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EPP views on the future of the common agricultural policy: for a strong, sustainable and innovative EU agriculture

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The European People's Party welcomes the start of reflections on the agricultural challenges after 2020 in the EU in order to thoroughly prepare for the next reform of the Common Agriculture Policy (CAP).

As part of our commitment to farmers, it is our priority that the farming community remains at the core of our agriculture policy while striving for a strong, sustainable and innovative EU agriculture.

In addition, the EPP underlines that only a strategic and well-funded CAP would enable us to achieve these objectives.

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INTRODUCTION

The European People's Party (EPP) stands with European farmers. Rural areas represent 90% of the EU land and are vital for Europe's future. Family farms are the nucleus of life in the EU rural areas and the engine of rural growth. Agriculture preserves Europe's traditional, cultural and natural heritage.

Agriculture is of strategic importance for Europe's future and security providing more than 500 million Europeans with the highest quality food supply at affordable prices. The agricultural sector is an important employment sector in the EU with 22 million people working regularly in farming. The farming and the food sectors together provide nearly 44 million jobs. These jobs are related to roughly 11 million agricultural holdings in the EU. The EU also exports over €130 billion worth of agricultural products each year.

Over the last fifty years, agriculture in the EU has been supported by the Common Agricultural Policy (CAP). The CAP is the cornerstone of European integration. It has delivered real and lasting benefits for European communities and made an important contribution to making Europe a strong and confident world leader in agriculture. The EPP emphasizes that food security in terms of common access to food of high quality has been achieved through European farmers and within the framework of the Union's CAP. Besides this policy has established the highest global standards for safe and quality food, EU-wide basic standards for the environment, sustainable rural development, and also modernisation of European agricultural practices. A fully integrated CAP remains indispensable for the success of the European project and makes an essential contribution to the Europe 2020 Strategy, including the goals of growth and employment as well as social cohesion and taking into account its core role within a European Strategy for the sustainable use of natural resources. Only a strong and common policy can respond to the multiple challenges we are facing.

The EPP therefore welcomes the European Commission's initiative to launch a public debate on the simplification and modernisation of the CAP and on the future Multi-Annual Financial Framework (MFF) after 2020. To make Europe's agriculture more efficient, competitive and sustainable, the EPP calls for a strategic, forward-looking and well-funded CAP.

MAIN CHALLENGES FACED BY EU AGRICULTURE

Over time, the CAP has changed, developed and improved. Yet, the main objectives of the CAP, as defined in the Treaty of Rome and confirmed by the Lisbon Treaty, are still relevant in the ever-changing world. Since the last CAP reform, the policy context has however changed significantly. There is a broad international consensus on the challenges that agriculture shall face in the coming decades, especially with regards to food security, climate change, bioenergy and societal expectations on issues such as animal welfare. Due to the growing world population and increasing consumption, more food will need to be produced with limited resources, whilst also preserving the environment and combatting climate change. But guaranteeing a fair standard of living for farmers and stabilising markets whilst allowing farmers to operate on a market-oriented agriculture remain burning issues. The future CAP needs to provide adequate answers to these challenges.

Farm viability

The CAP plays an important role in overcoming stagnation and volatility of farm incomes. It also helps farmers to cope with imbalances in the food chain which may threaten the viability of their farms. Nevertheless, as in the agriculture sector with price and income volatility, as well as production risks which are more intense than in various other sectors, more must be done to support farmers in coping with the challenges they are facing and improving the functioning of these markets.

Farmers have been confronted with increased price volatility over the last few years, as prices fluctuated in line with world price developments, market uncertainty caused by macroeconomic developments, external policies, sanitary crises and higher frequency of extreme weather events in the EU. While price signals are central to the successful and timely adjustment of production to changing demand, high price volatility is now a factor of concern for the viability of farms in the EU.

Another important issue that needs to be addressed is the imbalance in the supply chain. Due to several factors, including fragmentation of producers, lack of vertical integration, poor price transmission and lack of transparency, farmers are the ones who suffer the most when prices go down and benefit least when prices go up. Since the negotiation position is unbalanced, most of the added-value is therefore captured by processors and retailers, who benefit from a much higher concentration. National food markets are usually dominated by a few retailers who control from between 43% and 92% of the market. At the same time, growing concentration in the area of production of plant protection products, fertilizers, plant varieties and seeds can be observed. Such a trend reduces competition upstream, having an impact on the production costs of farmers. Consequently, the position of farmers in the food chain must be strengthened by improving their negotiating position and power and by tackling unfair trading practices, all while ensuring that purchasers and suppliers respect the contractual freedom.

Economic and social challenges of rural areas

The CAP fosters the European model of agriculture by providing a stable and reliable economic framework for the development of family farms rooted in rural areas. To keep our regions alive, more must be done to maintain sufficient production growth and support investments and innovation within the value-chain. The multifunctional character (production wise) of the agricultural sector and its links with other sectors, such as tourism and energy production, should be further promoted. To this end, employment, generational renewal and adequate infrastructure are furthermore key challenges we need to address to ensure the territorial balance of EU territories.

The agriculture sector remains one of the most innovative economic sectors in the EU and fuels economic development in rural areas. However, the growth of the total factor productivity has increased less over the last decade than during the period from 1995-2005 (0.8% annually against 1%).

This trend reveals slower than appropriate technological change and limited adoption to new technologies and innovative practices – an issue which should be dealt with in the future. Only improved competitiveness and constant innovation in agriculture can foster employment and combat poverty and social exclusion in rural areas, because it can lead to new areas and new tasks in the agricultural and non-agricultural sector.

Generational renewal in some EU countries is a key issue, because on average most farmers are older than 55 years and only 6% are under 35. In the light of demographic changes, such as depopulation and ageing populations in rural areas, it is vital to create prospects for farming as a modern and attractive sector to work in and encourage opportunities in those areas for well-educated young people. Lifelong learning and training are therefore key for farmers and should be further developed. Finally, rural development policies must play an important role in tackling territorial imbalance and social resilience within Member States and the EU by complementing policies that provide physical infrastructure, digital coverage and services.

Environmental and climate challenges

Over the centuries, farming has shaped the countryside by developing a rich variety of landscapes and habitats. Around 40% of EU's land is still farmed, while forest and woodland account for about 30% of EU's land mass. Agriculture and forestry have therefore a strong impact in land management, conservation of biodiversity, preservation of natural resources and action against climate change. Farmers are thus the main, if not the only, sustainable managers of nearly 70% of EU territory.

The CAP has therefore made sustainability one of its key issues and has the challenging task to encourage natural resources management in such a way that soil degradation, water scarcity, deterioration of water quality loss of biodiversity and poor air quality, caused by inappropriate agricultural practices, unsustainable agricultural intensification or by land abandonment are prevented and avoided; whilst providing better quality and increased quantities of food and agricultural raw materials to the ever-growing world population. When it comes to climate change, agriculture is both a source of emissions and a mitigating factor. Moreover, agriculture is also the first victim of climate change and needs to adapt. These overlapping risks and opportunities must be considered by the CAP, by decreasing the sector's emissions, addressing unsustainable agricultural practices and fostering carbon capture practices.

Farmers and national administrations, however, bear the burden of highly prescriptive provisions, which makes it difficult to prove what results have been achieved. This situation has led to increased demands from environmentalist stakeholders to reinforce the green orientation of the CAP, often disregarding the other challenges faced by the sector and often overlooking the fact that the CAP has done already a lot for the natural environment and biodiversity. Only economically healthy farms will be capable to work in a sustainable and environmentally friendly way and without economic sustainability (higher incomes) it is illusory to believe that farmers will continue farming and stay being the environmental wards.

THE FUTURE CAP: A STRATEGIC AND FORWARD-LOOKING POLICY

1. An efficient, simplified and fair CAP: a new ambition for EU agriculture

The EPP advocates that the future CAP must remain a common policy. It must, at the same time, continue to provide a balanced policy framework, based on a renewed architecture of cooperation between European and national levels. It should set out common policy objectives whilst leaving coherent room for manoeuvre to the Member States and their regions. European institutions should set the key tasks, objectives and measures. Member States should be allowed to make use of the EU defined tool box to cope with the specific challenges they face by developing national strategies on food security, fostering the competitiveness of their agricultural sectors and ensuring rural development, with due respect to the rules and principles of the EU single market. In the same logic, the CAP tool box must continue to allow farmers to make the appropriate choices which correspond best to their business model, no matter what their specific situation and or mode of productions. The various types of agriculture in Europe are complementary and should continue to be supported by the future CAP to be able to tackle the forthcoming challenges.

The EPP defends the principle of subsidiarity, which must guide the actions of the EU, its member states and their regions, the common nature of the agricultural policy is however essential to ensuring equal opportunities among EU farmers while guaranteeing a level playing field on the single market for agricultural products. Any renationalisation attempts of the CAP that would lead to imbalances for competition in the single market must be avoided.

The EPP believes that processes of globalization require a global approach for agricultural policy in order to create the right rules for trade and cooperation that would give equal opportunities and not destabilize competition. In this context, the WTO Agreement on Agriculture must remain the framework in which the CAP evolves. The EU must however acknowledge that compliance with WTO rules varies among its main trading partners. Enforcement of the WTO system therefore is of high interest to the EU. In this context, global monitoring institutions should be used in order to fight distortions that occur on the world markets causing crisis situations. While respecting its international commitments and its global responsibilities, the EU must also fully defend flexibilities for its agricultural policy in front of all WTO bodies to respond to the challenges its agriculture sector faces and define the best means to overcome them when preparing the future CAP. The European food sector respects the highest environmental, sanitary and quality standards. In order to safeguard its sectors competitiveness, the EU shall aim within international trade agreements at ensuring and facilitating respect of international environmental and labour agreement and standards while promoting high levels of protection for the environment, labour and consumers, consistent with EU acquis and Member States' legislation.

The EPP fully supports modernisation and simplification of the CAP, which has progressed significantly in recent years. To reflect the need to meet a wide range of agricultural situations, administrative traditions and fulfilling a multitude of important goals, CAP legislation and its administration has become far too complex. Modernisation and simplification have been long promised to farmers but have rarely been followed by sound actions. To allow farmers to do what they know best – produce food in a sustainable way – more must be done to protect the interests of EU farmers and alleviate the complexity introduced by the last CAP reform: the overlapping policy instruments, the contradictory policy objectives, the Kafkaesque controls (e.g. double checks on entitlements) and the sometimes too prescriptive and bureaucratic nature of CAP tools lead to a loss of the underlying rationale of the CAP. When the beneficiaries of a public policy are unable to explain how they receive public support, the legitimacy of such policy is at stake.

This complexity sends a negative message to farmers and leads the rural population to populist votes. Farmers must be put back at the core of the agricultural policy in the post-2020 CAP and the simplification should be done first of all for the farmers but also with the administrators in mind.

The EPP would strongly favour an improvement in the quality and consistency of inspections allowing for a decrease in the number of controls by the Member States, the Commission and the Court of Auditors. Risk-based audit strategies factoring in all relevant data, including prior identification of the best/worst performers per policy area, should be further developed. The EPP finds it regrettable that the single audit scheme is not yet fully effective. The Member States should provide the effective first level of controls while CAP-related inspections should be optimised and combined to minimise the burden on farmers so that chosen beneficiaries would, whenever possible, be subjected to only one round of controls annually.
Real simplification starts with positive motivation and incentives, there is therefore a need for a general new "advisory first" approach in the IACS system. An appropriate advisory system has to be established instead of an inadequate and disproportional sanction system. The EPP thus calls for a reasonable, proportional and effective policy on sanctions and believes that, in order to ensure smooth project implementation, payments should not be interrupted when minor and/or clerical errors are identified.

Smart farming is spreading quickly and will continue to spread in the next decade. New technologies and a solid commitment towards simplification constitute a great opportunity for a modern and smart CAP which should be simpler, less bureaucratic and more efficient. Clarity of objectives and rules fit for purpose are required. The EPP encourages the further development of e-government initiatives aimed at reducing the error rate by preventing mistakes in the application phase as a mid to long term objective. The Member States should implement digitisation programmes as regards the relationship between government and agricultural holdings, with a view to obtaining a 'single farm file' involving the integrated and synchronous management of crop and breeding data.

The EPP believes that the focus should be on both simplification and efficiency of the CAP structure and instruments. The pillar structure remains an important feature of the CAP. Both pillars have different functions but are equally important: the first pillar follows a top-down approach and serves the financing of market instruments, of the delivery of common, basic and obligatory public goods and of the first layer of farmers' income tool kit. It reflects the commonality of the policy and should continue to be fully financed by EU with the aim of a harmonized CAP. The second pillar, based on a bottom-up approach and co-financed, serves the financing of voluntary efforts based on public-private partnership and allows the necessary flexibility to cope with the diversity of agricultural sectors and regions throughout Europe.

The future CAP must embody the ambition that the EU wants for its agriculture sector. To continue to achieve the agricultural policy goals stipulated in the EU treaty, the future CAP must be fit for purpose and address the challenges of resilience in the agricultural sectors in order to allow them to continue to deliver a high level of food security, against a background of increasing production costs and climate risks. The future CAP must also contribute to growth and employment in rural regions by maintaining and enhancing competitiveness while contributing to environmental conservation, climate change mitigation and biodiversity protection. Finally, the future CAP must ensure territorial balance of rural areas and generational renewal in the agricultural sector. These three priorities, which must be all achieved, have a common aim: a vibrant farming community all across the EU.

2. Strengthening the resilience of agricultural sectors: putting farmers at the core of the CAP

A market-oriented CAP needs to address the pressure on farm income and the imbalance in the food supply chain. The agricultural policy should recognise that now, more than ever, agriculture is facing growing climate and market disturbances. Farming is an economic activity, hence farmers should be fully considered as entrepreneurs. For the benefit of the whole EU food chain, the EPP calls on the future CAP to better combine tools to enhance the resilience of the range of EU agriculture models at the farm level (direct payments), at the sector level (economic organisation in relation to competition law), at the national and European level (risk and markets management tools), with the first aim to render market mechanisms more effective and to increase the ability of farmers to participate successfully in markets.

Fair direct payments as essential element of farm income

Designed in the framework transitioning from production-linked payments to decoupled income supports for farmers, CAP direct payments have, across the EU, become a basic element of farm income stabilisation and are now indispensable to the European agriculture by ensuring viability of farms and rural areas. CAP direct payments represent anywhere from a tangible part of annual incomes of farmers up to 100 % of farm incomes in some vulnerable agricultural sectors. Moreover, a part of direct payments is capitalized into the local economy. Abolishing them or any major changes to the system should be avoided at any costs. CAP direct payments should therefore continue in the future to provide the first substantial layer of stability and a safety net to farm incomes and buffer the effects of price volatility on incomes. They are essential to family farms and agricultural SMEs in coping with future challenges of market volatility and globalisation.

While their *raison d'être* is sometimes questioned, the legitimacy of direct payments should be reaffirmed: direct payments must be more targeted to farmers, those who contribute to the stability and the future of our rural regions and who face economic market risks. The payments are imperative vis-à-vis the range of goods and services provided by farmers to society, including remuneration for public goods provided by farmers, food security, high animal welfare standards, high food quality, safety and traceability standards while maintaining farming activity in each EU region, preserving cultural landscape and delivering on environmental and climate objectives. Hence these payments they bring actual European added value to the community and should therefore continue to be fully financed by the EU budget. The EPP thus does not support any form of co-financing in the CAP 1st pillar.

Complementary and tailor-made risk management tools

Direct payments, while being a major instrument for farm income stabilisation and at the same time being a safety net, are however inadequate to help farmers deal with particular climate, health and market risks. Therefore, farmers should be given in each Member State the choice to voluntarily opt for the best private risk-management and stabilization tools according to their specific situation and needs. In line with this, these measures should be voluntary at member state level.

In that respect, there is no one-size-fits-all approach at the EU level to cope with price volatility due to climate, health and market risks. The choice of complementary options, in addition to CAP direct payments, must continue to be facilitated at EU level through an improved Risk Management Toolbox based on existing means available under pillar 2. An improved Risk Management Toolbox should help to buffer the risks and economic losses arising from adverse events faced by farmers. Account should be taken of price and income stabilization tools currently available in some Member states (e.g. for producer organisations in line with the existing CMO rules or as income stabilization tools under the second pillar) especially as these measures can be tailored to the specific needs of farmers in specific member states.

The future CAP should therefore provide easy access to private insurance (e.g. climate insurance) and risk management tools (e.g. mutual funds and income stabilization tools) for farmers which address effectively and efficiently the levels of risk that farmers face in that respect. The choice to mobilise such tools should remain voluntary at member state and farmer level. As economic entrepreneurs, farmers should remain responsible for taking decisions on the participation and use of risk coverage tools.

A new deal for the food chain

There is fragmentation in the agricultural sector and producers often have a limited and very partial access to relevant information on market trends and the value of products. Processors and retailers in the EU food chain do not always sufficiently assume responsibility for the producers' interests. A lack of dialogue and trust among actors in the EU food chain is undermining the capacity of the sector to cope with the challenges posed by globalisation and increasing societal demands. Investing in more sustainable food production whilst coping with supply and demand fluctuations on the global markets must be a joint effort. However, up to now the structure in the value chains mean that the price risk is borne by farmers to a considerable degree.

The EPP wants to strengthen the negotiation power of European farmers. The future CAP must therefore encourage a better economic organisation of the agricultural sector, by both vertical and horizontal cooperation, increase market transparency, clarify further the application of competition law to agricultural markets and provide to farmers and Member States, where necessary, a legislative framework to combat Unfair Trading Practices (UTPs). This should complement any existing national frameworks in member states.

In general, farmers should get a fair price for their products. The responsibility of operators within the food supply chain and their awareness of market signals must be therefore improved. Based on the current policy framework, the right to a written contract should be created at the request of farmers and their organisations. To facilitate a better transmission of market signals and reinforce the functioning of the chain, farmer's organisations/producer organisations should be able to negotiate agreements on value sharing clauses, including market bonuses and losses. Finally, following the model of existing bodies in the milk, meat and crops sectors, market observatories should be further developed to ensure an equal access to market data for all actors, to include regular access to the European price references of products. Based on article 42 of the Treaty on the Functioning of the EU which allows exemptions from the competition rules, the bargaining power of farmers vis-à-vis processors and retailers should be strengthened via their organisations to achieve a fairer distribution of added-value along the supply chain. To that aim, contractual relations should be encouraged based on clearer rules, allowing for collective negotiations in all agricultural sectors with processors/purchasers, for some or all of their members' production. Furthermore, current exemptions on competition rules must be clarified and broadened, to provide a stable environment for farmers and to guarantee legal certainty when setting up horizontal and vertical agreements. Besides that, the EU should pay more attention to the prevention of the non-compliance with payment deadlines according to the European legislation. Despite the need for a strong partnership dialogue between various actors of the food supply chain, the EPP advocates that, taking into account existing national legislation and private initiatives, the CAP should provide complementary legislative options to effectively combat unfair trading practices within the food chain by prohibiting at EU level a defined set of practices with clear and dissuasive sanction mechanisms.

Reactive and efficient crisis management tools

In parallel, the EPP considers it essential that the future CAP enhances its ability to react more quickly and more efficiently to market crises, when direct payments or risk management tools are insufficient to help the sector cope with market disturbances and where the added value of EU action is clear. The 2015-2016 crisis in several sectors has showed that, despite the role and function of market measures as a safety net, there is a lack of appropriate tools for dealing with the deepening market crises affecting sensitive agricultural products.

The EPP advocates therefore that the future CAP should provide better tools to support farmers in case of market crises, drawing on the lessons learnt in the framework of the last market crises, e.g. the last dairy crisis in summer of 2016.

Moreover, the weakness of the current 440 million euros EU crisis management reserve should be acknowledged. This tool does not contribute to the financing of the emergency measures, which are needed to restore the market balance, due to its connection with the provision of direct payments and the reluctance of Member States to cut payments to support the reserve. While the crisis in 2015-2016 hit the dairy, pig, fruit and vegetables sectors, the crisis reserve was not used. In that respect, setting up a workable and efficient EU fund for agricultural crisis as an independent financial instrument should be a key aspect of the future CAP in terms of crisis management. Such crisis fund should be placed outside of the budgetary principle of annuality, allowing budgetary transfer from one year to the other.

3. Increasing competitiveness and enhancing sustainability of agricultural sectors: focus on investments strategies and on delivering EU green objectives

The CAP is primarily an economic policy, aimed at ensuring the development of an efficient and sustainable agriculture sector across the whole territory of the European Union. However, given agriculture's interdependence with the wider economy, the environment, climate change and biodiversity, the CAP has a responsibility to do its share in ensuring the environmental sustainability of the EU. The EPP considers that the key challenge of the future CAP is to reconcile the necessary objectives of improving the competitiveness of the agricultural sector and of ensuring its sustainability. Both objectives being intertwined: farmers do not contest these objectives and they have a clear interest in a healthy and thriving environment. But without economic sustainability of the farm sector there will be no environmental sustainability of the sector either.

The EPP calls for the future CAP to provide the appropriate investment support to enhance the competitiveness of the agricultural sector, maintain and create jobs and growth in rural areas while encouraging the creation of value. Training of EU farmers, building up efficient farm advisory systems and support to research and innovation and access to finance are pivotal to meet those objectives. Moreover, the EPP considers that the EU should focus on the development of appropriate and targeted economic strategies in the agriculture sector by mobilising the available tools notably for fragile, mountainous and least favoured areas (LFA).

At the same time, the future CAP should continue to integrate the EU's climate, environment and biodiversity objectives and help meet its international commitments such as the Sustainable Development Goals and the Paris Agreement on climate change. Sustainable intensification of food production should be further encouraged, while the objectives of the CAP greening tools should be clarified and the rules simplified. The future CAP must also take advantage of the rapid development of the new technologies and of the Copernicus programme developed by the EU.

Support for investment strategies, research and innovation and access to finance

Investments, modernisation and innovation at farm level are key for the future of the agriculture sector. The future CAP must continue to provide an essential direct investments support to all types of farms. The EPP considers that such direct investment support should however be better targeted to the dual demands for economic and environmental performance and should also take into account the needs of the farms. Financial instruments, the Horizon 2020 Programme and the European Fund for Strategic Investments (EFSI) should be accessible to all farms and used in parallel to support the agriculture sector and provide access to finance for the bigger investments and projects. The EPP believes that such funds and instruments need to be equally promoted in Member States, to ensure that farmers are aware of the existing opportunities.

European institutions and the European Investment Bank (EIB) should better cooperate to provide the appropriate financial tools and intermediaries to increase the use of such instruments by the farming sector. Moreover, research funding, such as the Horizon 2020 programme, should be better targeted to improve the competitiveness of EU agriculture.

The European Union is diverse and consists of some highly competitive areas but also regions with structural deficits in terms of competitiveness. A myriad of tools already exists to address this diversity: investment support, voluntary coupled support and Less Favoured Areas Payments. These supports are needed as solidarity tools to maintain productions in fragile, mountainous and intermediate rural areas, to lessen the prospect of an inexorable decline in the number of farms and production, which would negatively impact the processing industry, the tourism sector and other related jobs. Therefore it is necessary to continue and improve financial compensations for the production constraints as part of a more result-oriented approach to rural development policy and in addition develop new strategies to face the recent challenge of large predators. It would be appropriate to also look at difficulties encountered by farmers operating in highly urbanised areas. The measures should however not lead to resources being allocated without targeting real economic strategies based on quality and market segmentation. Positive experiences in the fruit and vegetables sector and in the wine sector financed by the Single Common Market Organisation or territorial successes funded by the Rural development programmes show that economic strategies can improve the performance of Producers' Organisation or of a sector and sustain growth and jobs in rural areas. The EPP considers that the framework of the future CAP should continue to allow the mobilisation of the necessary CAP tools to foster territorial and sectorial economic strategies. For example, considering the decline of animal production farms in certain regions over the last few years, the CAP tools should be better mobilised to ensure the economic sustainability of this sector.

Agriculture has always been future-oriented in its development - farmers innovate every day at farm level. The EPP supports the principle of continuous scientific progress in agriculture and of science-based policy rules and considers that the future CAP should provide a leverage effect to foster research, innovation and knowledge transfer in Member States. Innovations of a different nature (agronomics, breeding, zootechnics, biological, technological, digital, organizational, product-related...) are within reach and can serve the multi-functionality of EU agricultural and food systems. Potential innovations in products, processes and services should be better identified and supported, following the positive developments initiated by the current CAP and taking advantage of the first feedbacks. Possible exclusion of some of the existing plant protection products from the market without proposing new and better ones, that are more environmentally friendly, is detrimental to farmers, the EPP underlines therefore the need to increase investment in research and the production of new plant protection products that would be accessible to farmers and less harmful to the environment.

The non-food uses of the agricultural production should also be more considered by the future CAP to answer market demands, to allow diversification of market opportunities and market risks and increase resilience of the European agricultural sector. Agriculture is particularly predisposed for achieving energy self-sufficiency. Given the need for greater synergy and consistency of European policies, the EPP recalls that the strengthening of the EU food and energy security should be done through the sustainable use of own resources. The EPP advocates therefore increased investments and measures to encourage the development of bioeconomy, bioenergy and renewal energy production with various positive effects on GHG-emissions-mitigation and replacement of fossil energies as well as fostering the European protein production.

A new approach to CAP green tools

The various CAP measures with regards to environmental, climate and biodiversity objectives (cross-compliance/green payments/AEC payments) are complementary while meeting different goals. While AEC payments are more targeted to meet specific regional and local challenges than the green payments, the latter provides coverage of the EU territories that cannot be achieved via the former.

However, the complexity of the current CAP green tools and the prescriptive nature of the green payments diminish the farmers' capacity for innovation and its implementation entails an unbearable administrative burden, creating discontent on all sides.

The EPP is nonetheless against abolishing the green payments as no real alternative policy tools are currently available and considers that a new approach to the first pillar green payment is needed. The green payment system should be simplified and improved to deliver more in a more efficient way efficiently and encourage farmers to engage in more sustainable farming. To restore the rationale of the greening policy, the EPP considers that, rather than prescribing the means of its implementation, the green tools should be more performance-based and should be clear in specifying the results expected at EU level while taking account of local-based specificities and challenges. The EPP remains convinced that farmers, as the main actors of this policy, should be at the centre of its implementation and be allowed to select the most effective ways and means to achieve these goals. A result-based approach at Member State and regional level and innovative solutions provided by certification schemes should be further investigated in the framework of the future CAP without adding to bureaucracy and on-site controls. In that context, the EPP is convinced that equivalence provided by certification schemes based objectively on innovative technologies such as precision and smart technologies should be considered.

Opportunities and support for new technologies

To bridge the gap between economic performance and environmental objectives, the EPP supports that the future CAP takes better advantage of the rapid development of the Agriculture 4.0 technologies and of the Copernicus programme developed by the EU. High-tech farm practices and the availability of free data, can help in application for CAP-payments and provide clear positive results in better farm management and, together with the circular bioeconomy model, optimise the use of inputs, thus reducing the environmental impact of the agricultural sector, increasing competitiveness and, at the end of the day, producing more with less. The use of drones, robots, smart phones and cameras for agricultural purposes can increase yields and improve the quality of products and welfare of the farmer. New farming practices that answer to the sustainability objectives of the greening measures could automatically be seen to meet the demands of the CAP, resulting in a reduction of administrative costs for both farmers and public administrations and would be more efficient towards the environment.

As the knowledge and adoption of these high-tech practices by farmers remains low and differs widely among EU Member States, the EPP believes that the future CAP should encourage farmers to adapt to precision farming methods and digitalised agriculture. Smart farming should be the new norm in the future. The future CAP must strongly encourage on-farm innovation and provide specific financial support schemes to those farmers, who are willing to make the transition towards smart agriculture and to invest in new technologies.

4. Ensuring territorial balance of the EU and generational renewal: building tailor-made strategies v

Territorial balance and generational renewal are essential for Europe's economic and social development: the more fragile and intermediate regions cannot be left to the fate of decline and abandonment and furthermore EU agriculture has no future if the youth is not supported to become farmers or cannot access land. The EPP urges that the future CAP allows Member States, regions and farmers to build tailor-made strategies to address these challenges, with respect to their specificities while respecting the EU framework.

Support to rural development as whole

The rural development policies of the CAP have contributed to revitalize regions that are less endowed or are far from the big economic centres where consumption is concentrated. Traditionally, agriculture and forestry have a formative influence on rural areas since their associated value chains are engines of rural growth providing jobs and livelihoods to tens of millions of Europeans, in particular in rural areas and often with jobs that cannot be relocated. But, the future CAP must consider more non-agricultural and forestry activities, which are also present in rural areas, to addresses the primary challenges facing these territories, creation and maintaining of value, supply of equipment and services to and access to the population. At the same time, when these activities are not carried out by farmers and/or inside farms, they should continue to be financed from the other structural funds outside of the second pillar.

The EPP is therefore in favour of strengthening the integration of local initiatives and rural capacity building in mainstream EU policy making, in particular through bottom-up approaches to local development such as LEADER and Community Led Local Development. However, the future CAP cannot alone ensure the territorial development of the EU. The EPP underlines the importance of use of cohesion policy funds for rural development. Cohesion policy cannot be reduced to infrastructure and urban development since the reasons for leaving rural areas and agriculture are to be seen in low profitability and hard and continuous work on farms that do not provide an adequate standard of living for families as well as less developed infrastructure and public services. Therefore, Structural Funds targeting large-scale projects and structures must also be available to rural regions. The EPP reaffirms however that the specificities of rural development must continue to be tackled within the future CAP via a tailor-made approach.

For this reason, the EPP supports the Cork 2.0 declaration and therefore advocates that the future CAP must keep a strong rural development policy to ensure that rural areas and communities remain attractive places to live and work by improving access to services and opportunities for rural citizens and fostering entrepreneurship in traditional rural domains as well as new sectors of the economy.

Foster generational renewal and land transmission

Generational renewal should be one of the key priorities of the future CAP. Generational renewal is not only an entry issue but also an exit issue for the current generation of farmers. The future CAP should therefore set an EU-wide strategy based on current support measures for installation and new tools fostering farms transmission respecting the principle of subsidiarity and the competences of Member States.

The EPP is committed to further support young farmers, facilitate generational renewal and land transmission between old and young farmers. The young farmer scheme in the first pillar and start-up aid in the second pillar should therefore be continued to support young farmers in Member State. These measures could be extended to encompass investment support. Moreover, initiatives aiming at promoting succession planning, facilitating and encouraging collaborative arrangements, such as partnerships, shared farming, contract rearing and leasing between old and young farmers, should be accommodated by the future CAP. Besides that, more attention and different possibilities should be given to the rural development programmes thematic sub-programmes targeting women in rural areas and their specific needs.

FINANCIAL PERSPECTIVES AND REFORM PLANNING

Ambitious CAP requires appropriate funding

Agriculture is a key strategic area for the sovereignty of Europe. This is reflected by the Common Agricultural Policy as the most integrated policy of the European Union and a sole one that is entirely EU driven and financed.

Since the creation of CAP in 1962, EU member states have pooled and shared resources to design a common policy and a single market for agricultural products. Agricultural spending accounts for an important percentage of the total EU budget. Nevertheless, while the spending on agriculture currently amounts to 38% of the budget, this figure has declined considerably in relative terms over the last three decades from 75 %, in line with successive market-oriented reforms of the CAP. Moreover, if all policies in the EU, nationally or at Union level, were entirely financed from the EU budget, the CAP share would only amount to 1 %. The CAP represents less than 0.4 % of the EU and Member States' total public expenditure, a minor expenditure compared to the average share of 49% of the GDP of the national budgets. This is a relatively low level of spending for a public policy which delivers on a wide range of policy objectives including social, environment, climate change, animal welfare, health and safety and food security.

The EPP considers it vital that the CAP budget must be kept at sufficient levels to ensure that the agricultural sector is economically sustainable, meets the growing demand for food and non-food purposes and promotes growth and employment in rural EU areas. The gross size of the EU budget is likely to decrease in the next few years when the United Kingdom leaves the EU. Moreover, the new priority areas for the EU, such as security and defence, will require additional resources. The EPP stresses that new challenges require fresh money and cannot be financed from the existing budget by taking funds from the CAP.

Moreover, speculation over the possibility of introducing co-financing for first pillar direct payments which has been fuelled by the launch of the European Commission's discussion paper on options for financing the EU budget from 2021 onwards, should be avoided as it would amount to the re-nationalisation of the CAP and could potentially distort the EU single market.

Cautious reform planning

The EU agricultural sector has gone through many reforms of the CAP in the latest 20 years. There is reform fatigue in the sector and European farmers need a period of policy stability and certainty as the existing CAP reform has only been implemented recently in some member states.

The EPP moreover believes that the European Union must first face the negotiations on the withdrawal of the United Kingdom from the EU and set a clear and stable post-Brexit financial framework, before triggering discussions on the future CAP reform. Rather than a hasty reform, the current CAP should thus continue to 2024. This would allow separating the CAP reform from the financial discussions and allow for necessary period of analysis on the impact of Brexit on the EU farm and food sectors and on the implementation of the current policy framework to see what reforms might be fit for purpose at that time.

Last but not least, the EPP believes in the need to cultivate deeper understanding among the general public of the role of agriculture and farmers, the corresponding goals of CAP and addressing, without delay, any skepticism about the policy, through a strong communication strategy. We need to make clear during the forthcoming budgetary and policy negotiations and in the public debate why farmers receive a significant portion of the European budget and what the consumer gets for the financial supports paid to farmers. Furthermore, the EPP warns that a lack of ambition of the next EU budget, and consequently of the future CAP, would have major consequences for our family farms and the future of rural areas.

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