

JOINT POSITION OF EU PROFESSIONAL FOOD AND FARMERS ORGANIZATIONS ON THE PROPOSED CAPPING OF DIRECT PAYMENTS FOR THE FUTURE CAP AFTER 2020

The EU Commission tabled legislative proposals on the MFF and on the CAP in May and June 2018. In December 2019, the Commission presented the new European Green Deal, followed by the Farm to Fork Strategy, Strategy on EU Biodiversity, and Analysis of links between CAP Reform and Green Deal, all published in May 2020. In July 2020, the European Council agreed on the MFF which includes an agreement that capping should be made voluntary on Member State level. This is an agreement between heads of state. This should immediately be integrated in the compromise texts of both the Council and the European Parliament. Both the CAP and MFF are now discussed in the European Parliament, complemented by the discussion on recovery plan in the context of current COVID-19 crisis. **In these extremely fragile and uncertain times, it is of a key essence to equip our farmers with clear and sustainable vision and provide them with support, clarity, investment predictability, and societal recognition. We need to protect our farmers, and we need to recognize their extraordinary contribution to the resilience of European agri-food chain in these difficult times.** Farming is our source of living, and this should not be ignored.

For more than 2 years we have been witnessing disputes among decision makers. All arguments and figures were put on the table. Now we need decisions. Responsible decisions allowing us to predictably invest in our businesses and steer future CAP to fulfill our main goals – to feed EU citizens with best quality products; and to meet increasing expectations of society from us in environmental, climate and social context. **Capping or reduction of direct payments goes straight against those objectives.** It will lead in many parts of EU to industrialization of farming and in turn in lower quality produce, worse environmental care, and higher food prices.

This is why **capping should remain voluntary and applied at national level, according to the overall analysis carried out within the framework of the national strategic plans by the Member States.** Moreover, to protect jobs and level of salaries in line with EC's proposal, MSs shall subtract from the amount of direct payments to be granted to a farmer the salaries and costs linked to an agricultural activity, as stated by the European Summit in July 2020.

We perceive the proposal for mandatory capping and degresivity of direct payments at EU level as discriminative to multiple Member States, farms and agricultural undertakings, who are responsible for a significant share of EU agri-food production and farmed land, and who have been highly committed to address environmental and climate issues. The capping and degresivity of direct payments should constitute part of the CAP Strategic Plan and therefore be decided at the level of MS on Subsidiarity principle. We, therefore, oppose mandatory capping and degresivity at EU level due to the following reasons:

1. It **punishes farmers who have invested and developed their farms** in line with the current EU policy objectives
2. It **threatens the capacity for further boosting competitiveness** of EU agri-food sector vis-à-vis third countries
3. It impedes innovation and investment - **it will cap the development and investments in the agri-food sector, which have a positive impact on the environment and climate objectives.** Larger agricultural holdings have motivation and capital to invest in new technologies, in precision farming etc.
4. **It will lead to fragmentation of farms**, with detrimental effects on employment and on the environment and climate protection. The reality now is that 80 % of CAP beneficiaries are farmers receiving less than 5.000 €, while more than 50 % of beneficiaries are receiving less than 1.250 €. These farmers are exempt from control measures and compliance requirements such as cross-

compliance or greening. Thus, **the agriculture area not covered by cross-compliance or greening / eco-schemes will further increase**

5. **It will penalize technologically advanced farms** that have made significant investments in innovation and reduced the labour cost factor to improve competitiveness
6. Significant reduction of direct payments above certain ceilings (degressivity) could **negatively affect investments in green innovation and biodiversity protection**
7. The name of the EC's proposed area payment scheme, Basic Income Support for Sustainability (BISS), reflects the fact that it is aimed at compensating EU farmers for their higher production cost due to the high EU standards on environment, climate change, food safety, animal welfare etc. **Farmers deliver public goods in the form of high standards on both the first hectare and on the last hectare, irrespectively of the size of their holding.** An absolute ceiling on the direct payments will ignore this fact, and discriminate the larger farm-holdings
8. In some Member States, **it will threaten achievement of the EU environment and climate goals** as farmers will be drastically incentivized to compensate for their income loss by further intensification and so-called "industrialization" of crop production
9. **The European Council concluded in July 2020, that capping will be implemented as a voluntary measure, which would apply to Basic Income Support for Sustainability only.** For those reasons targeted measures such as young farmer's support and eco-schemes should not be included in the capping as they would become meaningless to farmers. The introduction of incentive payments under pillar 1 (the so-called "eco-schemes") could, if properly implemented and financed, be a promising tool to improve the sustainability of the EU agricultural sector. However, only in the case they are not subject to the capping, as there is no benefit for society to limit the use of eco-schemes. Interested large farmers who wish to deliver under the eco-schemes should not be discouraged to join eco-schemes by application of the capping
10. As the estimated product of the reduction of payments (capping) shall primarily be used to contribute to the financing of the complementary redistributive income support for sustainability, **in some member states redistributive income support, especially if it is paid for first hectares, will lead to unnecessarily rise of rental prices which penalises all active farmers who are operating in the countryside.** Redistributive income support could – in some cases – increase the number of sofa-farmers which is against the aim of the CAP
11. As far as the reduction of the amount based on employment is concerned, the current and growing process of outsourcing in the EU agricultural sector must be considered. The proposal of the EC only considers expenditure on wages and social security for workers employed by the owner. **In order not to discriminate farms we support to also include the outsourced labour costs. When calculating the reductions Member States should use the real costs borne by the farmers**

Capping idea is clear example of wrong "one-size-fit-all" measure with asymmetric effects on Member States and regions in the Union and therefore against all intended principles of this reform.

Different models or types of farms have for long contributed to the objectives of the CAP and therefore to the public goods or added value that CAP brings, whether in terms of food production in terms of quantity and quality, food safety, environmental contribution, climate adaptation, carbon sequestration, land use, or job creation.

We believe that equal access to CAP funding for all types of farms should be guaranteed regardless their size. Therefore, we strongly oppose the introduction of mandatory capping and/or degressivity of direct payments, and we can only accept a reduction of direct payments on a voluntary basis at Member State level. In addition, we would like to highlight, that the CAP must remain a strong, common and adequately financed policy, able to respond to the food security as well as with environmental protection and climate adaptation expectations and requirements to deliver on EU's green agenda

In Brussels on the 2nd of October 2020:



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Jan DOLEŽAL

President of the Agrarian Chamber of the Czech Republic



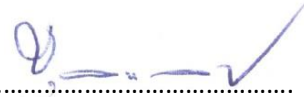
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Martin PÝCHA

President of the Agricultural Association of the Czech Republic



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Emil MACHO

President of the Slovak Food and Agriculture Chamber



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Zdeněk JANDEJSEK

President of the Initiative of the Agricultural and food business initiative



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Massimiliano GIANANTI

President of Confagricoltura, Italy



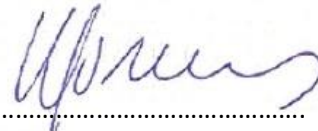
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Martin MERRILD

President of the Danish Agricultural Council



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Kostadin KOSTADINOV

Chairman of the National Grain Producers Association, Bulgaria



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Roomet SÕRMUS

Chairman of the Board, Estonian Chamber of Agriculture and Commerce



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Maira DZELZKALĒJA-BURMISTRE

Vice-president, Latvian "Farmers' Parliament"



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Petras PUSKUNIGIS

President of the Lithuanian Association of Agricultural Companies



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Nicusor SERBAN

President of Romanian Farmers Club for Performant Agriculture