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## POLICY SCENARIOS

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

The scenarios are focused on the intensity of the reform and the emphasis on certain components of the policy. We consider that it would be useful to develop scenarios where different measures are envisaged to reach the objectives of the reform.

The present scenarios can be improved through a combination of the approaches as together, the policy scenarios answer in general terms to the reform objectives and to certain elements of the Europe 2020 strategy related to sustainable, inclusive and smart growth.

The issue of food security in Europe, from the perspective of the access of consumers to products reasonable priced is not fully covered.

In our opinion the topic of enhancing the production capacity across the EU needs more attention in the impact assessment. Some key elements need further attention to achieve this objective: the competitiveness of European agriculture in the context of a global food security; the issue of ensuring a reasonable and stable income for farmers; eliminating the barriers in technological development and the uptake of the new technologies by the farmers.

Addressing the food chain disparities and balance of power is one of the most important elements to be included in the future reform. However, it is not clear what set of measures could be envisaged for this objective, hence the impact assessment will not reveal the anticipated results of such measures.

One essential element missing from the impact assessment is the estimated influence of the various levels of CAP budget on reaching the objectives of the policy.

### **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?**

We feel that the negative influence of the economic crisis on farmers as well as on consumers has not been sufficiently reflected in the problem setting for the future CAP. The last data indicate significant difficulties from the farmers perspective in financing their activity. From consumer perspective, the average European consumer is not willing to pay more for the food he/she consumes. Hence, the policy structure should have been aligned to cover these issues.

The impact of promoting certain types of agriculture on the environmental balance at global level is also a missing issue. As currently the EU uses 35 millions of hectares of agricultural land outside the Community to fulfill its market needs (see study commissioned by OPERA on EU agricultural Production and Trade at [www.opera-indicators.eu](http://www.opera-indicators.eu)), the impact of the CAP on global environmental security need to be evaluated.

The most important challenge for policy makers and for farmers is to find bridging solutions for a sustainable production system. The current available land has to be used efficiently through sustainable intensive agriculture to avoid the need for agricultural expansion into natural habitat, as to cover

food demand. It will also resist pressures on land occupancy from non-agriculture sectors. The efforts to find such solutions and the present limitations in innovation and technology development should be adequately reflected in the problem setting as well as in the problem solving phase of the CAP development.

**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?**

In broad terms, the instruments evolve in the direction indicated by the problems identified. However, we feel that a much stronger alternative instrument should be presented to ensure market stability. Similarly, there is no positive evolution of the instruments as to respond to the objective to promote innovation and technology. Smart growth is only possible if the policy is able to identify a dynamic way to satisfy the technological needs of the farming sector and to promote those solutions

## IMPACTS

**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?**

The biggest impact of the reform might be related to the farmer's income. It is also expected that the reform will generate a series of chain reactions to improve the functioning of the food supply chain. It is of great importance that the food chain actors have been included in the policy to balance the bargaining power along the agri - food chain.

The presumptive market volatility will also affect consumers, hence the need for a stronger system to ensure market stability. The risk management instruments in certain conditions of implementation may avoid extreme price fluctuations and improve the farmer's position, but we do not see them as sufficient.

It should be avoided that the changes in policy, especially new requirements for environmental protection, will further increase the administrative burden on farmers.

**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?**

From an economic, social and environmental perspective we can evaluate that partnerships based on sustainable projects between actors of the food chain can potentially generate real advantages. It is important to create a policy framework providing the necessary tools to manage a strong relationship between agri producers from one side and food industry and retailers from the other.

If well implemented, these partnerships could improve on the stability of income of the farmers, but only up to the level where a high market volatility would make inefficient these partnerships. It is needed that the inter-branch organizations are backed up by a strong stabilization policy and instruments, as we appreciate that their capacity to absorb fluctuations is limited.

**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?**

Sustainable production techniques and good farm management practices would ensure the bases for a long term competitiveness of European agriculture.

Environmental concerns of ensuring the sustainable management of landscapes and sustainable use of natural resources with regard to water quality and scarcity, soil quality and land availability are the most critical challenges the agri policy reform has to face. One must not forget that the environmental challenges must be dealt with in the agriculture production activity and that its management is in the hands of the farmers.

To deliver economic, social and environmental benefits the policy needs to promote research and development, along with investment in new technologies, as to build a sustainable competitive agricultural industry. Supporting technological progress and enhancing investments in research along with the appropriate knowledge transfer, will help a sustainable competitive farming sector to balance productivity with the efficient use of natural resources and deliver economic and environmental public goods.

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

A lower absorption of the RD funds due to requests in private co-financing of RD projects, since after the economic crisis farmers might find difficult to mobilize resources.

On the other hand MS's may have the opportunity to target the measures more, towards specific local environmental problems in addition to the compulsory environmental requirements already within the first pillar, e.g. cross-compliance, providing farmers with additional incentives to better implement some of the provision of certain EU Directives (e.g. water, pesticides, natural habitats, etc).

Rural development measures to support innovative projects to address climate change may lead to benefits like reducing GHG emissions or carbon sequestration within the agriculture activity.

**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?**

Farmer's income is highly dependent on subsidies, a cut of any financial support may raise social issues. Cutting down farmer's income may lead to more land abandonment as farmers' redirect their activity to other sectors, providing also negative impacts on environment as land is no longer managed through agriculture.

Abandonment of agricultural activities in some regions would generate the disappearance of the multifunctional services provided by agriculture, with negative consequences in maintaining a rich cultural heritage, reduction of touristic activities, landscape degradation, etc.

A no policy scenario will lead to renationalization of payments, with negative impact on internal market for agricultural products, with negative effects on all agricultural players. A no policy scenario may also have an impact in relation to higher imports, competitiveness on world market, speculation and price volatility, low income for farmers, higher agricultural commodity prices.

## MONITORING AND EVALUATION

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

We should avoid in any policy scenario the increase of the administrative burden. Any red tape or excessive obligations related to the environmental conditions should be avoided.

One issue which may add to the financial and administrative burden, at national level, would be ensuring that the food chain actors are offering an equitable bargaining power among the partners of the chain, that business partnerships are favorable to farmers with accurate price transmission and transparency.

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

We are missing a simple to use system of synthetic indicators to better understand and monitor the following elements from which many concerns are raising from a policy perspective:

- general economic and social status of the farmer
- market volatility
- competitiveness
- food chain structure
- investment in new technologies and processes

provision of environmental services

### **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?**

The share of the budget allocated to the agriculture in the EU budget could have a significant impact over the policy scenarios.

WTO discussions are also important from this perspective, as these can change important elements of background for the policy scenarios. The policy must provide the bases for the trade liberalization to ensure that EU imports provide consumers with the same high quality standards EU farmers are obliged to respect.