



# **CAP POST 2020 CONTRIBUTION FROM CASTILLA-LA MANCHA**

*APRIL 2018*

REGIONAL DEPARTMENT FOR AGRICULTURE, ENVIRONMENT  
AND RURAL DEVELOPMENT



**Castilla-La Mancha**

## INDEX

	Page.
- INTRODUCTION.....	3
- DIRECT PAYMENTS.....	6
- RESPECTFUL ENVIRONMENTAL MEASURES.....	13
- FOOD CHAIN AND MARKETS.....	17
- RURAL DEVELOPMENT.....	20
- CONCLUSIONS.....	23

# INTRODUCTION

---

The Common Agricultural Policy (CAP) of the EU, created in 1962, the only true common policy of the European Union, represents **an association between agriculture and society**, between the European Union and its farmers.

Its main original objectives are still valid and of vital importance, since they pursue a steady supply of food for population at an affordable price; that farmers retain sufficient incomes in order to maintain their activity; or to guarantee a safe and quality food system. To these ones are added new challenges that agri-food production has assumed, derived from social evolution and biological, climatic or geostrategic constraints, such as fight against or mitigation of climate change effects, or the sustainable management of natural resources, without forgetting landscape conservation and maintenance and development of a stable rural economy.

All these multiple functions that agriculture carries on, justify by themselves the existence of CAP, since agents from rural environment and agriculture alone have no capacity to respond to these necessities. In order to achieve that the society is able to continue consuming quality foods at affordable prices, it is compulsory to support farmers, who due to input prices and globalized markets, suffer from vulnerable situations that make difficult to maintain their incomes. Moreover, income level in the agricultural sector is still more reduced than in other productive sectors.

The percentage of the budget that EU devotes to CAP began constituting 80% and nowadays is the 40%, a percentage that may seem high, but that is not so high in comparison with the budgets that national and regional administrations devote to another sectors of the economic activity, such as the industrial sector, or service sector. Also, it is to be considered the contribution of the Member States (MMEE) to EU coffers is just 1% of their respective GNI – in the case of Spain 1'04%, i.e. 9.564 M€-, so that the real financial burden of the Community policies over the Total Public Expenditure is certainly minor.

In other view, the percentage from the Budget dedicated to CAP in relation to the Community GDP implies only the 0'34%, which represents a minute amount as far as we talk about a sector of strategic importance for all the Community population, that acts on the 40% of the territory and is responsible of feeding the population, taking into account that we are also net exporters. If we add to this all the Rural Development Policies, inherently linked with the CAP, we are talking about policies that affect almost one third of the European population, providing food to 500 million people and the powerful agricultural industry of the Community, the first exporter at a global level.

Therefore, it is necessary to especially insist on conveying consumers and taxpayers the importance of supporting the CAP, since to this budgetary fact is added the reduction of the contribution of Great Britain because of BREXIT.

In Castilla-La Mancha, agriculture, livestock and forestry, together with the agri-food industry, provide more than the 14% of the regional GDP. These activities are located in our rural territory, which means more than 80% of the total area of the region. Approximately 140.000 agricultural farms enable the maintenance of life in the countryside and economic activity, reducing the severe problem of depopulation

and abandonment of rural areas that affect us. And this is possible, to a large extent, thanks to the CAP, that every year contributes to our farms and agri-food industries with an approximate amount of 800M€.

This document has been composed in collaboration with the stakeholders related with agriculture, livestock, and rural environment, agri-food industry, environmental organizations, distributors and consumers. In particular, we have worked with specific technical groups (Direct payments, Environment, Food Chain and Cooperativism, Rural Development) with the participation of the Organizations of Farmers that are legally recognized in Castilla-La Mancha, as well as environmental groups. Likewise, it has been carried out a public consultation whose results have been a great help in order to guide numerous aspects that comprise this position paper.

## MODEL OF AGRICULTURE OF CASTILLA-LA MANCHA

The **model of agriculture of Castilla-La Mancha** should be, with due regard to the great diversity of farms that its enormous extension favors, focused in the maintenance and creation of professional and familiar farms, who will create the necessary economic fabric and will boost the population increase in rural areas. We must not forget that agriculture and agri-food industries have its roots in rural territories, namely, are not relocated. Since income levels in agriculture are far from matching those of the rest of economic sectors, and given the essential role of agriculture in feeding the whole population and the maintenance of rural areas, which involve 40% of the territory of the EU, we consider imperative to maintain a system of direct income support.

It is also necessary to grant its fair value to the contributions of agricultural farms in terms of quality production and respect for the environment, moving even closer to sustainability, implementation of innovation and partnership capacity in order to improve its position in the food chain.

**Thus, this model of Agriculture in Castilla- La Mancha implies focusing in the next principles:**

1. **Coexistence of family farms with other bigger, but all professional** although not all need the same level of support, hence the necessity of applying capping of direct payments. Searching to increase agriculture income, fighting for the access to water, increasing the number of irrigated lands (we must highlight that the percentage of Usable Agricultural Area (UAA) that is irrigated in Castilla-La Mancha comprises the 13,6%, while the national average is 21,2%), though respecting environmental principles.
2. **Generational renewal** should be one of the pillars of agricultural policies, increasing actual measures and even introducing new measures or measures already applied in other periods. It is essential to improve formation and innovation in agricultural activity.
3. **A social agriculture:** increased attention should be payed to working conditions of employees, taking into account the level of hired workers at the farms to calculate the intensity of aids; thus underground economy will be reduced. Moreover, it should be put into practice an adequate policy of integration of women and gender equality in the rural environment, increasing the visibility of their work.

4. **Protection of the environment:** it is unavoidable the role that agricultural activity represents regarding the climate change, preservation of the soil, quality of water, biodiversity, greenhouse gas emissions and landscape conservation. It is necessary to find a space in which the defense of the environment and the profitability of farms could be reconciled. Research and experimentation play an important role in the development of new techniques that are respectful with the environment. It is primordial to educate farmers about the fact that taking care of the rural environment, as well as ensuring that their means of life lasts, that legitimates the budget destined to CAP.
5. **Participation of farmers in food chain,** inside which their weakness facing other links makes them suffer high volatility of prices, often putting their survival in jeopardy. It is necessary a coordinated regulation at a national and Community level, and partnership policies, especially the commercial structuring in associative entities that hold a strong commercial dimension.
6. **Role of consumers and taxpayers:** It is necessary to nurture the awareness of the consumer about the importance and value of farms that provide food with total safety at affordable prices, and, at the same time, ensure the survival of rural areas and high environmental value areas. Farmers need the financial support from CAP in order to carry out such important tasks at the time they maintain a respectable profitability. In the other hand, it is necessary that agriculture sector becomes aware of the interest that the population, upon which rests the weight of the contribution to the funds through taxes (116€/inhabitant a year), has in matters such as animal welfare, quality and sanity of food, and environment and landscape protection.

## REGARDING THE EC DOCUMENT 'THE FUTURE OF FOOD AND FARMING'

This document, issued at the end of 2017 by the European Commission, introduces elements that imply a profound change in the building of the future CAP, some of which we would like to comment:

The implementation of an important level of subsidiarity directed to Member States may have an interest aspect of opportunity because of territorial specificity, though we consider necessary to point out that, if implemented, it should be carefully studied in order not to provoke distortions of the competence in the European markets and not to imply a 'retroactivity' of the payments that could block "*de facto*" the initiatives of the sector and the administrations.

In terms of a possible **co-funding** of the funds of CAP with the Member States, Castilla-La Mancha rejects it outright, since a solid and specific budget guarantees equal treatment of instruments and policies among all citizens, whereas co-funding would generate inequalities produced by different level of richness between regions and Member States.

**The concept of conditioning the entitlement to funds ranging pre-established results** should be raised in a very consensual manner with the different territories in order not to generate legal uncertainties to the estates and their farmers.

## DIRECT PAYMENTS

---

In the last years, although farming productivity is rising, the matching of prices to those of third countries as a consequence of globalization means a reduction of the profitability of farms. In addition to this, agricultural income is still below the rest of the economic sectors. Moreover, if we take into account the vulnerable and strategic nature that agriculture has for society, it remains clear that is essential to maintain Direct Payments to incomes in the CAP.

Now is the time, with the aim of searching for solutions, to address the problems derived from the current Direct Payments Scheme through customized rights, with quantities associated to the already received in prior periods of CAP, based on fixed areas.

This model has resulted **that more intensive lands**, with bigger profits, and as a consequence, also the more competitive, are precisely the ones who benefit from bigger amounts of direct payments, situation derived from the heritage of surface aids that were linked in the past to the production volume. That is not only unfair and contrary to the principle of what should be a more social CAP (with a higher intensity of public support in the worst circumstances), but also situates extensive farming, whose contribution to the sustainability of resources is bigger, in a position of competitive disadvantage.

Moreover, a phenomenon of **“making business”** with the CAP rights has arisen, which leads to the next problems:

- Generally hampers the availability of lands.
- Worsens the difficulty of land access for the youth and of those who are willing to join farming activity, which intensifies the problem of ageing and the general renewal in agriculture.
- Harms certain farmers with a high need for crop rotation, who need area to cultivate and who find it difficult to locate proper lands at a fair price.
- It is to be mentioned also the difficult position of extensive cattle breeders in respect to the availability of pastures when they found themselves forced to rent them, because of the high prices that are sometimes charged. (Maybe it could be raised the possibility of granting rights to extensive farmers on the basis of heads of livestock, so that they do not have to depend on pastures rental to activate their CAP rights. Or, to avoid possible incompatibilities with the WTO agreements, to compensate these difficulties by means of a specific supplement).
- Difficult and complicated administrative management in the assignment and transfer of rights.

The European Commission (COM) itself, in its document DG AGRI ‘The future of food and farming’, published in November 2017, declares that it is necessary to support farmers’ income with the aim of them living off of their work, and arises the subject of the current distribution of funds among farms, since approximately 20% of the farms, the bigger ones, get the 80% of the funds, due to the territorial nature of payments. In Castilla-La Mancha, farms with more than 20 hectares mean 28% of the declarations and receive 85% of the total amount of Direct Payments. In the other end, owners of farms with less than 20

hectares represent 72% of the total, and receive 15% of direct payments. If we analyze large farms, the ones with more than 200 hectares, represent 4% of declarations and receive 37% of direct payments.

Comparing the unit values of the rights, in terms of farms per size one observes a considerable difference in the average value of the right between small and large farms, being higher in the smaller ones. This is due to the fact that large exploitations use to have a dry farming and pasture vocation, with low values, and that exist a lot of farms with a much reduced area that have obtained very high values of rights because of receiving high amounts of aids in prior periods of CAP and having a reduced territorial base.

It should also be noted the fact that many owners have initiated their CAP period with values of rights that have little to do with the orientation of their farms, because of the values coming from the decoupling of very uneven sectors and that also have been object of transactions between holders. It doesn't make any sense to maintain these differences caused by incomes received in prior periods to sectors that are not necessarily coincident with the productive orientation of the farm who has acquired them.

The **present period CAP**, that initially pretended the total convergence of the aids per hectare in the European Union, has fallen quite short from this objective in many countries. By leaving the Member States a lot of the decisions about its application, in the case of Spain it has been avoided that the baseline values were modified too much in its annual adjustment, establishing a large number of convergence regions with the aim that regions retain the same level of incomes, and based on the unit amounts of the payments received during one specific campaign of prior periods. We deem necessary to gradually abandon a 'hereditary' system of unit values of rights, generated in many cases with the CAP of the nineties, sometimes in direct relation to productivity that do not have to do with the activities and objectives of the present and provoke the "turn-into-patrimony" of the rights.

This situation results sometimes in big differences in the unit amounts between farms of different regions, but with the same kind of production. Hence, differences of profitability are provoked between similar farms, which imply discrimination between them.

Another negative consequence of the Spanish regionalization system is that prevents the movement of rights from one regions to others, nevertheless being in bordering counties, thus preventing in some cases traditional practices in our agriculture (horticultural, pastures, meadows...)

## **PROPOSAL ON DECOUPLED AIDS**

Since decoupled payments are not linked to production, and all producers face the same challenges, convergence of the decoupled payments by area should be pursued, thus reaching equity in the payment by area between territories and owners at a national level, without the maintenance of quantities generated in the past and that often does not have a connection with the reality of current farms.

This inadequate level of convergence makes Spain to face with greater difficulty a reform that, once and for all, must address (or at least take the road), abandoning the reference of historic yields of the nineties in order to calculate the aids. It would be desirable to implement a convergence at a national level, so as to correct the uneven sharing of territorial aids in which the depressed regions and the ones with more difficulties are still harmed in this sharing of funds. Only in this way one may attain the economic viability of many rural areas and settle there the population, with the important benefit that will produce over the environment and the fight against depopulation.

The **way to convergence** may be faced, in principle, by two alternatives:

1. Adjudicate the values per hectare directly in function of the areas declared in a year of reference form the previous period, dividing the national budget destined to decoupled payments among the hectares declared, reaching convergence in an only step.
2. Depart from the amounts received in a specific year, with which we are based on the historic data, though implementing a real convergence system, to the Spanish average, without regions, that ends the period with equal values for all the areas. Thus, it will be attained a more progressive transition of the quantities, that will finish at the end of the period with an absolute convergence.

In order to take into account the diversity of productions in the Spanish agriculture, so much in modality 1 as well as in modality 2, convergence values could be assigned according to large kinds of possible production: non irrigated herbaceous crops, irrigated herbaceous crops, non-irrigated woody crops, irrigated woody crops and pastures. The calculation of the value of each kind of production could be carried out according to costs/benefits, incomes, environmental benefits...proportional among each of these kinds. In this way, the regions in which convergence is to be implemented will be reduced from the current 50 to a maximum of 5.

By reducing from 50 regions to only 5, the inequality of values among producers of coincident crops but located in different regions will disappear. Moreover, the problem of holders who need to move geographically, who currently are not able to transfer their farm between regions even though it is with the same crop or production system, would disappear.

In the other hand, we believe that it should be maintained a system to define farmers with the right to receive CAP, opening the system to them who, with the current established conditions (first installation of young people, incorporation of new professional farmers, events of force majeure...) may have access to the right of payment through a Reservation.

## **COMPLEMENTARY PAYMENTS TO THE DECOUPLED PAYMENT**

The proposed system, who will be received by all farms with active owners or active farms, should be comprised, like nowadays, of a basic part (decoupled payment), susceptible to attain the aforementioned convergence, and another part of complementary payments, destined to those farms that need a specific support because of orientation, size, professionalism, age of the owner, or to areas with geographic or social difficulties – without prejudice of the possible implementation of a payment related to farming environment-friendly measures, which is discussed below-. These complementary aids should be implemented, wholly or partially, according to the necessities or election of the different regions. Castilla-La Mancha proposes the following:



- PAYMENT FOR YOUNG FARMERS:

Because of the strategic nature of generational renewal in farming, this payment should be compulsory in all the regions, and be conditioned to a continuous training of the beneficiary, prioritizing in some way those who incorporate to the farming activity through collective figures.

- REDISTRIBUTIVE PAYMENT OF PROFESSIONAL FARMERS:

We must not forget that one of the most important objective of the Department of Agriculture Environment and Rural Development of Castilla-La Mancha is the boost to professional farming, focused in those farmers who consecrate mainly to this activity, in principle to those owners whose farming or additional incomes exceed 50% of their incomes, and who pay Social Security contribution as such. According to data from the Social Security System, in July 2017 Castilla-La Mancha had 23.766 contributors, figures that maintain a certain positive trend in the last years, and who represent the 9% of the total of farming contributors in Spain. On the other hand, according to data from the General Directorate of Taxes of the Government of Castilla-La Mancha and the State Tax Administration Agency, in 2015 19,5% (in particular 24.625 farmers) of the contributors with farming incomes declared as such more than 50% of their total incomes.

Within this important group of farmers, those who represent familiar farms are the ones who deserve a special support, and among them the smaller ones, since they aid to compensate the problem of the depopulation of rural environment and suffer a greater economic weakness. A way to intensify this bigger support to family farms would be to implement this additional aid to professional farmers in a redistributive manner, that is to say, limited to the first hectares, amount that it will be fixed in due course. In Castilla-La Mancha, 75% of priority farms are in the range of 20-200 hectares.

- COMPLEMENTARY PAYMENT TO FARMS LOCATED IN AREAS WITH SPECIAL DIFFICULTIES

From the point of view of Rural Development, straightforwardly we would be referring to those farms located in areas with depopulation risks due to their geophysical difficulties, and from the environment point of view, those who require a special effort of environmental protection. In fact the proposal entrails to transfer support to the deprived area that integrate the Rural Development Program, to the first pillar, with the aim of giving a greater guarantee of implementation and safety, as well as to concentrate it in the most depopulated areas and with necessities of environmental conservation.

- GENDER PRESPECTIVE IN DIRECT PAYMENTS: FARMS IN SHARED OWNERSHIP

The integration of women in economic activity in rural areas is one of the ways to strengthen a correct rural development that needs decisive and effective policies to stop depopulation, ageing and masculinization in wide areas of the territory. Apart from the prioritization and attention to women as enhancer of economic activities throughout all the panorama of agriculture policies, it is well worth supporting the figure of the Shared Ownership Exploitations, that was created in 2011 by the Government of Rodríguez Zapatero and whose implementation, so far, has not reached the expected response. Its character of familiar farm with the special characteristic of representing both spouses in equal economic conditions provides the boost that women need to remain in the rural environment with decent conditions.

From the Government of Castilla-La Mancha we believe that the figure of Shared Ownership Exploitations should be defended in the European Union in order to generalize its recognition at CAP, and specially at the implementation of Direct Payments

## ACTIVE FARMER

With the idea of encouraging “for real farmers” in the domain of decoupled payments, one of the measures introduced by the EU in the current CAP was to determine the payment of decoupled aids to those ownerships who were defined as **active farmers**, who are those with a level of, at least, 20 per cent of their farming incomes arising from the sale of their products, limiting the aids of CAP to 80 per cent of the total farming incomes. The implementation of the reform in Spain clarified this subject, allowing all the potential beneficiaries to violate the requirement of the aforementioned 20% but applying additional controls. The result is that no more than **2-3%** (depending on the campaign) of the applicants in Castilla-La Mancha has left the system due to violation of this principle. The gross of the owners who have been left out of the system have been provoked by having lower amount aids of 100, 200 or 300 €. That implies, in our opinion, a reduced effectivity of the desired objective. In fact, in our region the percentage of direct aids received in 2015 over the total farming income of the same year of all the recipients of CAP in its whole is 18%.

The recently published Omnibus Regulation of the European Commission relaxes even more the implementation of this principle, converting into voluntary for the Member States the implementation of the concept of active farmer, which we believe draws a line that will complicate furthermore the explication to consumers of the necessity of the agriculture policy and the justification of those aids, and will create a comparative grievance between Member States.

According the data of the 2016 campaign, **if it were reduced to 60%** the maximum of aids to receive respect to the total farming income, from the 109.000 recipients of Direct Payments in 2016, 34.000 will violate this condition, that is, **31%**, provided that exceptions to elude this compliance are not applied. Regarding the possibility of applying in this requirement the figures of **farming income percentage in respect to the total income**, in Castilla-La Mancha, in 2015, 54.200 declarants would have more than 10% of their incomes arising from farming activity, approximately 40.000 declarants would have more than a 20%, and 24.600 more than 50%.

Castilla-La Mancha proposes not only the maintenance but also the intensification of the condition of active farmer for being able to perceive decoupled aids, though intensifying the level of activity, by increasing the percentage of farming incomes different from the aids, or by modifying the used concept, such as the income percentage or farming income in respect to the total income or the income of the owner, which would imply a greater level of professionalism and implication in farming activity.

Another important aspect in the professionalization of recipients of direct aids is the use of **employment as an indicator or incentive**, what would influence in the stability and quality of employment in the farming sector, including not only the maintenance of a certain level of **AWU** such as recruitment services in the farm.

## QUANTITY LIMITATIONS AND MODULATION

On the basis that large and medium size farms receive most of the funds (in Castilla-La Mancha 28% of farms receive 85% of Direct Payments of CAP), European Commission in its document DG AGRI 'The future of Food and Farming' poses the possibility of applying a maximum level of income for each farm. The Department of Agriculture, Environment and Rural development of Castilla-La Mancha also believes that it should be intensified the application of this measure, since the effect of the economy of scale implies that large farms are over-subsidized in relation to the small ones, given the territorial character of direct aids. This measure is not new, and in the current period is being applied in Spain, but only in a testimonial manner. It should be managed limiting the aids to the established maximum quantity (roof), and always, of course, taking into account the wage expenses of the farms, so that not to be accounted with the payments. In Castilla-La Mancha exist approximately 160 records with Direct Payments receiving more than 150.000€, who receive in total 37M€ with an average of 1.500ha/record. If a limit of 100.000€ should be considered, the number of records would be 400, receiving 66M€ with an average of 1.100 ha/record.

The funds recovered by this concept should be distributed within the region in which they are originated, towards farms whose owners are **young farmers**.

Another system to redistribute better the amounts per area according to the size of the farms would be to apply **modulations** in the amounts per hectare and surface sections

## COUPLED PAYMENTS

The system of associated payments applied in the current CAP implies supporting those farmers who cultivate certain vegetal species or breed cattle species. The sectors that are finally included in the system have been determined taking into account the economic difficulties in which they are immerse, also for their socioeconomic and environmental importance in the territory in which they are based.

This region considers that these complements to direct payments have helped a lot the economy of the sectors included in them, and that once were availed by the analysis of its circumstantial situation that make foreseeable a danger of disappearance if they were not supported by additional aids. For the region of Castilla-La Mancha, associated aids have implied a percentage, over total direct payments, of 29% for breeders and 5% for vegetal sectors.

Henceforth, we propose the maintenance of this system, though a revision of the sectors included should be carried out, in particular the addition of a payment destined to **low-yield olive groves**, which suffer from conditions of vulnerability because of their geographic situation in deprived areas from the point of view of low levels of rainfall and the difficulties of modernization of such areas, taking into account the important work they can accomplish, favoring environmental, paedology and socioeconomic conditions, of the areas in which they are located. It would be also worthwhile studying the situation of **apiculture**, a very special and relevant system from the environmental point of view, and it's experiencing sanitary, environmental and technical difficulties.

In terms of **extensive farming**, we think it should be taken into account, because of the difficulties it is experiencing, particularly in vulnerable areas, and the importance that its maintenance has from the environmental and rural development point of view. Nevertheless, it is possible to integrate the support to this system not only in the field of coupled aids but also in the field of environmentally-friendly measures.

The main difficulty we find when trying to design an aid program in this field is to define the concept of extensive farming as such, with the aim of being able to manage in a reasonable way an aid system. In this sense, we need studies at a national level that take into account the diversity of each region.

### **SMALL FARMER SCHEME**

According to information provided by the representatives of farmers during the reunions of the specific groups held at the Regional Department of Agriculture, Environment and Rural Development, belonging to the small farmer scheme has not supposed, in practice, any significant advantage for them. The requirement of not being able to reduce the surface in respect to the entitlements allocated in 2015 has implied that a considerable number of owners of this scheme have lost their entitlements. Diverse modifications of the scheme during the first campaigns are reducing the interest in adhering to this scheme, provoking numerous resignations to it and records that have lost the right to remain in it. The number of owners included in this program has decreased by 25% since the 2015 campaign. Because of these reasons, we propose to eliminate this scheme.

### **RISK MANAGEMENT**

By remaining exposed to the globalized markets, farmers have suffered volatility of prices, and their incomes have been affected (though productivity has risen), also because of the effects of climate change, as well as sanitary and phytosanitary crisis. Thus, it is important to work for the establishment of a solid framework with instruments that help to face the crisis, improving the resiliency of farms. Apart from direct payments, the intervention mechanism and the stabilization of incomes that activates with income losses higher than 20%, in Spain we count on the effective agricultural insurance system, which has already been operating for more than 40 years. The European Commission proposes, to insist in this subject, to use rates to calculate the income losses of agriculture, reducing bureaucracy and costs, as well as improving the knowledge of farmers about advantages of these instruments. We agree with these proposals, but maybe with a base on the Spanish agriculture insurance system one could develop the incomes assurances, expanding the range of insured risks when prices decrease.

# RESPECTFUL ENVIRONMENTAL MEASURES

---

From a wide approach, and concerning the link between agricultural activity and environment, it can be stated that:

- 50% of soils in Spain are at risk of desertification due to low levels of organic substance.
- 29% of greenhouse gasses (GHG) emissions come from the agri-food sector.
- The functionality / productivity of agricultural systems are at risk because water, soil and pollinators are threatened.

The renewed commitments of the EU in terms of climate policy (Paris Agreement - COP21) and sustainable development (United Nations' Sustainable Development Goals - SDG) must be taken into consideration.

Enforcing environmental protection as a condition to receive part of the direct payments seems the right approach to us, since the growing effect of climate change is undeniable and agricultural activity can contribute to improve ecosystems and thereby protect the base on which its own survival is sustained. Environmental sustainability is a guarantee for the future of agriculture and food production, providing both economic and climatic resilience. Furthermore, we must not forget that greening is an action that provides an important dose of social legitimation of the CAP budget.

In the current CAP period, the premises for designing the green payment are focused on simple, generalized, non-contractual and annual measures which go beyond conditionality and are related to agriculture. In Spain, these measures have materialized in:

- a) Crop diversification: in order to counteract monoculture and extend time intervals of vegetal cover.
- b) Maintenance of permanent pastures: pastures are carbon sinks and contribute to the protection against erosion.
- c) Establishment of ecological focus areas (EFA): with the objective of extending periods of land availability, favourable for nesting, reduction of fertilizer usage through nitrogen-fixing crops and increase of forest surface.

In order to be able to make decisions on the implementation of environmentally friendly measures in the future CAP, it would be necessary to analyse the real effectiveness that the current green payment has had

on the environment and on agricultural holdings. No definitive official reports have yet been issued by the European Commission, but the existing studies so far point to a weak effectiveness.

In Castilla-La Mancha, during the first period of implementation of the CAP, cropped areas containing certain species have undergone changes as a result of the implementation of these measures: the total area allocated to barley has decreased by 9% in favour of rye, oats and other cereals; legumes have increased by 9% and protein crops by 11%, whereas sunflower has decreased by 9%. Some species using very small surfaces have increased their presence in the agricultural scene, responding to the intention of the green payment to increase diversification. Regarding fallow land, whose surface has decreased considerably to 32% since 2014, the conditions required for fallow lands declared as EFA may limit the positive effects for the environment, as they cannot be used for grazing. This set of measures has not caused significant difficulties for PAC declarants. In fact, those showing initial incidences for not meeting the conditions required for the green payment have not reached 3%.

In the aforementioned communication by the Commission "The future of food and farming", it is argued that in environmental matters (natural resources, climate, ecosystems, landscapes, habitats etc) the CAP must focus on results set at EU level but with tools established and controlled by Member States. It proposes that actions should be defined through **Strategic Plans made by Member States** respecting some EU common objectives. Likewise, it raises the possibility of reorganizing all the instruments used up to now for the protection of the environment: green payment, conditionality and Regional Development Program (RDP) agro-environmental support. The simplest measures can be applied to all farmers as a condition to receive income support, and more ambitious measures can be applied voluntarily with additional payments. Also, the new conditionality can be designed on a national scale, adjusting to local conditions.

We must not forget the important role of forest areas in rural development, as well as their contribution to the cross-wise goals of environmental protection and the fight against climate change, assimilating the concepts of circular economy and bio-economy.

Regarding the above-mentioned aspects, the need for intensifying measures aimed to protect the environment and mitigate climate change seems clear, as it ensures the sustainability of agronomic systems. We must look for affordable tools for the economy of agricultural production. These tools should contribute to a considerable improvement in the system applied nowadays. In addition, these tools must be measurable in order to be able to analyse the scope of the goals initially proposed.

## **PROPOSED ADDITIONAL MEASURES**

The following measures are a selection of some of the proposals that have been addressed in the working groups held in the Regional Department of Agriculture, Environment and Rural Development, with the sector and environmental groups, which could serve as a starting point for assessing its implementation at various intensity levels.

- To maintain a natural or sown vegetation cover in ligneous crop lines in plots, reducing erosion and loss of CO<sub>2</sub> in the soil. Alternatively, a vegetation cover could be maintained on the edges of arable plots. However, our ligneous plots - especially in non-irrigated areas - support conditions that make it difficult to consider the idea of integrating vegetation cover into plots as they can come into conflict with the crop itself concerning water resources. However, some trials suggest that if cultivation working dates are correctly adapted, this measure could be applicable. However, in order to tackle the aforementioned challenge, this measure could allow herbicide treatments in crop lines in non-irrigated areas.
- A specific measure for **extensive livestock holdings**, linked to the protection of pastures: to increase the specificity of the maintenance of pastures towards those of high ecological value, i.e. those linked to the extensive grazing sustaining them. Promoting active measures in permanent pastures is also a matter of self-sufficiency, since our livestock depend on food produced outside the EU whereas our pastures are degrading.
- To intensify **biodiversity** measures: differentiating between crop types. In the current CAP period, this is implemented according to the species in winter or summer crops. However, it is important to take into account the difficulty in identifying many of these crops in on-the-spot checks, which the EU is planning to digitize to the maximum extent possible using satellite technologies.
- To increase **integrated pest management**, contributing to the diversification of beneficial fauna against pests.
- To introduce **landscape elements** in the EFA's: The European Commission itself recognizes that among different EFA's, the most stable elements – hedges, trees, ponds, terraces, stone constructs and other landscape elements- have a greater benefit on biodiversity. A layer has been created in Spain's Geographic Information System on Agricultural Parcels (SIGPAC) that allows integrating and locating landscape elements, which helps making this measure possible.
- It must be ensured that there are no conditions preventing EFA's usage (fallow land, stubble fields, etc) by **extensive livestock holdings**, as it would limit their environmental benefit for biodiversity and soil fertility, as well as against climate change.
- **Organic farming**, which is highly important in Castilla-La Mancha's agrarian landscape due to the large number of owners, as well as dedicated surface, is undoubtedly an essential pillar among environmentally-friendly practices. Therefore, organic farming should be boosted and recognised due to its favourable effects for conserving the environment. In the current CAP, organic farming is exempt from complying with green payment measures, but additional benefits could be added to organic farms in response to the environmental benefits they provide.
- It is also important to take the **Natura 2000 network** into consideration, so as to support adequate farming practices for the conservation of areas with a greater risk of abandonment or transformation.

It is very important that these proposed measures be conveniently tested in different territories and production systems.

Another important aspect to be considered, besides the possible measures to be applied, is the implementation scope thereof, their **compulsory nature** and the **compensations** farmers must receive for carrying them out. Logically, those measures which are more demanding and expensive should be voluntary and compensated independently or additionally. Depending on the possibility of its generalization, measures can be integrated into conditionality, or into a similar system to the current green payment. On the other hand, measures that could be generalized within a system such as conditionality or green payment should be more affordable in their implementation so that their scope would be much greater.

In general, we do not agree to fully bind payments to the compliance with certain protective measures, as it is proposed by some stakeholders. Rather, measures that the farmer decides to implement should be remunerated sufficiently.

Above all, we must not forget that agriculture has to remain profitable. Otherwise, agricultural activity could be seriously affected.



# FOOD CHAIN AND MARKETS

---

The sector is facing problems and market challenges which are not properly faced by the current CAP instruments, such as the fight against price volatility or value chain imbalance. There are almost no public market management instruments in the current CAP, and there are no clear instruments that allow organizing the sector in order to manage supply in a concentrated and preventive manner because competition rules prevent it. Proposals based on a combination of public, real and operational safety nets, with compatible and legally-accepted self-managed supply mechanisms by the European competition authorities could be considered.

The problem of **price imbalance in the supply chain** is one of the most worrying issues for the sector, and therefore proposed measures should be aimed at improving the position of farmers and cattle farmers in the agri-food value chain. In order to achieve this, it is important that producer organizations also commercialize the agri-food production and should have at their disposal the possibility of applying intervention mechanisms in the market before a possible fall in prices below production costs occurs. Price crises management should be **preventive** and the mechanisms conducive to this objective should be articulated.

A new vision of market policies, deepening the definition and functions of Producer Organizations and Inter-professional Organizations, extending these policies to all sectors, giving them greater negotiating capacity to structure the agri-food chain and providing them with real tools to face the critical situations in the markets is a fundamental issue when addressing the CAP reform debate.

Castilla-La Mancha's proposed measures in this matter are:

1. To regard CAP as a **consumer policy**, as final recipients of agricultural products, since their taxes make this policy possible and we cannot exclude their involvement in this debate.
2. To strengthen **farmers' position in the food supply chain**, supporting the associationism of agricultural **cooperatives** and producer organizations to improve the position of farmers in the food value chain, enhancing **short supply chains** to achieve the marketing of products, **particularly organic ones**.
3. To **empower the grouping capacity** of agricultural cooperatives, producer organizations and producer organizations associations, as well as that members' production is properly commercialised. Measures receiving aid have to support activities adding value to food production, the development of alternative products and their availability on the market. We approve the

inclusion of the Priority Associative Entities and Priority Associative Entities of Regional Interest in the list of criteria for prioritizing applications for investment support in agri-food industries, as well as for owners belonging to those Entities in similar applications.

4. To eliminate obstacles stopping agricultural cooperatives, producer organizations and associations of producer organizations from making the most of their work. **Assessing the specific characteristics of the agricultural sector and enabling farmers to work collectively are two fundamental preconditions for strengthening the position of farmers in the food supply chain while improving their negotiating position.**
5. CAP must promote competitiveness in the sector, not only focusing on agricultural support, **but also on market orientation and revaluation in the value chain.** In order to achieve this, a greater concentration of supply and a supply-demand balance will be necessary and in order to fulfil this goal it will be necessary to **review the European competition rules** for this sector, applying exemptions in the most vulnerable sectors as well as regulating and **controlling unfair trade practices.** In short, it will be essential to reconcile support to farmers and their position in the agri-food chain with specific regulations on competition in the agricultural sector to boost concentration of supply.
6. **Producer organisations must have trade capacities.** It is also crucial for them to harmonize at EU level the existing regulations because they give rise to confusion (ending the current legislative complication concerning association policies, producer organisations, inter-professional organisations, associations etc.). Stronger producer organisations should be encouraged as they favour the concentration of supply and should be able to use intervention mechanisms in the market. Inter-professional organisations must be key stakeholders when structuring different agrarian sectors and therefore they must have tools or regulation mechanisms at their disposal. They must have minimum requirements of production volumes and number of partners in order for them to be truly representative of the agricultural sectors. They must defend origin prices and have mechanisms to prevent price crises. It is important that they prepare strategic plans to mitigate the possible effects of market surpluses.
7. **Greater transparency in the market in all its phases** should be encouraged at European level as well as the establishment of trade rules with legal certainty while promoting model contracts for different agricultural products. We also believe that the implementation and consolidation of the document “*Autorización de Traslado por lotes*” (“Batch Transfer Authorization”) for agricultural products should be carried out, since there is a serious problem with thefts in the rural area. In short, the sector needs greater transparency in the chain producer - industry - consumer, in which farmers should play a more important role in this food chain. **It is important to propose and promote a European Regulation in the same spirit as – but more ambitious than- the Spanish Food Chain Law.**

8. **To mitigate the effects of price volatility.** Public and EU-level observatories on the evolution of the prices of agri-food products should be established, as well as on the production costs of those products so that they could provide greater transparency and safety to the sector when faced by sales below cost. Observatories could function as objective tools to activate market mechanisms.
9. To standardize the sanctioning system for retail sales at loss at retail stores in all of Spain's Autonomous Communities and among Member States. It is important to design more reactive public and private market management instruments open to all sectors.
10. It is necessary to establish **anti-dumping measures** at European level and **measures to eradicate unfair trade practices**, both in the internal market and in trade with third countries. In this last point, we propose to reinforce the system for reviewing the entry of hygienic-sanitary conditions, the quality of imports and their labelling conditions. Since the social and environmental conditions of production of imported products cannot be audited upon entering the EU, **a European seal of respect for labour and social rights during production**, as well as environmental respect, **must be created** to ensure compliance of International Agreements, such as the Paris Agreement on climate change. This seal should be visible and usable in a simple way for the whole EU production.
11. In terms of **Food Quality Product seals**, we propose to **reinforce the promotion of these seals**, which contribute significantly to the valorisation of our products by facilitating its creation, simplifying their requirements, delegating their recognition to Member States and finally strengthening the functions of certifiers and the functions of control organisms in order to offer greater peace of mind to consumers.
12. In addition to structural measures, it is interesting to maintain and even increase investment aid, helping achieve greater efficiency and offset the production costs of cooperatives and agri-food industries that the market does not adequately remunerate due to an imbalance in the supply chain value.

# RURAL DEVELOPMENT

---

The second pillar of the CAP has not contributed decisively to reducing differences between territories. Rural development is an issue that has reached a crossroad of political debates about the CAP and the Cohesion Policy. Incentives to develop Natura 2000 zones and areas with natural constraints and the focus on farming, livestock, forestry and processing industries more environmentally friendly should still form the rural development programs.

The second pillar new structure, with six priorities instead of the four “axes” the previous programming had, has not implied significant changes in the allocation of the financial resources to the measures.

Without renouncing to larger funds for rural development as an absolute necessity, the objective must be designed to rebalance the logic of intervention within the current structure of the second pillar. In such a way, it is considered that particular emphasis should be placed on the following aspects for the future rural development programming period 2021-2027, which should be decided strictly by the Autonomous Communities:

1. **To stimulate generational replacement in the rural area.** The future programming must continue to include a series of more specific and efficient measures to address the generational change and increase the number of young people in the sector, accompanied with the support of investments in large farms, an improvement on social sustainability and the prevention of the desertification of rural areas. **Support women, the shared ownership figure, professional farmers and the lowest incomes of agricultural holdings** are key aspects.
2. **To avoid the depopulation of the rural area and its aging,** which are the two main problems of our rural areas, **guaranteeing minimum services for the rural population** that allow them to have a satisfactory quality of life, particularly work, transportation (including rural roads), health, education and information and communication technologies. The minimum services will be subject to regulation through a regional law on territorial rural development. Furthermore, it is necessary to take advantage of territorial and potential assets, including the hidden ones, on a county scale and provide incentives for strategies aimed to innovation and modernization with the objective of reducing the gap between urban and rural areas, encouraging the older people to leave the activity and thus increase the number of young people in the sector.
3. **Create wealth in rural areas.** It must be emphasized that access to **water is vital to promote wealth and generate employment.** The objective is to improve the management of water resources in farming and livestock by increasing water and control savings and, in turn, obtaining more profitable farms that, at the same time, invite the fixing of labor force in rural areas. It is convenient to

contemplate actions tending to promote the rational and sustainable use of water. Among these actions, promoting the **modernization and improvement of the use of water in existing irrigation systems is framed on them, as well as the use of new technologies and put into service new surfaces into irrigation.**

4. The rural area of Castilla-La Mancha is not homogeneous, remaining areas with different levels of development. Therefore, **the diversity of rural areas and the different weaknesses, strengths, threats and opportunities will be considered** in the new programming. In this sense, **greater attention will be given to certain territories, the most disadvantaged ones**, when distributing the funding in order to address the specific reality of each region, especially in the poorest or depopulated rural areas.
5. **Participatory local development measures, LEADER, must be strongly prioritized** in order to overcome the “downward spiral” and the trends of rural depopulation and aging. It is true that **LEADER** has contributed, in general, to the viability of the development of rural areas in which it has been applied, although its contribution magnitude is still modest when relativizing the means employed in relation to large rural areas macroeconomic aggregates. On average, the return on public investment of LEADER is high, with a multiplier effect of public investment associated with the private investment generated. Nevertheless, **the LEADER investment shows asymmetries in the Territory**. The budget has not been invested precisely in the areas that most needed it, but has been aimed to municipalities that already had a socio-economic fabric prior to the implementation of these Programs. Notwithstanding the revitalizing work of the GAL (Local Action Groups) to attract promoters and their attempts to generate projects in all the municipalities of their action region, and in spite of the higher financial allowance by the intermediary agency for the regions to revitalize, it has turned out that these Programs have worked, generally, at the promoters’ request, being the county heads and those located in the area of the provincial capitals the most benefited by the investments in productive projects. The county heads have functioned as attraction areas for LEADER projects. In this sense, **it is likely that rural development come to terms as valid a polycentric system of well-endowed county heads distributed in the territory that radiate their stability to the county towns to avoid their disappearance.**
6. It is important that farmers have access to solid **advisory** and relationship services to improve their knowledge of markets and risk management, along with **training** and knowledge acquisition in an increasingly competitive market.
7. Greater funding is required for entrepreneur projects that are installed in rural areas and the **development of social measures, boosting them** as a priority to generate tangible positive results in the field. The rural development programs must add to the territorial aspects a **clear benefit for the greatest possible number of the inhabitants of rural settlements** and an overall impact in the whole of the rural and urban society, considering the interconnection among both – territorial rural development – and have a positive impact on the well-being in rural areas.
8. Rural areas must be spaces that present **important opportunities** that require constant support in

order to achieve the desired effects. A reasonable land management system and an action based on social equality aspects are crucial to implement these potentials, which in many cases go through the access to water for irrigation. Thus, **the creation of land banks made available for farmers, and the establishment of a public water rights stock, devoted to irrigation projects of social interest in depressed areas** are two specific aspects to be promoted with the new rural development policy. Economic incentives to **facilitate access to credit** for our farmers must be added.

9. **Agro-environmental measures** to promote models of sustainable farming should be encouraged, given their important contribution to environmental objectives and regarding the conservation of biodiversity in agricultural lands.
10. **Collective character and relevant area:** the application of measures by groups of farmers and foresters should be further strengthened so that their implementation would be achieved on a significant surface, with a landscape approach, and framed in broader territorial strategies.
11. **Foresters and investments in the development of forest areas** and improvement and **support to mounts**, as an engine of development, nature conservation and mitigation of climate change, deserve special attention.
12. Finally, the adaptation of crops and agricultural activities to **climate change**, through organic farming and the promotion of extensive livestock, along with the use of renewable energy and respect for the environment should impregnate the future rural development policy in Castilla-La Mancha. Diversification of crops and local varieties should be encouraged, as well as other good practices that can contribute to mitigate the impact on farms, while promoting adaptation to climate change.

# CONCLUSIONS

---

This document is not intended to define all the aspects for the development of a reform of the CAP, but to express the issues that most concern Castilla-La Mancha on this matter, with the greatest possible consensus among all the stakeholders, especially farmers. The essential points are:

1. Income levels of agricultural holdings are not yet equal to those of the rest of the productive sectors, and they are also affected by issues related to free and speculative markets. Therefore, it is essential to **maintain income support** through direct payments of the CAP.
2. The situation in which has resulted the status of the basic payment rights system in Spain requires a reformulation aimed at reaching a confluence in the rights' value that, we believe, will make disappear the situations of inequality between agricultural areas and productive systems and the difficulties for the access to the land of many farmers. This approach to convergence can be carried out progressively within the next CAP period to avoid too abrupt sudden changes in the beneficiaries' income.
3. There are certain types of farms and farmers who deserve special support in their income: **young farmers**, **professional farmers**, **family farms**, **extensive livestock**, depressed or disadvantaged areas. This support can be undertaken through a complementary payment into the decoupled system. And, in support of family professional farms, the complementary payment to professional farmers would be made through a redistributive payment.
4. In relation to the distribution of direct payments, the fact that the bulk of payments are concentrated in a few farms, harming those that do not have the benefit of economies of scale, is still to be dealt with. That is why we call for the application of a **payment ceiling (capping)** per farm.
5. To protect those who are more integrated in the agricultural activity, we strongly believe that is necessary to maintain the requirement of being an **active farmer** in order to be able to receive the aid and, maybe, even intensify the current level of exigency.
6. **Associated support** aimed at certain sectors in difficulties has had a positive effect on them, so they must be maintained.
7. **Environmental sustainability is** a future guarantee for farming and food production, providing both economic and climatic resilience. It is necessary to get down to work to find mechanisms that mitigate climate change and protect the environment and, at the same time, be able to maintain the profitability of farms, livestock and forestry, either by technical means or financially compensating losses of income for its application. The measures that are used in farming and livestock for these purposes should be tested in different territories and productive systems.

8. The **fight against price volatility and the imbalance in the value change** can put farmers in a situation of weakness, and this is a serious problem that needs to be addressed among all the administrations, promoting grouping capacity for commercialization, developing a coordinated market regulation with the European Union in matters of competition, improving the markets' transparency, protecting the contractual conditions of farmers at the community level, as well as coordinating the sanctioning procedures in this area, also at the community level.
9. It is considered necessary to establish **antidumping measures** at European level and **measures to eradicate unfair commercial practices**, both in the internal market and in the exchange with third countries. A European seal of respect for labor and social rights during production must be created, as well as environmental respect, which guarantees compliance with the International Agreements on this matter.
10. Promoting the generational replacement by supporting **young farmers** and encouraging the tenure of **women** in rural areas, as well as their economic activity, is one of the pillars of the agricultural model of Castilla-La Mancha.
11. The LEADER approach needs to be strongly prioritized to overcome the “downward spiral” and trends of depopulation and aging.
12. Access to water is vital to promote wealth and generate employment. The objective is to improve water resources management in farming and livestock by increasing savings and water control. The **modernization and the improvement of the use of water** on the existing irrigation, the use of **new technologies and the irrigation of new surfaces** are the appropriate mechanisms.
13. The adaptation of crops and agricultural activities to **climate change**, through organic farming and the promoting of **extensive livestock**, together with the use of renewable energies and respect for the environment, should impregnate the future policy of rural development in Castilla-La Mancha.
14. It is of crucial importance that farmers have access to adequate **advisory services**, to improve their knowledge of markets and risk management, together with **training** and knowledge acquisition in an increasingly competitive market.
15. We close these conclusions by highlighting the role of **consumer** and the **taxpayer**, who should be aware of the importance and value of the agricultural holdings that provide food at affordable prices, and at the same time ensure the survival of the rural areas and areas of great environmental value. Farmers need the financial contribution of the CAP to carry out these important tasks while maintaining a worthy profitability. Furthermore, the agricultural sector should be made aware of the interest that public opinion has on issues such as animal welfare, food quality and food safety, and the protection of the environment and landscapes.