



# Arche Noah Position Paper on CAP Reform Proposals

## September 2018

### 1. About Arche Noah

According to the UN's Food and Agriculture Organization (FAO), in the 20th century alone, about 75% of crop biodiversity was lost. This loss has to be stopped and reversed, as biodiversity in agriculture (also known as 'agrobiodiversity') safeguards the **farming sector's ability to efficiently adapt to changing environmental conditions, climate change and new diseases and pests**. Agrobiodiversity ensures that suitable crops are available for remote regions and extreme conditions – wherever people live who have to feed themselves. It is also linked to the conservation of knowledge regarding specific agricultural practices. Agrobiodiversity is therefore not a luxury reserved for nostalgic plant lovers. Its preservation is important for anyone who cares about the long-term health of the agricultural sector.

At Arche Noah we have been striving to preserve and spread the diversity of cultivated plants for over 25 years. We work to bring back greater crop variety, including traditional and rare varieties, to gardens, fields and markets. We believe that it is not enough to keep genetic resources in gene banks or scientific institutions. Instead, we strongly advocate that these resources are made available to and by farmers, allowing them to be cultivated, safeguarding the basis of agriculture and the richness of flavours that enhance our diet and quality of life.

In this spirit, in the interest of the common good and backed by our 17,000 members and supporters, **Arche Noah advocates a major change in approach to the Common Agricultural Policy's (CAP) support mechanisms to strengthen the position of farmers and to promote much greater biodiversity on the farm**. We consider that farming has an important cultural role and that the CAP should promote greater social cohesion in the countryside.

### 2. Today's CAP Payments System

#### A. Distorting Effects on Agriculture

In the EU's budget for the seven-year period from 2014 to 2020 (the 'Multiannual Financial Framework', MFF), a total of 362 787 million EUR is set aside for the Common Agricultural Policy (CAP). Within this budget, so-called 'direct payments' – yearly income transfers to farmers – account for around 73% of CAP spending<sup>1</sup>. The remaining budget is largely dedicated

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<sup>1</sup> For further information, see: [The Common Agricultural Policy in figures](#).

to Rural Development (RD) policy, under which farmers or other beneficiaries receive CAP funding on a project basis, for instance for improving animal welfare standards.

Direct payments are paid out per hectare, and therefore increase with farm size. This leads to the widely quoted observation that about 20% of farms across the EU receive about 80% of payments<sup>2</sup>. As a vast array of literature on the CAP emphasizes, the lion's share of direct payments is granted as **untargeted income support** (except for payments for young farmers, coupled support, etc). Even the 'green payment', introduced as part of the 2013 reform ostensibly to reward farmers for environmentally-friendly practices is, in the words of the European Court of Auditors, "essentially an income support scheme"<sup>3</sup>.

Therefore, the CAP budget in the 2014-2020 period, which represents around 38% percent of the overall MFF, **is still largely spent in a non-targeted way in the form of direct cash transfers to farmers**, irrespective of the environmental performance or the socio-economic situation of the farm. This system is widely criticised for failing to make efficient use of public money. But in reality its effects go far beyond wasting taxpayers' money: by tying direct payments to farm size, the CAP distorts the farming sector by encouraging farmers to intensify production and grow in scale, creating pressures on all farmers to follow the same strategy. We recognise that farming often benefits from economies of scale – but argue that **it is unacceptable to reinforce these through a system of public support tied to farm size**.

As is well-known to public opinion, some beneficiaries, whether companies or private individuals, receive payments of hundreds of thousands of euros a year. In previous CAP reforms, the Commission unsuccessfully tried to set an upper limit on direct payments (DPs) received by individual beneficiaries – known as 'capping'. National governments and the European Parliament (EP) have resisted such moves, arguing that capping would simply lead to the splitting of large farms. Some argue that since larger farms produce the bulk of the EU's food, it is acceptable that 20% of beneficiaries receive 80% of payments.

The implications of this argument are that the CAP must continue to make large, untargeted payments to individual beneficiaries in return for guaranteeing food security. This is unconvincing – can we really not find a more appropriate way of supporting agricultural communities to ensure that enough food is grown and rural exodus is avoided? Do ordinary European citizens **really want to carry on handing over very large and untargeted subsidies to specific farm businesses**, based on decisions mostly taken long ago?

Arche Noah has no objection to larger farmers receiving very significant payments in return for providing services which are of value to society. Available research indicates that, as one might expect, larger farms benefit much more than smaller ones from the second pillar due to factors such as administrative capacity and ability to provide pre-financing. Larger farms could create business models based on large-scale provision of public goods.

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<sup>2</sup> See 2018 DG AGRI report on [facts and figures on direct payments](#).

<sup>3</sup> See [special report on greening](#) of the EU Court of Auditors.

## B. Socio-Economic and Environmental Impact of the CAP

This unbalanced CAP payments system might be acceptable if one could demonstrate that its environmental and socio-economic performance was positive. However, a wealth of evidence suggests that the CAP is not performing convincingly in either respect. The 2017 “Is the CAP fit for purpose?”<sup>4</sup> study concluded, for instance, that the CAP has some positive local effects via agro-environmental schemes, but that its overall environmental performance is mixed, for instance in terms of preventing soil erosion and safeguarding water quality and quantity. The study finds that payment inequality has risen in the ‘new’ Member States and makes the obvious point **that the uneven distribution of direct payments undermines the CAP’s ability to fulfil the Article 39 objective of ensuring “a fair standard of living for the agricultural community”**.

Many voices in civil society also point to the CAP’s insufficient focus on meeting wider societal goals such as the protection of biodiversity or reducing greenhouse gas emissions, whilst other observers emphasize that the policy needs to be better adapted to meet more recent **challenges specific to the farming sector**<sup>5</sup> – such as very low or inexistent profit margins, and greater impacts of climate change on agricultural production and rising threats from plant pests. Generational renewal is both a societal problem and farming-specific one – the farming population is rapidly ageing, leading to fears that in coming years we will simply not have enough people in the EU willing to grow food. Another is rural exodus.

## C. Summary

The current CAP therefore faces two different types of criticisms. The first set of criticisms, originating in the agricultural sector, is that the CAP is not sufficiently attuned to farmers’ needs. The second set of criticisms comes from civil society groups or public/private organisations active in environmental, health or biodiversity-related policies, who consider that the CAP does not sufficiently meet broader societal expectations. One of the weaknesses of the current CAP debate is that these criticisms are frequently articulated and debated separately, as if it makes sense to discuss the socio-economic situation of farming communities and the societal impact of the CAP independently of one another.

Arche Noah’s response to the Commission’s reform proposals of June 1 2018 is based on the notion that the **revised CAP must respond to the farming sector’s needs, whilst at the same time improving its contribution to achieving broader goals**. An artificial separation of these two aspects leads to unbalanced analyses and policy responses.

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<sup>4</sup> The [“Is the CAP fit for purpose?”](#) study, commissioned by the European Environmental Bureau (EEB) and Birdlife Europe, was carried out by a team of experts in agro-economy, ecology and sociology following the European Commission’s own ‘better regulation’ methodology.

<sup>5</sup> For an overview of new economic challenges faced by farmers, see this [contribution from Farm Europe](#) (in French).

### 3. Arche Noah's Proposals for Meeting the CAP's Policy Objectives

This section of the position paper is intended to explain Arche Noah's position on the CAP Strategic Plans' proposal [[COM \(2018\) 392](#)].

#### A. General Remarks

The Commission is proposing a new approach to CAP policymaking – the “New Delivery Model” (NDM) – under which Member States (MSs) are given greater flexibility and responsibility than before in tailoring CAP support to meeting objectives. **Arche Noah welcomes the principle behind the NDM, which is that public money should be spent in return for achieving clearly defined goals.** We therefore make a number of proposals (see below) that follow this logic and seek to apply it with greater consistency.

However, although we agree with the principle behind the NDM, **we feel that the Commission's proposals are not sufficiently 'European' in spirit, lacking a vision and strong instruments to keep 27 Member States in a genuinely common policy which is capable of maintaining cohesion across the Union.** The CAP should not be transformed into a technocratic mechanism for overseeing and monitoring 27 national agricultural policies.

##### i. Objectives (Articles 5 & 6)

The Commission's proposal has the merit of laying out nine broad objectives for the future, in Article 6, which will apply to all MSs. These fully describe the breadth of the CAP's goals, ranging from those centred on the agricultural sector (e.g. supporting viable farm income) to broader societal ones (e.g. contributing to climate change mitigation). We consider that some objectives need to be drafted more ambitiously, notably as regards biodiversity, in particular agrobiodiversity. It is also important to **specify in the proposal that all nine objectives need to be pursued simultaneously.** There are obvious trade-offs between certain objectives and MSs will ultimately be responsible for making political choices on these. But MSs should not be allowed to ignore an objective in order to better achieve others. There may be exceptions, of course, where a Member State (MS) has already achieved an objective, for instance attracting young farmers.

##### ii. Quality of 'Baseline data' & Indicators Used for Measuring the CAP's Effectiveness

Whilst we accept the 'public money for objectives' principle, the Commission's proposal sidesteps some of its implications. The move towards a results-oriented policy **requires large-scale public investment to ensure that baseline data is collected, in sufficient quantity and quality, to enable adequate measuring of results.**

However, the availability or quality of the data needed to effectively monitor the broad objectives laid out in Article 6 varies enormously from one objective to another. For example, for objective (i) of attracting young farmers, the impact of spending is straightforward and inexpensive to calculate, as the baseline data on young farmers already exists. However, for

objectives (d), (e) and (f), relating to environmental, climate-related or biodiversity objectives, the picture is very different. **This is especially the case for measuring biodiversity.** Baseline data sets that would allow a MS to set an objective, for example, to improve the status of pollinator populations and measure the results achieved, are not available. Whilst it is somewhat easier to measure CO<sup>2</sup> emissions or improvements in water quality in a river basin, biodiversity can vary widely over small distances of just a few metres.

When one looks at the Commission's proposed "result indicators" (Annex I), this problem becomes clearly visible. Some of these "result indicators" would probably provide an objective picture of results achieved, whilst others are only indirectly connected. The result indicators for the "support viable farm income..." objective include R.6, which measures redistribution to smaller farms via "Percentage additional support per hectare for eligible farms below average farm size..." – providing an objective measure of redistribution. If one turns the biodiversity-related objective, "result indicators" R.25 to R.29 simply measure the land area with various biodiversity-related commitments (Natura 2000 etc). This does not tell us anything about results: **a MS could institute a relatively weak scheme, with few measurable results, which nevertheless covers a very large agricultural area.**

The most specific indicator used for measuring biodiversity in Annex I is the Farmland Bird Index, which we welcome. But accurately measuring biodiversity-related results involves creating new indicators covering much broader fields, for instance on butterfly populations, pollinators or soil biodiversity. Given that the baseline information and/or methodologies for accurately measuring these are still lacking, **Arche Noah considers that the Commission must provide the political drive and financing to move this process forward.**

The issues relating to indicators are especially worrying considering that improving the environmental, climate-change and biodiversity impact of the CAP plays a central role in the rhetoric of the Commission's proposal. These are precisely the areas where the knowledge base needed to measure results is the weakest! In the absence of robust baseline data for measuring results, 'greenwashing' becomes the likely scenario. The EU budget must be mobilised to improve the knowledge base and create common EU-wide standards. **We consider that spending related to improving indicators must be 100% co-financed at EU level and that 2% of the budget for agro-environmental and biodiversity schemes should be set aside for independent scientific monitoring of results. Such results should be made public<sup>6</sup>.**

## **B. Proposals for the First Pillar**

### **i. Income Support– the 'Farmer's Payment'**

Commissioner Hogan, whilst presenting his reform proposals to the EP's Committee on Agriculture, reminded his audience that around 46% of the EU agriculture sector's income comes from CAP payments. In Article 14 of its proposal, the Commission proposes two new types of support which seem to replace the current Basic Payment Scheme: "basic income

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<sup>6</sup> The ideas of spending 2% on monitoring, and making the results public, were suggested by Birdlife Europe.

support for sustainability” and “the complementarity redistributive income support for sustainability”. The names of the payments clearly indicate that they are linked to income support and sustainability (through “conditionality” on which we say more below). The Commission proposes that basic income support be ‘capped’ at 100 000 EUR and reduced from 60 000 EUR onwards (Article 15) and made to converge towards more uniform levels (Article 20), continuing the process seen in recent years. The proposal retains three existing CAP payments (young farmers’ payment, coupled support, a round sum payment to small farmers, which appears to succeed the current Small Farmers’ Scheme).

Arche Noah advocates that **the new CAP should create a single income support scheme for farmers**, a ‘farmer’s payment’, replacing basic income support for sustainability, complementarity redistributive income support for sustainability, coupled payments (over time), the young farmers’ payment and the round sum payment to small farmers. The scheme, totally disconnected from past entitlements and calculations, would consist of the same flat-rate payment to every farmer, calculated at Member State level. It would be capped at the median income of every MS. The payment would be totally decoupled from farm size (i.e. not paid per hectare) and be paid to farmers who are natural persons only. MSs would be allowed to distinguish between full-time and part-time farmers in calculating the payment. As is the case today, they would set minimum farm size thresholds for receiving the payment.

Arche Noah is convinced that **the CAP must retain an explicit income support function** to meet the Treaty’s objective of “ensuring a fair standard of living for the agricultural community” – a goal as valid today as it was in the late 1950s. But it has to be a genuine income support mechanism! Therefore, we believe that **payments should be based on clear upper/lower limits linked to an objective measure of living standards**, for instance median income, in a given MS. We argue that the upper limit for this ‘farmer’s payment’ should be significantly lower than the 100 000 EUR laid down in Article 15. If we take median equivalised net income as a measure, the maximum payment would range from around 34 000 EUR a year in Luxembourg (the wealthiest MS) to 14 000 EUR in Spain and 2,500 EUR in Romania (the poorest MS)<sup>7</sup>. To avoid the payment becoming merely symbolic, we also advocate that a minimum payment level be set, e.g. at 30% to 40% of median income.

However, the ‘farmer’s payment’ should not be understood simply as an income support measure. The payment is a recognition of farming’s role in providing food security to the EU’s population. It is also linked to the fact that EU farmers must meet certain standards under “conditionality” and that these are often higher than in the EU’s economic competitors. Furthermore, the creation of the ‘farmer’s payment’ is vital to attract new entrants into farming and to curb rural exodus. It therefore contributes to several of the CAP objectives set out in Article 6. It should be paid to every farmer, irrespectively of his or her income situation.

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<sup>7</sup> These figures are based on 2016 data from [Eurostat’s EU-SILC survey](#). They reflect net household income.

This new payment would replace specific payments for young farmers. Research indicates that such payments have had a marginal impact in rejuvenating farming<sup>8</sup>. In the meantime, observers agree that the farming sector is characterised by a highly problematic age pyramid<sup>9</sup>. EUROSTAT figures indicate that of the 10.3 million people working as farm managers in the EU in 2016, about one-third (32%) were above 65 years of age and only 11% were aged below 40. In such circumstances, it is important to propose a real incentive for young people to go into farming, especially those without a farming background. The current young farmers' payment essentially favours young people who already have access to land.

Arche Noah argues that granting coupled support for specific types of agriculture is distorting – essentially encouraging farmers to produce specific agricultural commodities irrespectively of the market situation. In the worst cases, such as in the dairy sector, such payments lead to overproduction. We consider that providing farmers with a stable annual income stream, combined with other instruments in RD policy and sector-specific aid, should be sufficient to deal with specific issues in vulnerable areas or sectors. Coupled support should therefore be phased out over the next MFF cycle. We do not see the need for a scheme to help small beneficiaries by granting small sums in return for simplified procedures. Our proposal is to **considerably simplify the payments system in the first pillar for all farmers and public administrations.**

We anticipate that the creation of a 'farmer's payment' will, in the space of a few years, considerably reduce current pressures on farms to grow in size and follow a capital-intensive approach based on taking high financial risks, because the incentives will be weaker. **The new payment will create conditions for some farmers to innovate:** finding new market niches, betting on new agricultural specialities, short supply chains or investing in high quality meat production based on grasslands. It will therefore intrinsically contribute to greater biodiversity.

The 'farmer's payment' **would also improve every farmer's negotiating position in the food supply chain.** Although the Commission has come forward with an ambitious proposal for protecting farmers against unfair trading practices (UTPs), its effects are likely to be modest as it can do little to modify the underlying power relations in the food supply chain. The 'farmer's payment' will empower farmers in their negotiations with processors and retailers – providing them with a secure income base from which to consider different farming options.

## ii. Conditionality

Arche Noah welcomes Articles 11 & 12 on Statutory Management Requirements (SMRs) and good agricultural and environmental condition (GAEC). Nevertheless, we consider that granting a well-funded 'farmer's payment' to all farmers, as described above, should be linked to reinforced conditionality and better implementation of existing rules, notably the sustainable use of pesticides directive (Directive 2009/128). Specifically, we consider that its Article 9, requiring farmers to exhaust all available alternatives before resorting to the aerial

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<sup>8</sup> See, for instance, the following study: ['Young farmers: policy implementation after the 2013 reform'](#).

<sup>9</sup> See Eurostat press release : ['Farming : profession with relatively few young farmers'](#).

spraying of pesticides, should be included under conditionality and that farmers should be required to receive training and advice on reducing the use of chemical pesticides in return for receiving the farmer's payment.

In Annex III, the Commission has defined GAEC with little or no detail, for example on crop rotation. This is only acceptable if further details are specified in delegated acts. Whilst we accept the logic of the NDM to allow national capitals greater discretion in policymaking, conditionality is supposed to apply to all beneficiaries across the EU and to ensure a degree of commonality. Therefore, the Commission must ensure that GAEC standards do not diverge significantly in rigour, even if they are adapted to local conditions. In this context, the legislation should require the Commission to reject GAEC standards proposed by a MS if they are clearly insufficient.

### iii. Eco-schemes (Article 28)

Arche Noah welcomes the principle of allowing MSs to create 'eco-schemes' for the climate and the environment, since such schemes allow for greater flexibility in rewarding farmers' for providing important services to society by allowing per hectare lump sum payments, unlike in the second pillar. Like others, we consider that Article 28 is too vaguely worded. To ensure that such schemes deliver good value for money, **MSs must be obliged to carry out an ex-ante evaluation for every scheme they propose to establish the average gain per hectare for a typical participating farm.** Such an ex-ante evaluation, for example on reductions in CO<sup>2</sup> emissions resulting from the scheme, could not calculate the exact effect on every farm, but would nevertheless provide an objective starting point for judging the potential of the scheme and calculating the per hectare eco-payment.

In this context, Arche Noah stresses that – following the logic of 'public money in exchange for results' - the Commission should provide much greater political support and financing for research into results-based agri-environment payment schemes for biodiversity (RBAPS) in either pillar. Such schemes allow public authorities to reward farmers for the measurable improvements to biodiversity achieved on their land, using for example a scale of 1 to 10. The Commission are currently running 3 RBAPS pilot projects (in Ireland/Navarre region in Spain, Romania, England), which are due to be completed by the end of 2018.

Another priority should be crop rotation, which is essential for encouraging cultivated biodiversity, in particular for protein crops destined for human consumption. Minimum standards for crop rotation are foreseen under conditionality for protecting soil quality, but more ambitious schemes can be envisaged under the 'eco-scheme' or in the second pillar for encouraging agrobiodiversity.

## C. Issues Related to Rural Development (RD) Policy

### i. Transfers between Pillars

Under Article 90 1 (b) MS are allowed to transfer up to 15% of their European Agricultural Fund for Rural Development (EAFRD) allocation to their DPs budget. In combination with the

Commission's proposal of significantly larger cuts to rural development than to direct payments, Article 90 is likely to lead to a further weakening of RD policy, which is more important than ever. If we want public money spent against objectives, then it makes no sense to further weaken the second pillar, which (at least) seeks to apply this approach.

#### ii. Farm Advisory Service (FAS)

A more results-driven policy cannot be achieved without improving farmers' skills and knowledge, which also involves improving the quality of advisory services available to them. Although an up-to-date evaluation of the performance of the Farm Advisory Service (FAS) is not publicly available, many observers consider that such services vary greatly both in quality and reach across the MSs. Furthermore, there are cases of advice being provided by companies selling agricultural inputs (seeds, machinery etc) – a clear conflict of interest.

Arche Noah proposes that every **MS FAS be subject to an approval process by the Commission before the entry into force of the new CAP**, to guarantee a minimum level of quality. This would involve carrying out an in-depth evaluation of the functioning of the FAS. The Commission could also consider stronger incentives, for instance higher co-financing rates, for MS whose FAS, after evaluation, were considered as requiring greater investments to reach adequate levels of quality. The proposal recognises the importance of advice and knowledge transfer by creating concrete result indicators in Annex 1 which will measure the share of farmers benefitting from such services. This is a positive step but does not resolve coverage or quality-related issues.

#### iii. Knowledge Transfer & Training

The November 2017 "Future of Food & Farming" Communication emphasizes the importance of improving knowledge exchange. Indeed, in clear language, it stated that "access to sound, relevant and new knowledge is very patchy" across the EU. That idea does not seem to have translated itself into much concrete action to improve the situation. **Arche Noah favours fixing a minimum percentage of RD funding for such actions in Article 86**, as the Commission has proposed for LEADER for instance. Currently, knowledge transfer accounts for about 1.2% of RDP spending, whilst 0.9% goes on advisory services<sup>10</sup>. These figures are dwarfed by spending on physical assets, representing 22.6% of the total. There is a clear imbalance here.

If the CAP is really to increase its environmental and biodiversity-related ambitions, farmers will need access to new and more complex knowledge. Alternative models of farming, such as organic farming, are knowledge-intense in agronomic terms. Similarly, a farmer involved in community-supported agriculture or a short-supply chain can require very sophisticated skills to grow dozens of types of fruit and vegetables in order to keep his or her customers happy.

MSs may wish to use sectoral programmes to improve training and knowledge-sharing via operational programmes of producer organisations (POs) for instance. Farmers' organizations

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<sup>10</sup> These figures are from DG AGRI's Rural development 2014-2020 webpage, under '[Overview](#)'.

may be better placed to inform decisions on the advice and knowledge that is required in a given sector or region.

#### iv. Investment in Physical Assets

Investment in physical infrastructures on farms is currently the largest item under RD spending. In a similar spirit to our criticisms on the current payments system, Arche Noah considers that providing large amounts of CAP money for physical infrastructure creates a distorted farming environment and often creates incentives for intensifying production. We consider that the second pillar should create an enabling environment for all farmers, through actions such as advice provision, investment in basic services or community-led development (LEADER) that serve the wider community in rural areas. Public support should be much less concentrated on financing individual business decisions.

Therefore, we advocate **setting a maximum percentage of RD money that can be spent on investment in physical assets of 10% per MS in the next programming period.** Additionally, such investments should only receive support if they pass a two-pronged test: (1) they make sense from a business point of view, increasing farm profitability and (2) they improve the environmental performance of the holding in a verifiable way. Arche Noah is opposed to allowing the CAP budget to be spent on investments which have negative consequences for the environment and biodiversity.

#### v. Crisis and Risk Management Tools

Arche Noah agrees that risk management tools such as insurance and income stabilisation tools can play an important role in times of increased price volatility. However, we are cautious about investing a greater proportion of the RD budget on such instruments if, in the end, taxpayers' money is used to help private sector companies, rather than ending up in farmers' hands. Our proposal on the payments system is intended to end the current distortions in favour of intensification and risk-taking. Some farmers can be expected to continue such strategies, in particular for very profitable sectors, but private risk management instruments can adequately cover these. The increased use of contracts with fixed prices for output are farmers' most effective instrument against volatility and they do not cost money to the taxpayer. We believe that creating a farmer's payment will increase farmers' chances of obtaining written contracts. Farmers can also reduce risks by taking decisions under their own control, for instance diversifying production.

### **D. Governance Issues in the New Delivery Model**

We expect that the NDM will function essentially as a 'soft law' type arrangement, which allows MSs room for manoeuvre in making plans and setting objectives and relies on public debate, persuasion and monitoring rather than legal enforcement or financial compliance mechanisms to achieve progress. To function properly, it must be accompanied by greater participation of farmers' organizations and civil society organizations and by greater interest in CAP decisions in the media, particularly at the national level.

Arche Noah **considers therefore that the governance mechanisms in the proposal need to be strengthened**, in part based on the approach which already exists in the European code of conduct for the European Structural and Investment (ESIF) Funds<sup>11</sup>. The code of conduct contains principles that must be applied to the future CAP, such as the need to consult the organisations involved on the process and timetable for the preparation of CAP Strategic Plans and to give them sufficient time to analyse and comment on preparatory documents. If consultation exercises are carried out according to very tight timetables they become mere formal exercises. It is important to emphasize that the crucial period for involving civil society is at the preparation/needs assessment phase, i.e. at the beginning of the process leading up to the drawing up of the Strategic Plan at the national level. The code of conduct recognises this reality in its Article 8, which states that partners must be involved in analysis, identification of needs and selection of priorities. Arche Noah will make more detailed proposals on the governance mechanisms for drawing up and monitoring of the CAP Strategic Plans.

Under the NDM, national administrative bodies such as ministries of agriculture will play a more sophisticated role in CAP policymaking than today. The Commission's proposals should consider in more detail how it can contribute to making the process a success. We also consider that the Commission must be given the possibility of partially approving CAP Strategic Plans, to introduce more flexibility into the system.

#### 4. Final Remarks

The explanatory statement of the Commission's proposal highlights the fact that agricultural prices have generally fallen "substantially" since the 2013 CAP Reform. This reality, combined with the announced cuts to the CAP budget under the next MFF, will leave many farmers in a weak financial position. In such a scenario, MSs are highly unlikely to propose significant changes to the CAP, despite the rhetoric in this proposal. In MSs where the ageing of the farm population is a significant problem, it will be difficult to attract plentiful new entrants – especially younger people willing to take up new ideas – with a continuation of current policies. If the economic environment remains difficult for farmers, their 'survival strategy' will mostly consist of enlarging their holdings and/or intensifying production to keep down costs. This makes another big reduction in farm numbers across the EU almost inevitable - with knock-on effects on rural communities.

Arche Noah does not accept the idea that the farming community needs to continue to shrink, as the result of better productivity and increasing average farm size in the EU. Farming has a broad cultural and environmental role in society and ideas which are valid for most economic sectors should not be applied uncritically to agriculture. The number of farms already fell by 26.2% in the EU (excluding Croatia) between 2005 and 2013<sup>12</sup>. Whilst there may be a few places in the EU where too many non-viable, small farms still exist, **Arche Noah considers that it is**

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<sup>11</sup> See: Commission [Delegated Regulation 240/2014](#).

<sup>12</sup> Source: Eurostat, statistics explained, article on "[small and large farms in the EU](#)".

**time for policymakers to accept that the size of the farming community does not need to fall forever.**

At the same time, **we consider that the first necessary step in improving the CAP's capacity to respect the 'public money for results' principle and respond to societal goals is to end the distortions created by the current payments system**, which clearly favours intensive agricultural models and discriminates against more sustainable alternatives.

It is as a result of this analysis and of the conviction that the CAP must maintain an important socio-economic role that Arche Noah calls for the introduction of a well-funded 'farmer's payment' across the EU. We recognise that greater provision of societal goals is mostly a matter for the second pillar. This involves doing away with a system which frequently finances individual businesses and business models which have negative environmental impacts.

The 'farmer's payment', following the same spirit in every MS, **is intended to contribute to a pan-European vision for farming and for the CAP** which is notably absent in the Commission's proposals. It also makes defending the CAP budget easier by laying out a clear rationale for the policy and putting an end to the largest subsidies which have a negative impact on public opinion. The payment is a common instrument intended to maintain agricultural production in all regions, combat rural exodus and send a signal to farmers that their role as food providers is properly appreciated. It will provide a secure base for family farming. We want the CAP to cement cohesion in farming communities, not to carry on creating divisions.

**About ARCHE NOAH:**

ARCHE NOAH (Noah's Ark) is a seed savers' association based in Central Europe. With over 17.000 members and supporters, we have over 25 years' experience in the conservation, development and promotion of crop diversity. In our offices in Vienna and Brussels, we work for policies that support a more biodiverse, sustainable agriculture.

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