

A NEW CAP FOR HIGH QUALITY FOOD

AREPO position paper on the future of CAP post 2020

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The **Association of European Regions for Products of Origin (AREPO)** is a network of regional governments and producer associations that deals with products of origin and EU quality schemes. It represents 32 European regions and over 700 associations of producers for over 50% of European GIs.

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KEY MESSAGES

This position paper aims at contributing to the debate on the future of the common agricultural policy (CAP) post 2020, **calling for a new approach, capable of providing high quality food and to contribute to EU priorities in term of sustainable rural development.**

The EU faces strong societal demands for a renewed CAP, which are pushing towards a greater recognition of environmental and socio-economic public goods role in the policy. Moreover, the CAP faces increasing global challenges in terms of climate change, pressure on natural resources and ecosystems, as well as political and economic uncertainty in an increasingly globalised world.

In this context, quality and origin products can help addressing citizens' concerns, contributing to the transition towards a more sustainable agriculture. Nevertheless, their **enormous potential is still underutilized in the EU and a renewed attention from policy makers is needed to unlock it.**

In order to achieve these objectives, the future CAP should:

- First of all, **maintain the CAP budget** in the MFF at least at current levels in order to achieve the ambitions of a revised and efficient CAP after 2020;
- Re-affirm and respect the principle of **shared management for the European Structural Funds and the principle of subsidiarity**. CAP objectives may only be reached through the **regionalisation** of the largest part of CAP instruments;
- **Respect the distribution of powers within each Member State**, notably in terms of the legal competences of the EU's Regions when implementing policies;
- Ensure a **more balanced and fair distribution of support** and the focus on the small-medium sized farms.

In particular, in order to promote GIs, the new CAP should:

- Continue to **support production with specific and valuable characteristics, such as quality and origin products, through Rural Development** as well as to promote and improve its international recognition;
- Introduce a strong **horizontal priority** for quality schemes within the Rural Development measures;
- Include in the Rural Development a **specific and coherent measure for the GIs and quality schemes**. The current article 16 (Reg. 1305/13) includes support for **certification (measure 3.1)** and for **information and promotion (3.2)**. While these two sub-measures supporting quality schemes are essential, they should be **simplified** and a third sub-measure should be included to cover **support for producers groups**;
- **Reconsider the place of agriculture and food within the EU trade policy**, given the critical importance of this sector for Regions and territories. In particular, EU quality schemes should be adequately taken into account in all trade negotiations conducted by the EU and protected in all trade agreements with third countries.

INTRODUCTION

CONTEXT: GROWING SOCIETAL DEMAND FOR A CAP DELIVERING PUBLIC GOODS

The debate on the future of common agricultural policy (CAP) post 2020 has unleashed **strong societal demands for a renewed policy capable to deliver environmental and socio-economic public goods**, including the preservation of Europe's natural and cultural heritage. In line with these demands, the Cork Declaration "A Better life in Rural Areas" states that "*Union support for investment in rural areas should focus on generating added value for society*" and "*should deliver towards the common EU objectives notably in relation to jobs and green and inclusive growth*". At the same time, the EU must maximise CAP contribution to the Sustainable Development Goals (SDG) as well as to the commitments assumed under the Paris Climate Agreement.

On November 29th 2017, the European Commission published its Communication on the Common Agricultural Policy post 2020 "[The future of food and farming](#)", as a first step towards the reform of the CAP, considered necessary to **adapt** the policy to new **challenges** and to meet these new **objectives**. The Communication also provides both basis and framework for the discussion between institutional and individual, public and private stakeholders across the EU27.

GIs CAN CONTRIBUTE TO EU SOCIO-ECONOMIC AND ENVIRONMENTAL PRIORITIES

In this context, AREPO position paper aims at contributing to this discussion calling for a new CAP approach, capable of providing high quality food and to contribute to EU priorities in term of sustainable rural development. The scope of the position paper is the whole set of GIs products valorisation initiatives and tools, including EU quality schemes (PDO/PGI/STG and mountain products) and national quality schemes. In this respect, AREPO argues that national quality schemes and labels, when fulfilling the EU requirements, should be accepted as an integral Part of EU quality policy and thus should have access to public support and EU Promotion Programmes.

The EU recognises that quality schemes can benefit the rural economy, particularly less favoured areas like mountain areas and most remote regions. In particular, Geographical Indications (GIs) not only are a **cultural public good per se**, but also contribute to deliver **important socio-economic and environmental public goods** in line with European Union (EU) priorities.

SUSTAINABLE RURAL DEVELOPMENT, GROWTH AND EMPLOYMENT: The valorisation of origin and quality products through GIs or other quality schemes generates an **added value that is redistributed along the value chain**. The extra-price for producers allows them to further develop their farms and firms and enhances the collective action on GI promotion and control. Thus, both individual and collective investments activate a "virtuous" circle able to effectively reproduce local specific resources connected to product quality attributes. This qualification process fixes and links the added value to the territory, keeping local production systems alive. Furthermore, it contributes to the **valorisation of rural identity** as well as cultural and gastronomic heritage, with a positive impact on country exports and appeal for tourism. In this way, quality schemes safeguard employment and SMEs. They could as well prevent depopulation and contribute to territorial and social cohesion as well as to sustainable rural development, ensuring attractiveness of rural areas as places to live and work.

SUSTAINABLE AGRICULTURE: GIs' powerful local governance presents a great potential in terms of protection of **rural landscape and sustainable management and reproduction of natural resources**. GIs embrace and preserve **cultural and socioeconomic diversity** as well as **biodiversity**, respecting the need to create bottom-up solutions, adapted to the local specific context. In fact, preserving traditional farming systems, GIs can play a positive role in environmental conservation. They could act as a barrier to the increasing intensification of the production and territorialise environmentally friendly production rules. Moreover, governance and market success can contribute to the viability of rural livelihoods that are directly linked to sustainable use of specific biological resources.

RISK MANAGEMENT AND RESILIENCE: GIs are characterized by structured supply chains that ensure a cooperative and collaborative approach to design the production system through product specifications. Therefore, GIs present a better resilience to climate, environmental, sanitary or market risks.

DIVERSIFICATION OF RURAL ECONOMY: Local resources protected by the quality scheme **can be used in other production processes, mainly services production** (like tourism) or **bio-based production**, both on-farm and in other sectors in the territory. This can generate important opportunities to other rural sectors and activities: e.g. tourism, agritourism, bio-based circular economy etc. This **multifunctionality and diversification** is fundamental for the sustainable development as well as the resilience of rural and marginal areas.

TRANSITION TOWARD A SUSTAINABLE BIOECONOMY AND CIRCULAR ECONOMY: GIs are characterized by geographical concentration, continuity of local food production and by a strong collective governance of the food chain. This governance should be improved and exploited to develop at the same time different productions (scope economies), as well as, to recycle waste and by-products of the production process (*circularity principle*), e.g. recycling whey after cheese production or using olive oil mill vegetable water (wastewater) and pomace as fertilisers or bioenergy.

FOOD SECURITY, FOOD SAFETY, AND TRACEABILITY: GIs can contribute to **food security**, both by delivering safe local and nutritious food, and by supporting the welfare of farmers, generating a higher income that allows producers to buy complementary food. Thanks to the mechanisms included in the specifications to assure product **traceability**, they also represent an important contribution to **food safety**. Moreover, certification further protects consumers with additional guarantees on product's origin and production.

To conclude, protected GIs are able to contribute to and complement rural development policy as well as market and income support policies of the CAP. Nevertheless, their **enormous potential is still underutilized in the EU and a renewed attention from policy makers is needed to unlock it**. **Quality policy is a major pillar of the European sustainable food system**. Thus, **CAP should support the functioning of this virtuous economic model capable of delivering public goods**.

1. A NEW CAP FOR HIGH QUALITY FOOD

First of all, AREPO considers that the CAP can deliver its objectives only if sufficiently funded and thus calls for **maintaining the CAP budget in the MFF at least at current levels** in order to achieve the ambitions of a revised and efficient CAP after 2020

AREPO assumes that a new CAP has to re-affirm and respect principles of **shared management for the European Structural Funds and the principle of subsidiarity**. CAP objectives may only be reached through the **regionalisation** of the largest part of CAP instruments. In this respect, the Commission proposal to adopt a new delivery model and result based approach, as well as to increase the subsidiarity could have positive effects in terms of reaching CAP objectives, on the condition that the **common nature of CAP** is preserved. At the same time, it is **extremely important that the distribution of powers within each Member State is respected**, notably in terms of the legal competences of the EU's Regions when implementing policies

To this extent, AREPO welcomes the simplification proposed by the Commission in the Communication, since the introduction of **greater flexibility and responsibilities for Members States** could help addressing local specific situations and introducing more sustainable and efficient agricultural practices to meet the environmental and climate objectives.

AREPO welcomes as well the acknowledgement of the need to deliver on key long term objectives for the environment and climate (including SDGs and Paris commitments). Furthermore, we recognise the importance of the focus on sustainability and delivery of public goods. Nevertheless, in order to assess the overall impact of this approach, more details are needed concerning the set of objectives and targets for environmental and climate achievements, as well as on the indicators needed to measure the progress.

AREPO welcomes the proposal for a **more balanced and fair distribution of support and the focus on the small-medium sized farms** in the Communication. In addition to allocating money for the number of hectares, direct payments and others payments must take into account also other objective criteria such as the generation of added value, the ability to create jobs as well as production quality and intensity, connected to the specificities of each region.

Furthermore, the European Commission recognises in its Communication that the CAP should address **societal expectations regarding food safety, food quality, as well as environmental and animal welfare standards**. AREPO appreciates in particular the recognition of organic farming and Geographical Indications as **productions that carry broader benefits for society**.

In particular, the Communication states that the CAP should address societal expectations "*by modernising organic rules [and] continuing to make GIs more attractive to farmers and consumers and easier to manage*". AREPO supports this objective and asserts that it would be relevant to introduce consumer expectations as an important self-standing factor when defining quality. Nevertheless, the simplification should address only administrative elements regarding recognition process, without changing the basic characteristics of EU GIs system.

The Communication states that "*the CAP should continue to support production with specific and valuable characteristics through Rural Development as well as to promote and improve its international recognition*". AREPO welcomes this acknowledgment and asks the Commission to

stand by it, prioritising both through the rural development and the first pillar, the environmental and socio-economic services that producers provide to society.

To conclude, AREPO is calling for a new CAP approach, capable to provide high quality food and to contribute to EU priorities in term of sustainable rural development. While setting the objectives, policy parameters and types of intervention of the CAP at EU level within the new delivery model, the EC should include the support and valorisation of quality and origin products.

A more proactive CAP supporting GIs is not only justified by their multiple and specific ties with public goods, but also needed to strengthen this linkage between GIs and public goods. The entire GI constitution and valorisation process needs to be supported to maximize potential benefits. It is therefore essential that they are not neglected by EU policies.

In this perspective, quality and origin products are part of the broader rural development policy and can be seen as one important tool for achieving its objectives. For this purpose we suggest to adopt **specific measures** on GIs as well as to introduce a **horizontal priority** for GIs and quality products in rural development policy. There is no single “appropriate policy” for all quality and origin products, so different support tools are required. That is why these two complementary approaches need to be implemented simultaneously to mutually reinforce one another.

1.1 HORIZONTAL PRIORITY ON QUALITY SCHEMES

We recommend the introduction of a strong horizontal priority for quality schemes within the rural development measures. In particular, quality schemes should be taken into account in the following measures:

- **Advisory services, farm management and farm relief services** should explicitly include among the priorities the advice for the development of quality schemes for agricultural products (PDO/PGI).
- **Inclusion of quality schemes among the sectorial priorities of cooperation measure:** Several quality products (PDO, PGI and TSG) mainly concern small producers and their commercial potential is limited to the local market. The diffusion and promotion of such products in local markets should be among the priorities of cooperation measure.
- **Inclusion of a sub-thematic program for quality schemes for agricultural products:** a horizontal programme using different measures to support quality schemes for agricultural products and foodstuffs would be of paramount importance to address simultaneously specific local needs (see for instance current sub-thematic program for young farmers, small supply chains and mountain areas in Art. 7, Reg. (EU) No 1305/2013).

For thematic sub-programme on quality schemes for agricultural products and foodstuffs, the following operations/tools should be considered as relevant:

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| ○ Advisory services, farm management and farm relief services | ○ Co-operation |
| ○ Business start-up aid for the development of small farms | ○ Investments in physical assets |
| | ○ Knowledge transfer and information actions |
| | ○ LEADER |

- Organic farming
- Payments to areas facing natural and other specific constraints (biodiversity)
- Farms and businesses development in rural areas, producing or participating in the production of GI's products and other quality systems
- Quality schemes for agricultural products and foodstuffs
- Risk management
- Setting up of producer groups

1.2 A SPECIFIC MEASURE AND SUPPORT TOOL FOR QUALITY SCHEMES

The Rural Development should include a **specific and coherent measure for the GIs and quality schemes.**

In the current rural development Regulation 1305/13, direct support for quality schemes for agricultural products is limited to article 16 which include support for **certification (measure 3.1)** and for **information and promotion (3.2)**. While these two sub-measures supporting quality schemes are essential, they should be **simplified** and a third sub-measure should be included to cover **support for producers groups** –let's call it “sub-measure 3.3”.

1.2.1. SIMPLIFICATION OF EXISTING MEASURES FOR QUALITY SCHEMES

In 2016, AREPO realised a survey to analyse the implementation of the measure 3 on quality schemes in the Rural Development Programmes (RDP) of its member Regions. The results highlighted that **the level of existing aid is minimal, particularly for measure 3.1 on certification**, and usually results in **disproportionate administrative costs that overcome benefits for producers**. Several regions have declared that they have not opened the measure precisely due to these high administrative costs.

Thus, it is essential to maintain support for certification costs and promotion but with the following **improvements and simplification:**

MEASURE 3.1 ON SUPPORT FOR CERTIFICATION COSTS

- **Elimination of criterion of new participation to a quality scheme:** due to the inclusion of this criterion the registration of a producer in a quality system has to be done after the application for aid. As a consequence, very few farmers can benefit from these measures and a lot of producers who entered in a quality system before the entry into force of new RDP have been excluded.

The Omnibus Regulation introduced an amendment enlarging the definition of new participation to farmers of groups of farmers who entered in a quality scheme in the **five preceding years**. In this respect, even if the intention to include producers who has been previously excluded is positive and clear, the five years rules introduces even more administrative burden for the managing authorities. Thus AREPO asks for a complete elimination of the criterion of new participation.

- **Reduce administrative burdens for small amount of aid: under a ceiling of 5.000€ per enterprise per year, the administrative checks on beneficiaries should be done only on a sample basis**, in order to reduce the administrative burden and costs both for managing authorities and for beneficiaries.

- The possibility of considering producer groups as beneficiaries of the aid to reduce the administrative cost of implementation should be strengthened and defined more clearly (see point 1.3.3 on harmonisation of implementation).

MEASURE 3.2 ON PROMOTION

- **No coupling between measure 3.1 on certification and measure 3.2 on promotion:** due to the linkage between measure 3.1 and 3.2, only the quality schemes receiving support in accordance with measure 3.1 are considered potential beneficiaries for 3.2. As a consequence, optional quality term for mountain products is excluded from measure 3.2, since it is not covered by a certification and cannot receive support under measure 3.1. For this reason, it is important to separate the two measures.
- **Inclusion of the operating expenses of producer groups (consortia) among the eligible costs.**

1.2.2 A NEW “SUB-MEASURE 3.3” SUPPORTING PRODUCER GROUPS

The Communication on the future of CAP recognises the important role of **agricultural producer organisations** that “*can be a useful tool to enable farmers [and in particular small farmers] to strengthen their bargaining position in the value chain and to cooperate to reduce costs and to improve their competitiveness to improve market reward*”.

AREPO welcomes the recognition of the importance of producer organisations since collective organisation is particularly important for geographical indications. In fact, Regulation 1151/12 on quality schemes for agricultural products and foodstuffs highlights the importance of collective organisation and recognises the role of producer groups in ensuring adequate legal protection of PDO/PGI as well as, in general, any activity aimed at improving the value of the registered names and effectiveness of the quality schemes (art. 45).

These prerogatives should be supported by a specific measure that should include the **possibilities to financially support**:

- **Preliminary studies** for producers groups concerning new applications for participation in quality schemes and GI products characterisation;
- **Operating costs** of producers groups;
- Activities related to the **surveillance of the enforcement of the protection** of the registered names, especially for small and new PDO/PGI, concerning in particular **support for legal protection costs**;
- **Research and update of product specifications** in order to take account of the expectations of consumers, developments in scientific and technical knowledge, the market situation, and developments in marketing standards, as well as climate change adaptation and risk management.

In line with this objective, GIs producer groups should be included as beneficiaries of the existing measure aiming at facilitating the **setting -up of producer groups and organisations** (Reg. 1305/13, Art. 27).

Moreover, producer groups as defined in Regulation 1151/12 on quality schemes should have the possibility to **implement specific programmes to support coordinated activities along the supply chain under the single CMO**. In particular, they should have access to the support for Producers Organisations (POs) to implement operational programmes aiming at promoting collective actions and strengthening the supply chain.

1.2.3 HARMONIZATION OF INTERPRETATION

Different interpretations between Member States or, inside one State, between different regions should be avoided. To ensure **harmonization of implementation at national and regional level**, the European Commission should internally define **more precise guidelines** that are less subject to differences of interpretation.

2. COHERENCE WITH OTHER EU POLICIES

As recognized in Cork 2.0 Declaration, rural and agricultural policies must interact with the wider context of national and regional strategies and work in **complementarity and coherence with other policies**.

- In particular, for an efficient intervention on supply chains that normally includes farms but also non-agricultural agri-food companies, it would be necessary to integrate rural development and regional development tools to enhance the sectorial intervention and effectively include all supply chain actors.
- Furthermore, we need a more coherent set of policy and financial instrument for rural development, with a strong territorial emphasis.
- In this light AREPO welcomes the Communication call for a **greater complementarity** with other EU policies, in particular with Cohesion Policy. Nevertheless, **we warn that the CAP contribution to the rural development should not decrease**.
- AREPO supports the demand for the implementation of a **rural test** in EU policies, proposed in the Cork 2.0 Declaration, as well as the call for a **rural agenda**, which should take into consideration employment, the environment, climate change, agriculture, and innovation aspects.
- From this perspective, AREPO appreciates the Communication proposal to introduce the “Smart Villages” approach as well as the “rural proofing” mechanism in the next CAP. Nevertheless, it should be noted that unfortunately rural development is marginal in the Communication and it is clearly not the focus of the proposal, in spite of the commitment of the Commission in the implementation of Cork 2.0 Declaration.
- Finally, it is highly crucial to reconsider the place of agriculture and food within the **EU trade policy**, given the critical importance of this sector for Regions and territories. In particular, EU quality schemes should be adequately taken into account in all trade negotiations conducted by the EU and protected in all trade agreements with third countries.