

**CAP POST 2020 - FINNISH PRELIMINARY VIEWS**

*This paper summarizes the Finnish contribution for discussion and a preliminary position for the CAP post 2020. With a view to providing a stable operating environment for the farming sector and ensuring continuity, main elements of the current policy should be kept in place. Key issues for Finland are related to simplification of the measures, their control and audits as well as providing stable financing for the policy enabling diverse farming to continue also in the Nordic conditions.*

**MAIN MESSAGES**

- The central challenge in the future CAP remains in its capability to support farm incomes, sustainable, healthy and ethical food production in line with One Health principle as well as maintaining lively rural areas throughout the EU. Thus, the multiannual financial framework must provide stable and adequate resources for a strong, but simplified CAP.
- Rural development is an essential part of the CAP and should be further strengthened. It is an especially important policy area for Finland with her harsh natural conditions, long distances, sparse population and numerous waters needing protection. Rural development and sustainable, economically profitable agriculture are in close connection with each other.
- Coupled support at current level and co-financed ANC-payments are imperative in order to maintain food production in all areas of the EU, including the less favored ones.
- Present structure of multi-layer environment requirements has to be redesigned. Possible new climate and environment related requirements should be integrated into the CAP without adding new layers of requirements to the policy, instead by providing incentives for the farmers to undertake these actions.
- Volatility in the markets needs to be tackled, but the current crisis reserve for agriculture is not working as intended. New risk management tools, which would be operable in a faster and more effective way are needed.
- The overriding objective in the reform should be simplification, especially by removing overlapping or burdensome elements, streamlining programming, increasing subsidiarity, reducing the control of minute details and minor errors and putting more emphasis on risk-based approach in the controls and audits, as well as concentrating on the big systematic problems in the audits.

## Resources and their allocation

A **strong and adequately financed CAP** is needed also in the next financial framework period in order to ensure a resilient, responsive and prosperous EU agricultural sector and rural areas.

**Rural development** policy can provide answers and tools for several challenges ahead, such as those relating to the environment, climate, diversifying economic structure in rural areas, maintaining agricultural activity, developing multisectoral farms, developing market and business skills of food sector towards consumer needs and public health considerations, increasing knowledge, use of modern technology and increasing innovation. Thus this policy should be further strengthened also financially. Financial resources under II pillar should continue to be allocated according to objective criteria, including past performance and effective implementation of the current programmes.

## More strategic approach

There are several challenges that lie ahead of the CAP and a coherent strategy for both current pillars of the CAP is needed to determine how to tackle them.

Thus a **new Member State specific strategy covering both pillars of the CAP** could be introduced indicating the objectives of all the measures, as well as the opportunities and challenges ahead. In this way overlapping elements can be removed, coherence between measures promoted and national flexibility increased. However, the strategy needs to be kept simple and light and at the same time versatile to approve and change according to any new developments.

## Direct support

Substantial **direct income support** is needed also in the future policy framework. Similarly, the role of coupled payments in maintaining production in the more challenging areas or specific sectors will continue to be crucial. Current levels of coupled payments are needed also in the future (see for example net economic margins of dairy producers in Annex 1).

However, implementation of the Pillar I measures needs to be very much simplified. Under direct payments for example the **payment entitlements could be abolished**. Another simplification measure, which would also strengthen the environmental impacts of direct payments, could be to **combine basic payment and greening payment to a new sustainable production scheme** (see Annex 2). The requirements would consist of combined but modified elements of the current GAEC and greening as well as, at the discretion of the Member States, the requirement of maintaining open landscape and/or other relevant climate measures

and/or measures that increase carbon in the soil or prevent erosion. More targeted and more diverse environmental and climate actions should be undertaken in Pillar II programmes.

**The SMRs should be reduced** to contain only the most relevant and clear requirements relating to the farming activity. They should be controlled by assessing the fulfillment of certain basic indicators relating for example to animal welfare and not by examining and measuring extremely detailed requirements relating to the relevant legislation.

### **Market measures and the food chain**

As the recent market crisis and increased price volatility have shown, there is still a need for **robust and rapidly implementable market measures**. It is important to maintain a wide range of possibilities and adequate financial resources for the Commission to act in crisis situations. However, the current crisis reserve is clearly not a tool that can be made operational quickly and should therefore be replaced with more workable arrangements.

It is also clear that new policy elements, such as different **risk management tools**, funded under Pillar II measures, also need to be introduced in order to fully respond to the challenges ahead.

A better functioning **food supply chain** would help take some pressure off the farming sector. It is important to develop farmers' bargaining power so that they can get a fair share of the value added in the chain. Competition rules need to be clarified in order to ease farmer's co-operation. Finland is also in favor of providing more information on the provenance of food - this is a message we hear clearly from our consumers.

For Finland, it is important to maintain **the possibilities for national assistance** for certain sectors of agriculture as provided for in Articles 213-214 and 214a of the SCMO Regulation also after 2020.

### **Rural development**

There are strong synergies between the viability of rural areas and the agricultural support and rural development measures. **Viable rural areas enable practicing of competitive agriculture**. On the other hand, a diverse set of businesses can benefit from agriculture, e.g. maintained rural landscape with open fields and pasturing animals diversifies rural environment and promotes tourism.

Inhabitants and entrepreneurs in the rural areas need services, broad-band and active villages. Modern and functioning IT connection is a prerequisite for farming and other rural businesses, as important as a well-maintained road network. For this reason **it is crucial that sufficient funding for a broad set of rural development measures will be maintained in the EAFRD** also in the future, in consistence, good partnership and cooperation with the other ESI Funds.

Maintaining diverse production in all areas, including the less favoured ones, is a key aspect of any future policy reform for Finland. Finland is the northernmost country where agriculture is practiced on large scale. Effective temperature sum in Finland corresponds that of the Alpine regions (see Annex 3). **Effective co-financed ANC payments** remain crucial in achieving this objective.

The current agri-environment-climate measure has worked well and produced positive results in the long run. However, there is a need to include further climate action as part of the common policy. Adaptation to changing climate is a challenge all farmers will face. Farmers should have **a proper incentive** to undertake both adaptation and mitigation measures and be encouraged to, for example, improve water management and sequester carbon in soils and forests and wood products.

The future policy should **ensure the development and continuity of farming also by investments** and providing **adequate support for young people** to pursue farming as a career in rural areas. Consideration should be given to maximum age limits to eligibility for support schemes in order to target the aid to active producers and encourage generational renewal. Opportunities for a gradual/phased transfer of the farm business to the next generation should be improved. Maintaining rural areas viable, simplification of the policy and developing the control regime towards a more risk based and less burdensome direction come into play in attracting young farmers as well.

Also, new tools for **risk management** are worth considering, such as wider use of insurances, for example index based, as well as futures markets. Due to the diversity of problems, differences in farm structures and local circumstances, these measures could be envisaged to be implemented under the Rural Development tool box.

It is especially important that we **streamline the programming** of Rural Development measures to ease the administrative burden for both national administrations and beneficiaries. It would be enough to include the strategic framework and general principles of measures to the rural development programmes. It would be up to the Member States to spell out at national level in more detail the specific contents of the measures. EU-level approval and controls would concentrate on the strategic level issues and not on the minute details of the measures.

## Controls and audits

Controls should be made more **risk-based**, focusing as much as possible on the elements and beneficiaries that are most likely to have errors or to present a risk to the common funds. Such an approach would increase cost-efficiency at Member State level. In case a Member State finds more errors in risk-based controls than in past years, the total amount of controls should not have to be increased. Otherwise, MS might be disincentivized from having an accurate, targeted and effective risk-based model.

Advanced digital technology allows a **cost-efficient and effective control regime** to be designed in a way that heavily relies on existing registers, satellite imaging and remote sensing technology in the controls and minimizes the need to perform control visits on the spot at the farm. This should also be taken into account in the design of the support measures from the start.

An idea of enlarged use of performance-based controls has been advanced in the discussion. This is not without problems in the field of agriculture. Much of the agricultural policy aims for multi-year performance in terms of a sustained effect on biodiversity, environment or climate. Common funding, on the other hand, is based on the principle of annuality. A balanced way to combine the two is difficult to see. In addition, a fair, predictable and just system of indicators to be controlled at farm level is hard to achieve over large geographical areas and diverse and complex ecological and yearly fluctuating agricultural conditions. If performance-based controls are to be a part of the future agricultural policy, it seems their role should be clearly defined and of a limited nature.

Future policy should advance the implementation of the **single audit scheme** and allow the work of the national certification bodies to be used to their full potential. Such a development would help lessen administrative burden at all levels throughout the audit chain.

## State aid

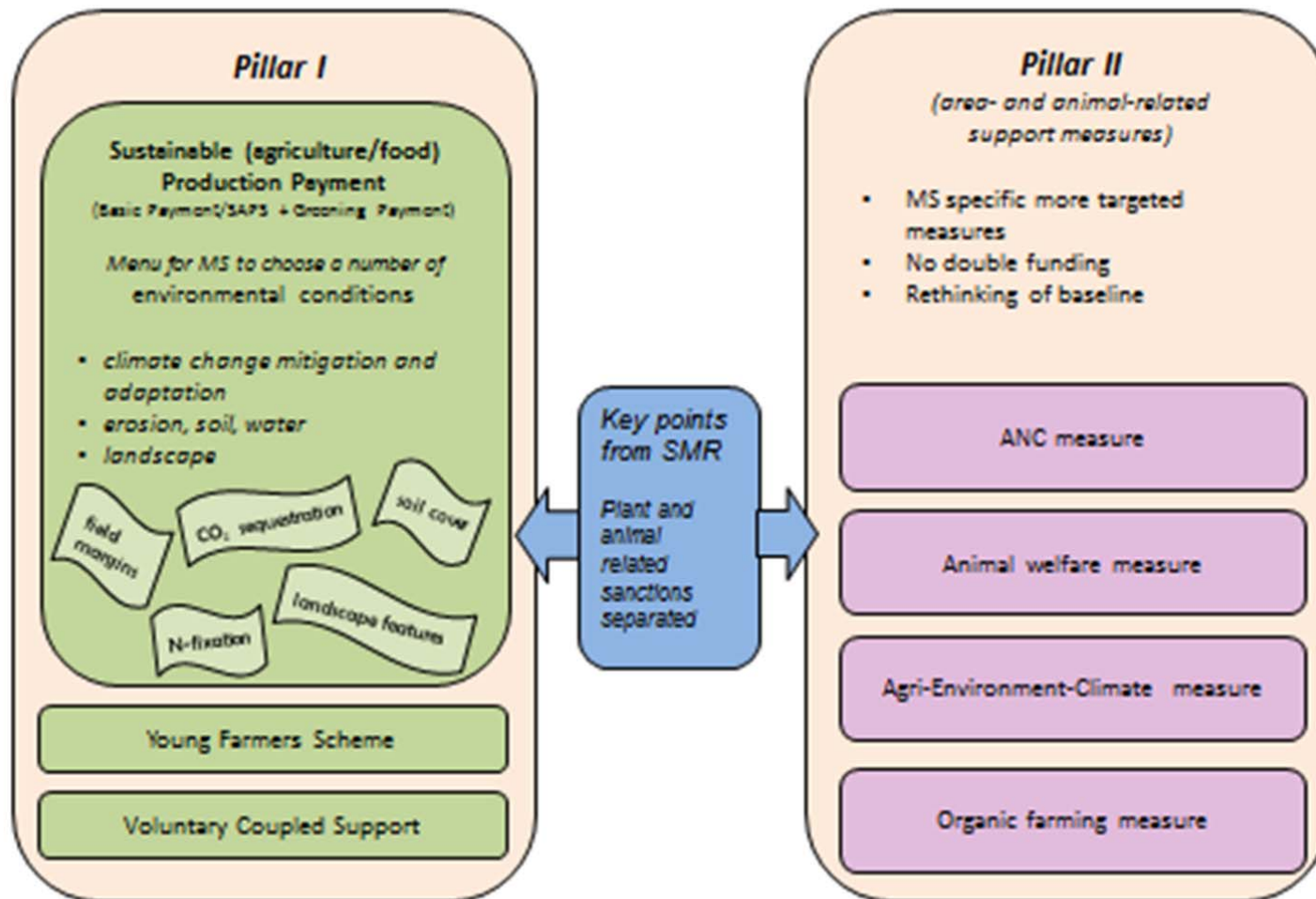
The EU State aid rules should enable promoting bioeconomy, so that it can be developed both through EU and national level measures. The use of State aid should also be made more flexible, which would be beneficial e.g. in veterinary, food safety or market crisis situations. The maximum limit of de minimis aid in agriculture should be made higher, e.g. 30 000 euros per beneficiary in three fiscal years. Also the national de minimis aid ceilings should be increased respectively.

## Annex 1. Dairy farms net economic margin. EU Dairy farms report based on 2013 FADN data.

EU Dairy farms report based on 2013 FADN data



## Annex 2: Sustainable Production Scheme



Annex 3. Growing season (days) in the EU. Finland is the northernmost agricultural country.

