcoming years) to become a central instrument in addressing the adjustment of agriculture. It is however recognised that the resources available across Member States, and their ability to respond in the early years, vary considerably. It is also fair to assert that some regions are more able than others to respond to the external pressures now confronting agriculture and the rural economy.

### 3. **Improving rural competitiveness and efficiency**

#### 3.1. **The Structural Funds Regulation**

3.1.1. In order to strengthen economic and social cohesion, the Community has set out to reduce the differences in levels of development between regions and close the gap suffered by the most disadvantaged regions, including rural areas, through the European Regional Development Fund (ERDF) and the European Social Fund (ESF). This will help implement the European employment strategy.

#### 3.2 **Lowering the cost of agricultural production**

3.2.2 Farm efficiency and the competitiveness and sustainability of the rural economy can be achieved by lowering the costs of agricultural production, increasing the value of the product, horizontal or vertical joint ventures, amalgamation or providing additional sources of on- or off-farm income. It is understood that the reduction in the costs of production does not have to be obtained at the cost of environmental protection, product diversity, job maintenance and the activity balance in rural areas. Taking account of the specific nature of land, maintaining and developing a living rural world, stopping and rolling back soil and water pollution are unavoidable requirements which oblige the European Union not only to maintain the aid granted to regional projects with these aims but to gradually increase it in a big way. These needs have to be taken into account in a tangible and long-term manner by all the institutions which draw up the rules of international trade, particularly the WTO.

3.2.2 The COR notes that in some areas, economic pressures may dictate the case for farm amalgamation. Whilst these pressures are well understood, it is important to ensure a balance between the economic pressures to maintain viable units and the need in more rural areas to support small scale operations where amalgamation is not a viable or desirable alternative. For that reason every effort should be made to encourage the survival of smaller farms and crofts.

3.2.3 A considerable proportion of the actions to be financed by the Structural Funds will affect rural Objective 1 areas, and 28% of the beneficiary population under Objective 2 lives in declining rural areas. However, with only a few exceptions, Structural Fund programming has been carried out on a territorial, regional basis, including uniform strategies and actions for rural, industrial, urban and fishery-dependent areas.

3.2.4 The COR notes that production costs can also be lowered by cooperative working. There is however great variation in the extent and nature of cooperative working across rural Europe and a central tenet of this opinion is that the COR wishes to encourage the sharing of successful models of good practice to assist in the overall quality and pace of adaptability between the regions. Collective action in production-related activity such as machinery and labour rings, collective rural development activities (e.g. land reform and renewal of villages) and marketing and adding value to the primary product (particularly at local and regional level) provide examples of the type of

activity which should be encouraged. This could be encouraged across all farm businesses or within certain sectors of the industry.

3.2.5 Development of rural areas generally depends on implementing large numbers of investment and service-providing microprojects, which are more expensive to run than equivalents in industrial and urban areas and in which development often depends on large-scale projects for its impetus. Furthermore, rural depopulation and ageing, combined with poor infrastructure and service provision, greatly complicate the generation of new investment projects. This is accompanied by low competitive capacity to make use of resources from support mechanisms and horizontal actions, which fail to reflect the specific circumstances of rural society. Development of rural areas, when programming is included with industrial, urban and fishery-dependent areas, will require a specific strategy and measures to ensure that the appropriate Structural Funds are brought to bear on them. To this end, procedures must be introduced to monitor and evaluate the results in such areas, which are sensitive to these situations and ensure that suitable actions are conducted in these areas at the appropriate time.

### **3.3 Adding value to output**

3.3.1 Quality is the key to success in an increasingly competitive global market. There is an increasing trend for consumers to purchase local, fresh and traceable produce. The COR recognises that Europe has a particularly rich heritage in the local food produce area and one which has outstanding commercial potential for marketing at both local and inter-regional level and beyond. Local food marketing initiatives should therefore be further encouraged, together with support for farmers' markets, in order to shorten the food chain. If local food marketing initiatives are to be encouraged, the issue of State Aid Regulation will have to be addressed, again with a view to more flexibility of approach and implementation. A clear distinction should be made with regard to marketing of produce for sale locally and not for export to allow support to be made available and to avoid the serious problems of displacement. The COR also notes that in many Member States efficient networks for quality assurance in food production and in official food monitoring have existed for a long time already.

3.3.2 The COR also recognises the growing significance and extraordinary commercial potential of ICT (Information and Communications Technology) as an essential tool for rural development and marketing of local produce. Much benefit, including commercial benefit, will arise from sharing of experience in this area, with the possibility of web based collaborations between regions.

One such example of good practice is to be found in the "Rural Market Place" project supported by LEADER II and involving web based marketing of regional produce through a collaboration between regions in Austria, France, Spain and Greece.

3.3.3 The COR notes that the growing of organic and non-food crops can provide on-farm diversification and an often high added value alternative or supplementary source of income to food production. This is also often the case with local niche market food and drink related production.

### **3.4 Providing additional sources of income**

3.4.1 The COR recognises that additional income can take the form of both on-and off-farm diversification. There already exists a fairly well developed menu of actions to support on-farm diversification, though some would perhaps rightly argue that insufficient funds are made available for this purpose. The growing importance however of off-farm diversification (and the access of farmers to such actions) must be recognised if agriculture is to fight for survival using all the tools at its disposal. The possible menu for such actions is outlined in broad terms in the Rural Development Regulation and in Regulation (EC) No 1783/1999 on the European Regional Development Fund but again, Member State agriculture ministries must be flexible and innovative

if effective local actions are to be encouraged of a more "bottom-up" nature. Such actions might include tourism, on-farm sport and leisure, processing and sales of produce/crafts, residential lettings, light industry and micro-business support and development, specialised contracting services and income from environmentally related business or actions, general village/market town renewal activities. The COR believes that an extensive and efficient broadband network will be an important factor in boosting rural competitiveness.

In addition, innovative approaches to land reform in certain regions, might produce wider commercial opportunities for some farm businesses and would be worth examining.

In order to effectively guarantee multi-activity on farms, each Member State should make appropriate adjustments to its fiscal, social security and professional legislation.

3.4.2 The success of the RDR, the SFR or other local diversification activities will, however, depend on the ability of the agricultural sector and the rural population to cope with change. A prerequisite to such change must therefore include effective capacity building, training, development and support activities for farmers and other rural businesses. The COR believes that support for training should be additional but linked to diversification, restructuring and new collaborative actions and ventures since it cannot be substituted for mainstream training in agriculture. Training and re-skilling opportunities should also be made available in non-agricultural jobs so that farmers and farm workers are better able to take alternative employment on a full or part time basis.

3.4.3 Restructuring farm businesses, diversifying away from mainstream or traditional activities or developing new collaborative or cooperative methods will also require sound business planning. Equally important will be the issue of access to flexible forms of finance and financial engineering. The availability of soft loan and equity schemes should be promoted to help assist new and developing ventures and to run alongside grant-aided development plans. There is a need to integrate, coordinate and clarify respective actions in this field between Structural Fund and Rural Development Regulation activities.

3.4.4 Sustainable development requires that agriculture is conducted in a manner which protects the environment. For many local and regional councils the quality of the environment is recognised as being a significant part of the attractiveness of the area for both tourism and inward investment. While this will be a measure which is administered nationally it is essential to ensure that any agri-environment policy is integrated with ongoing work at a more local or regional level. Payments linked to environmental protection provide a useful, sustainable and additional source of farm income.

3.4.5 A recognised problem in agriculture across Europe is the growing number of elderly farmers and the impending effect that this can have on an industry that requires to restructure. Assisting new younger farmers to take over farms or stay in the area to develop their rural entrepreneurial skills will also help to restructure the industry but at the same time protect the viability of our rural communities. Bringing young farmers into the sector must become a specific objective of EU agricultural policy. The Committee proposes that all Community provisions on this be amended and coordinated so as to establish a specific EU policy for young farmers. The COR commends the CEJA for the programme of educational exchanges for young farmers as a good example of sharing experience.

#### 4. Conclusions

1. This opinion recognises the current and future pressures for change in our rural communities and how this is still linked closely to the future of agriculture and its related industries. The opinion does not seek to comment on the desirability or otherwise of the reform of CAP, this issue having been explored through other

vehicles.

2. The opinion supports the potential beneficial effects of the Rural Development and Structural Funds Regulations and seeks ways to promote parallel support activity at local level which, it is hoped, will increase the potential success of the Rural Development Regulation. In addition the opinion seeks to describe the benefits to be derived from increasing the effectiveness and competitiveness of farm and other rural businesses through the promotion of more proactive sharing of experience, particularly in the field of cooperative methods of working, lowering production costs, adding local value and developing effective sources of alternative income.
3. The proposed actions detailed above are, however, often constrained by the limitations of scale or critical mass and the COR recognises that cooperative cross regional/Member State action could be another vehicle to support increasing business success. The sharing of experience could in this sense promote such commercial connections or open the door to new and viable markets.
4. The COR recognises that such actions can be facilitated at local level by local and regional authorities and that this role should be encouraged and further developed.

4.5 Integration and coordination of actions under the Rural Development Regulation with the relevant actions under the Structural Funds and Community Initiatives, such as LEADER+ and INTERREG, will enhance their effectiveness, multiplying the impact of European, national, regional and local resources on the development of rural areas and their competitiveness.

4.6 The competitiveness of rural Objectives 1 and 2 areas will be influenced by the programming for the European Regional Development Fund and the European Social Fund. They must offer these areas funding commensurate with their populations and size, enabling them to offset their infrastructure and services shortfall, and to diversify their activities. This should be achieved through a strategy of implementing specific measures, aimed at resolving their particular problems - which are not the same as the measures planned for industrial, urban or fishery-dependent areas. These aspects should also be taken into account for monitoring and evaluation purposes.

Brussels, 14 June 2000.

The President

The Acting Secretary-General

of the

of the

Committee of the Regions < br />

Committee of the Regions

**Jos Chabert**

**Vincenzo Falcone**

<sup>1</sup> OJ L 160 of 26.6.1999, p. 80

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