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2001 – 01 – 24
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Contribution to the “Consultation for the Impact Assessment on the Common Agricultural Policy towards 2020”, focusing specifically on impacts for mountain farming and mountain regions

The contribution tries to give some answers to the questions, prepared by the Inter-service Steering group. It focuses on the relationships between CAP, mountain farming and the mountain regions.

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

The scenarios outlined reveal an increasing level of reform. For all a basic consideration to take account should be the relevance of the social appreciation and remuneration of the multifunctional character and performance for farming systems under different production conditions. This is of outmost importance to mountain farming, and farming in other less-favoured areas. The reigning neo-liberal concepts often neglect these implications and therefore there is a specific need in strengthening alternative economic approaches in advisory bodies of the EU and for more diversity in teams of agricultural and economic experts of the EU.

As scenario 1 is hardly doing justice to the full set of objectives the considerations focus on scenario 2 and 3 (and aspects missing in the proposed scenarios). There is a strong need for an extended scenario 2A, because scenario 2 does not reflect sufficiently the scale and range of natural resources and territorial challenges as well as social and cultural problems of Europe’s regions, in particular the challenges in mountain areas. On the other hand, scenario 3 might be seen as a liberalisation scenario highlighting the aspects of production competitiveness with the risk of land abandonment in mountain regions and in other marginal areas. The negative impacts implied call for a specific acknowledgement of the territorial aspects with regard to local development and implications for society in rural regions.

Maintaining the agricultural production capacity throughout the EU is an important objective as stated in the consultation document (p. 12) and implies “Contributing to reduction of the gap between agricultural and non-agricultural income in an equitable manner and compensate for difficulties in areas with natural handicaps, which are valuable from environmental or social sustainability perspective” (p. 12). The concept of LFA payments always had economic, social, regional and environmental targets and thus was one of the few measures including cohesion aspects in its objectives. Several countries, including Austria have paid particular attention to target these payments according to internally differentiated production facilities which can be underpinned by evaluation and research reports (e.g. most recent

evaluation: the Austrian Mid-Term Evaluation report for the rural development programme 2007 -2013). As farm development in these areas is particularly linked to rural development in general these LFA payments should remain in Pillar 2 to allow for synergies of “rural” measures also in the future. Within a common framework the MS would have to design the appropriate measures. Instead of a shift to Pillar 1 the co-financing rate might be improved for LFA payments in Pillar 2 if cohesion considerations would require an increase.

2. Are there other problems apart from those set in the problem definition section of this document that should be analysed when considering the architecture of the CAP in the post 2013 period? What causes them? What are their consequences? Can you illustrate?

In the consultation document global issues are presented (p. 7) and food security is addressed to some extent (p. 2). However, the global problems don't take a decisive role in this document.

One important issue specifically missing is food sovereignty, which can be defined as follows: “Food sovereignty is the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations. ...” (see: <http://www.foodsovereignty.org> and <http://peoplesforum2009.foodsovereignty.org>). Food sovereignty is also an important issue for mountain regions all over the world, particularly in developing countries. In agricultural terms, mountains are often considered “marginal lands”, unsuitable for modern commercial farming which focuses on cultivation of single crop varieties for large markets (see: FAO: International Mountain Day; www.fao.org/mnts/en/ and <http://www.mtnforum.org>). In the consultation document important results of the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) from the 2008 report should be included (see: www.agassessment.org). IAASTD describes that many developing countries have been left after trade liberalization with weakened national food production capacity, making them more vulnerable to international food price and supply volatility and reducing food security and therefore business as usual is not an option.

Dairy farming and cattle breeding in mountain areas will experience implications from the abolition of milk quotas, and thus depend substantially from direct payments, LFA-payments and agri environmental payments. The income gap between mountain farms and farms in favoured areas is continuously high, in spite of significant LFA-payments (see attached file: Hovorka, 2011; <http://www.laendlicher-raum.at>). A specific consideration of the mountain situation as analysed by the EC Commission is therefore an important aspect for the reform (EC 2009, Peak Performance, SEC(2009) 1724 final). Initiatives like the enhancement of mountain Quality Food Production (Euromontana 2004) and the recent declaration to take advantage of “European mountains’ innovation potential” (Euromontana 2010) address mountain specific issues in this discussion. Moreover, mountain farming development has to be framed in the discussion of policy coherence with respect to territorial cohesion objectives (Dax 2008).

Dax, T. (2008), The role of mountain regions in territorial cohesion, a contribution to the discussion on the Green Paper on Territorial Cohesion, commissioned by Euromontana, Bruxelles, 57pp. <http://www.mtnforum.org/rs/ol/browse.cfm?tp=vd&docid=4877>

Uploaded documents:

Euromontana: Declaration of Lillehammer. Taking full advantage of European mountains' innovation potential. 17. September 2010. www.euromontana.org

Euromontana: European Charter for Mountain Quality Food Products. 2004. www.euromontana.org

European Commission: Commission Staff Working Document. Peak Performance. New Insights into Mountain Farming in the European Union. Brussels (SEC/2009 1724 final). 16.12.2009.

Hovorka, Gerhard: Die Reform der Agrarpolitik der EU aus Sicht der Berggebiete. Wien, Jänner 2011. <http://www.laendlicher-raum.at>

3. Does the evolution of policy instruments presented in the policy scenarios seem to you suitable for responding to the problems identified? Are there other options for the evolution of policy instruments or the creation of new ones that you would consider adequate to reach the stated objectives?

Enhancing the competitiveness and productivity of the agricultural sector should not imply a set-back for the practice of multifunctional mountain farming which provides important public goods. The recent report of IEEP (2009) emphasizes the demand and supply of public goods through agriculture in the European Union and identifies key challenges towards a revision of the CAP which strengthen the provision of environmental public goods (see Executive Summary of study attached).

Social and environmental consequences of support systems depend on how support is targeted. It is well known that 20 % of EU farmers receive about 80% of direct payments. These payments might be distributed more fairly and in a more transparent way by allocating support within the Single Farm Payments (or similar payments) due to standard working-time requirements instead of hectares. Such a reform in the support system would target specifically labour input, i.e. particularly farms managing livestock and farms in mountain and less-favoured areas. An appraisal of the implications of that proposal has already been carried out for Austria (see attached report in German and <http://www.berggebiete.at/cms/content/view/483/187/>). In Germany a similar approach is used for the calculation of farm accident insurance premia (see: <http://www.lsv.de/fob/01aktuell/mibei021/index.html>). This reallocation of direct payments of CAP's Pillar 1 towards standard working-time requirements should be accompanied by an upper ceiling of payments per farm.

Such an approach would even increase the targeting of LFA payments that is currently applied according to geographical delimitations and further differentiation of payments within LFA according to production difficulties. As the gap to the average situation is persistently high for the most disadvantaged groups of farms, it will be important to retain the scope of action of present LFA payments and stress targeting and differentiation issues. This will be particularly important with regard to the objective to cope with the marginalization issue in a series of European regions. To introduce a new scheme of direct payments for small farms might also be helpful for small mountain farmers but the scheme would have to take into consideration the high importance of pluriactivity in many mountain regions. While the

respective farms only imply the production of small amounts of food, they provide a set of important public goods and fulfil a range of tasks in mountain areas.

Uploaded documents:

IEEP (Institute for European Environmental Policy): The Provision of Public Goods through Agriculture in the European Union. Executive Summary. London. 2009.

Hovorka, Gerhard: Direktzahlungen nach der Arbeitszeit berechnen? In: Top Agrar 10/2010. p. 10 – 11.

4. What do you see as the most significant impacts of the reform scenarios and the related options for policy instruments? Which actors would be particularly affected if these were put in place?

Relevant studies have started to address these issues and suggest a more comprehensive assessment. For example, the concern for the provision of multifunctional tasks is widespread and has been analysed in a respective policy model (TOP-MARD) highlighting the wide scope of inter-linkages and the need to address the policy implications at the regional level (see attached paper).

A decoupling of some areas (regions) from a sustainable development (as indicated for example under 3) would jeopardize the provision of positive public goods and spoil assets of those regions. This is no useful option for a policy reform with the above objectives. It would run directly counter the considerations to limit marginalization trends and enhance development of peripheral regions.

Import of feed stuff for the European agriculture contributes to overproduction problems in the EU and, on the other hand, increases the export orientation on feed stuff in developing countries raises food insecurity and weakens the small-scale farm sector in many countries. Options 1, 2 and 3 will not change this situation.

The problems of GMO production in a globalized world and how to respond to the fact, that EU citizens do not want to consume GMO products, is not considered in the impact assessment and in the Communication of the commission. But GMO-free production will be of crucial importance for the future of European farm structure, and particularly mountain farming.

Uploaded documents:

Dax, T.; Hovorka, G.; Hocevar, V. and Juvanic, L (2009): Comparative analysis of territorial impacts of multifunctional agriculture in Austria and Slovenia. In: Neuwirth, J./Wagner K. (eds). Multifunctional Territories: Importance of Rural Areas beyond Food Production. Rural areas and development. vol. 6 of the European Rural Development Network. Warschau 2009; 29 – 46.

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

The food chain is increasingly dominated by few transnational food and agriculture corporations and supermarkets. This is unfavourable small producers, including mountain farmers which often produce on small scale and tend to show a lower level of standardization. A reduce of the power and the concentration of food processing and retail sectors and their influence on where and what is produced and consumed would open the possibility to strengthening the power of mountain farmers and their inter-branch organizations to a large extent and would help to improve mountain farmers' income levels. A better access to risk management tools would improve mountain farmers' income levels and stability but well developed intervention instruments had to be in place.

A better support for local/regional food cooperatives and chains and for direct marketing activities is needed in pillar two which should not be contradicted by pillar one measures.

6. What environmental and climate-change benefits would you expect from the environment-targeted payments in the first and the second pillar of the CAP?

The inter-relation of Pillar 1 and 2 measures on agri-environmental development has to be checked thoroughly. It will be oriented at the objectives of improving the situation of biodiversity, sustainable management systems, High Nature Value farming and environmental performance in general. Thus the environmental preconditions for participating in the measures have to be prepared meticulously so that they can be met by farmers. As a precondition for receiving payments these would have a significant impact on environmental outcome.

A specific issue is the support for certified organic farming, co-financed by the EU under the agri-environmental programme (AEP). It is a core strategic element of the policy determining remuneration for environmental services. Therefore the strategy towards organic farming as a core model in agri environmental programmes should be strengthened in CAP after 2013. In some MS organic farming is concentrated in grassland areas and/or within mountain regions. In Austria 74% of all organic farmers are located in mountain regions and there are several "hot-spots" (Salzburg, parts of Styria) where organic farming accounts for almost half of farms and farm land. Organic farming is often linked to the maintaining and even development of cultural landscapes which represent important rural development assets and a key part of the mountain regions' capital stock.

Uploaded documents:

Hovorka, Gerhard and Dax, Thomas. Organic Farming: Enhancing Environmental Services from Farmland in Austria. In: Mountain Forum Bulletin, January 2010, p. 66 – 68.

<http://www.mtnforum.org/rs/bul.cfm>

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

Any budget shifts should be assessed against the actual implications for rural development in a wider sense. A mere increase of budget without a requirement to secure quality criteria of implementation and innovation processes would hardly be useful. For example, future implementation of measures for Life Quality (currently axis 3) and Leader measures would have to be assessed against such “quality” criteria.

The future of multifunctional mountain farming depends on integrated regional development in the mountain regions, due to the close integration of mountain farming into the regional structures and its tight inter-linkages with other economic sectors (industry, business, trade, tourism). This requires an active contribution to the vitality of mountain areas and territorial balance by the cohesion policy but as well by strengthening the integrated approach in the second pillar of the CAP.

8. What would be the most significant impacts of a "no policy" scenario on the competitiveness of the agricultural sector, agricultural income, environment and territorial balance as well as public health?

A „no policy“ scenario would lead to a higher volatility of farm prices and bigger food insecurity. The inequity of farm income between intensive and extensive production units and between favoured areas and less-favoured areas would increase. Without support policies there is hardly any opportunity for the development of niche products and also organic farming as best practice example of environmental sound product systems would decrease.

Intensification of production in favoured areas, marginalisation and land abandonment in less favoured areas would occur at a larger scale, with negative impacts on environment and biodiversity in all regions and particularly negative impacts on rural development in remote regions. Global competitiveness of EU agriculture might improve in the short run, but for the price of land abandonment in mountain areas and other less favoured areas. In the medium and long term the relevant local assets thus would not be used efficiently.

9. What difficulties would the options analysed be likely to encounter if they were implemented also with regard to control and compliance? What could be the potential administrative costs and burdens?

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

Achieving more equity in the distribution of direct payments between MS and between big and small farms is an important indicator. Indicators expressing the degree of achieving the objectives of the reform would be best measured against the fulfillment of multiple tasks in the diverse regions of Europe. This implies indicators on the development of land management and effectiveness of measures against marginalization processes, taking specific

account of the territorial dimension. Moreover targets as food security, including global aspects of sustainability and biodiversity and HNV development will be crucial indicators.

11. Are there factors or elements of uncertainty that could significantly influence the impact of the scenarios assessed? Which are they? What could be their influence?

Most relevant drivers are market development at the international level, reflecting global trends of agricultural trade, and shifts in consumer habits (within and outside the EU), also being influenced substantially by world-wide trends of demand and shifts in consumer preferences.