Agriculture in areas with natural handicaps: a special health check

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PURPOSE: to revise aid scheme for farmers in areas with natural handicaps.

BACKGROUND: in place since 1975, the aid scheme to farmers in Less Favoured Areas (LFA) provides a mechanism for supporting the continuation of farming and thus maintaining the countryside in mountain areas, in less favoured areas other than mountain (the so-called *'intermediate LFAs'*) and in areas affected by specific handicaps.

Mountain areas cover nearly 16% of the agricultural area of the EU. **Approximately 31% of the agricultural land of the EU is classified as intermediate LFA, on the basis of a wide range of criteria** whose diversity throughout the EU was spotlighted by the European Court of Auditors as a possible source of unequal treatment. Only a limited proportion of farms in these areas, corresponding to 7% of total EU farms, receive an LFA payment and the average amount of the allowance significantly varies among the Member States, from 16 euro per hectare in Spain to 215 euro per hectare in Belgium.

The logic of intervention of the LFA scheme was revised in 2005. To enhance the contribution of the rural development policy to the EU sustainable development strategy, it was decided to clearly focus the objectives of the scheme on **land management**.

In 2005, the Council did not achieve an agreement on a possible Community wide system for classifying these areas in line with the new definition and the policy objectives. It was therefore decided to maintain the previous system in force for a limited period of time and the Commission was asked to undertake a review of the LFA scheme with a view to presenting a proposal for a future payment and designation system applying from 2010.

Despite the process of intense cooperation with national authorities and stakeholders and the scientific consultations carried out by the Commission since 2005, the limits resulting from the scale of pan-European data do not allow the Commission to present a legislative proposal underpinned by thorough analysis of a possible new delimitation system. The information necessary to assess the outcome of a new delimitation approach at detailed scale is only available – or can be collected – at national level.

The aid scheme to farmers in areas with natural handicaps needs to be reviewed **in order to adapt the intermediate LFA delimitation and payment system to the land management objectives decided in 2005**, to improve its **transparency** and objectivity while giving due weight to national and regional peculiarities, and to promote the targeting of the aid to the situations for which the hazard of land abandonment is greatest.

It should be noted that this **review exercise does not affect mountain areas** (already classified based on objective common criteria) **or areas with specific handicaps** (e.g. islands and coastal areas) which are classified according to those specific handicaps.

CONTENT: with this Communication, the Commission reports on the state of play of the LFA review exercise and seeking to further involve the Member States in the analysis in order to elaborate on **solid ground a proposal for an area delimitation system** consistent with the EU objectives for NHP and stable over time.

The problems that remain to be tackled within the current review exercise are the lack of transparency of the systems used by the Member States for classifying intermediate less favoured areas, the insufficient targeting of the aid on sustainable land management, notably by targeting on the situations most in danger of land abandonment and the need to achieve the common area classification approach.

The document focuses on the three following issues:

1) Making the less favoured areas delimitation system more effective: the current classification of intermediate LFAs is partially based on socio-economic criteria that no longer reflect the core objectives of national handicap payments and have been inherited from the original approach of the scheme which is now out of date. Furthermore, the evolution of the demographic and economic data used has not been taken into account to up-date the delimitation. In addition, it has occurred with reference to a wide range of national criteria often not comparable at a European level. This diversity significantly reduces transparency and may lead to an insufficient targeting of the aid in the light of the objectives of the measure.

With the help of scientific experts, **the Commission has identified 8 soil and climate criteria** (outlined in a technical annex to this communication) that may be a good basis for objectively and clearly classifying such areas.

The **assessment of the common criteria made until now cannot however be regarded as exhaustive, because of the lack of adequate data at EU level**.

In order to facilitate the achievement of the Community's tasks, and in particular to provide a solid basis for elaborating the required legislative proposal, the Commission suggests that **Member States be invited to simulate the application on their territory of the biophysical criteria** listed in this Communication and to produce maps of the areas that would result eligible under such simulations.

The simulations should not be considered as a new LFA delimitation but will constitute a valuable means of gauging the feasibility of the review options identified and eventually underpin a future legal proposal setting up the framework for a new LFA delimitation in a long-term perspective.

2) Targeting the aid to extensive farming systems important for land management: the intensity of farming systems is often a reflection of natural conditions. Areas where natural handicaps have not been offset by human intervention and technological progress are in general characterized by low-input, low-output farming systems due to the physical constraints farmers face.

Thanks to technical progress and human intervention, farmers have in several cases managed to overcome successfully the natural handicaps and are able to carry out profitable agriculture in areas where the natural conditions were at the origin quite unfavourable. In this kind of situation, there is **no justification for classifying the area as affected by natural handicaps**.

In addition, limiting the eligible zones to those actually suffering from natural handicaps is a sine qua non for targeting the aid to areas at risk of marginalisation and land abandonment and where extensive farming is important for land management. Beyond the area delimitation, appropriate eligibility rules applied after the process of area delimitation within the zone designated as disadvantaged, in order to target the aid to the farms complying with the objectives of the scheme are a useful tool for directing the aid to areas for which the hazard of abandonment is greatest.

3) Simplification potential: establishing a **common set of delimitation criteria** would simplify the implementation of the national handicap payments scheme at EU level, as the almost 100 indicators currently applied by the Member States at different threshold values, would be replaced by 8 criteria clearly defined and associated with the same minimum thresholds all over the EU territory.

One biophysical indicator would be sufficient for classifying an area as affected by natural handicap , while in the current system an area needs to exhibit all the three types of handicaps mentioned in Article 19 of Regulation (EC) No 1257/1999 for being designated.

National authorities should send their **simulations to the Commission by 21 October 2009**. The new classification system is likely to be in place in 2014.