



**Common
Agricultural
Policy (CAP)
must ensure profitable
production in all regions**



**MTK is the union and interest group for farmers, forest owners
and rural entrepreneurs. MTK has 317 000 members.**

www.mtk.fi



The legislative proposals for the future of the common agricultural policy offer a good starting point for further discussions. The proposals enable the important aim of MTK to preserve viable production in all regions. The most important measures in this respect are support for areas with natural constraints and voluntary coupled support.

MTK aims to achieve a strong two pillar agricultural budget, which provides the tools for securing competitive agriculture in the future. Therefore, MTK has strongly urged our decision makers to support an increase of the budget ceiling to at least 1,2% of GNI. MTK has also stressed the importance in maintaining the level of financing to agriculture in the next MFF.

The most disappointing part of the MFF proposal is the drastic cut of the Rural Development Funding, while at the same time the Commission demands higher standards in terms of climate and environment.

National strategy enables flexibility

MTK is very much in favour of the Commission's proposal to increase subsidiarity and the freedom to draw up a national strategy based on a Member State's own needs and special features in both pillars.

In the case of implementation, future emphasis must focus more on a results-based model rather than former micro management. MTK urges the policy to be simplified so that there will be less bureaucracy for the farmers as well as for the authorities. The implementation model of the new programming period should be a coherent entity, including a reasonable and fair system of sanctions.

New enhanced conditionality uniform across EU

The aim of the enhanced conditionality must be to create a genuine level playing field for farmers across the EU, however allowing for regional differences to a certain extent. One size does not fit all, but common rules of production is essential for fair competition in the single market.

The climate conditions of Northern Europe seem to have been forgotten. In MTK's perspective the most difficult issues are demands for appropriate protection of wetland and peatland, no bare soil in the most sensitive periods and the use of farm sustainability tool for nutrients. Most of peatland is on grass. It is also good to bear in mind that it has been written in the Paris Agreement that climate actions should be enforced in a manner that does not threaten food production. The requirement for no bare soil in most sensitive periods must be changed to a voluntary measure in Nordic countries. The nutrient management has been a significant part of our extensive Agri-environmental programme. Shifting this requirement to the new conditionality would lead to a situation where our successful environment programme would have to be built from the scratch.



Direct payments are crucial

Direct payments form a crucial element in securing and stabilising farmers' incomes. It is appropriate that the definition of a genuine farmer will be defined on Member State level. MTK also welcomes the proposal to keep the percentages of the coupled payments unchanged. Payments linked to a production, such as voluntary coupled support, are of primary importance to maintain production in sectors and areas that suffers from special difficulties. MTK aims to see all the products listed in Annex One of the Single CMO eligible for coupled aid. The funding of the coupled support should be increased.

To increase simplification, MTK points out that the eco-schemes should be voluntary for Member States. In Finland the Agri-Environmental Programme in the pillar II has been a significant part of the policy and a remarkable amount of environmental measures have been carried out by the farmers already for years.

The upcoming programming period must ensure controlled structural change and smooth changes of generation. Therefore, MTK welcomes the proposal to dedicate at least 2% of Member States' allocations for direct payments to the young farmers.

Payment entitlements should be abolished

MTK welcomes in general the possibility to abolish the payment entitlements. However, certain constraints must be preserved regarding arable field parcels concerning payment distribution in rural development funds on the Member State level.

No to capping

MTK unequivocally resists capping and redistribution of agricultural support. The ceiling of 60 000 euros would severely harm the continuation of a positive structural development and create distortion of competition within the country. In Finland, there is no problem with unequal distribution as 20% of the farms receive 55% of the support, which is much less than EU average of 20/80. If capping would to be implemented, the ceiling must be set as high as possible and apply only to the decoupled direct aid.

Rural development

Rural development plays a crucial role in the Finnish agricultural policy. Therefore, the drastic cut of the Rural Development Funding is not acceptable.

ANC - utmost important measure

The compensatory allowances must continue as simple as possible, forming the basis of the compensation payments under the Rural Development Programme. Support for areas with natural constraints is utmost important in enabling viable production in the whole Finland.

Animal welfare payments also for welfare benefits

In Finland we have done a lot of work to increase animal welfare and deal with e.g. AMR. When calculating the payments, the minimum requirement under EU legislation must be approved as the base level. It should be justifiable to grant payments also based on welfare benefits, not only for additional costs or income loss.

Agriculture and forestry is the solution, not a problem

Agriculture and forestry are the only economic sectors that remove emissions from the atmosphere. However, this is not reflected in the EU policy. The CAP now has the opportunity to address this approach by further developing the carbon balance indicator which shows the balance between carbon emissions and removals.

The Paris Agreement states that actions to lower greenhouse gases must not threaten food production. In this respect, forest, peatland, grassland, arable land and livestock production land management has a duty to help to overcome the present and future challenges of producing food in a changing climate for a growing global population. Adequate indicators, need to address this obligation.

Environmental payments available for all farmers

The environmental aid in Finland has a long tradition of being implemented on almost every farm and we want to keep it this way, though enabling regional targeted measures. However, the new green architecture creates more complexity and difficulties to design simple and attractive measures for all farmers. When calculating the payments, the minimum requirement under EU legislation must be approved as the base level. It should be justifiable to grant payments also based upon environmental and climate benefits, not only for additional costs or income loss.



New farmers and continuity across generations

Agriculture should be sufficiently attractive to bring new farmers into the sector. There should also be good possibilities for young entrepreneurs to develop their farm further after a change of generation. After the succession support scheme has been ended, there is no longer any additional incentive to hand over a farm to the next generation. MTK urges a compensatory system for elderly farmers to be developed to encourage them for a timely change of generation.

The current measures for start-up and investment aid should be maintained. New, simple and flexible instruments for agricultural funding are also needed in the future.



Forestry

Bioeconomy and production based on renewable resources offer unique opportunity to tackle many societal and environmental challenges. Sustainable agriculture and forestry form the basis for biomass production and mobilisation and are key sectors for further development of EU bioeconomy. Rural development policy can have an important role fostering the development of bioeconomy EU wide by supporting innovation, productivity and cost-efficiency in agriculture and forestry sectors.

Multifunctional, actively and sustainable managed forests deliver wide range of benefits both for rural areas and society as whole. A better integration of forestry sector into the second pillar is needed. Measures to support forest growth and health, active and sustainable forest management, wood mobilization as well as innovation and knowledge can further increase the multiple ecosystem services and benefits they produce.

Funding rules too restrictive

40 percentage of the money in pillar I and II must be used for climate actions. In addition, 30 percentage in pillar II must be used for environment and climate actions. Member states have also possibility to transfer 15 percentage of funding between pillars. These limitations have some influence on the allocation of funding for different measures. For example, it may not be possible to allocate as much for the investments as at the present level. Part of the investment support is allocated for measures to mitigate climate change and this should be considered in the calculation (40/30%). MTK demands the ANC-subsidies and the coupled support to be included in the overall percentage of the environmental and climate actions.

Monitoring, control systems and penalties should be reasonable to farmers

From MTK's point of view the early warning system should offer more guidance and possibilities to correct errors in advance. MTK stresses the need to make the sanction structure simpler and more reasonable. The connection of area- and livestock-related aid in sanctioning must be removed. Unfortunately, the current proposal does not meet these demands.

Better risk management tools

Risk management tools are needed, but they should be voluntary and tailored according to every member state's needs. The fluctuation margins of producer prices and the speed of change are less pronounced in Finland than in many other member states, thanks to strong producer cooperatives especially in dairy and meat production. For this reason, farm income insurance to reimburse rapid and large drops in revenue is ill-suited to our current operating environment.

Concerning the alternatives to insure against crop damage the simplest solution would be to use a part of the Rural Development Programme funds as insurance premium subsidies to reduce the cost of present insurances. The possibilities the producer organisations have to improve risk management should also be considered.



Market actions

Market-led nature of the agricultural policy needs to be developed further. However, this should be done with consideration of intra-union differences in agricultural production. Greater weight should be given to the sustainability of the production and allowances made on a larger scale to national special requirements in relation to e.g. concept of “local foods”, animal welfare, and animal and plant health. MTK urges the convergence of agricultural policy and trade policy to be improved. More attention should also be paid to the effectiveness of the input markets.

The current intervention scheme for SMP should be drastically revised, or completely abolished. As the situation is today, the intervention scheme is favouring only countries that are increasing milk production in an irresponsible way based on unrealistic market expectations. The intervention for SMP also tends to prolong market imbalances.

National aid

National payments are extremely important in supplementing the EU Common Agricultural Policy and enables a quite fair coordination and combination of the different aid systems. The Commission's decision on national aid for Southern Finland is in force only until the end of 2020. In conjunction with the reform, a permanent legal basis for national aid should be established. One option could be the extension of Article 142 of the Accession Treaty to apply to the whole country. Nordic Aid is currently sufficiently flexible to fulfil Finland's needs.

Future of CAP in a nutshell

- Strong CAP and strong funding for the both pillars
- Viable production in all regions
- Coupled payments and ANC are utmost important measures
- Less bureaucracy for farmers, not only for administration
- Northern Europe's climate conditions must be considered in the conditionality
- Investments for the future: support for young farmers, compensatory system for elderly farmers, investment aid
- Payments for providing public goods and animal welfare benefits
- Level playing field for farmers across the EU



Agriculture in Finland

- Finland has 48,000 farms with an average arable area of 47 hectares. Of these, about 12 % are organic farms.
- Dairy farming is the largest agricultural sector in terms of turnover. The agricultural sales revenue total was EUR 2.2 billion, of which milk accounts for 40 %.
- In terms of land use grain production is the largest sector in Finland. Next comes production of other crops and grassland.
- Almost 90 % of Finnish farms belong to an official agri-environmental programme.
- The average age of farmers is 52 years. Our farmers are young compared to European colleagues.
- Agriculture and horticulture provide employment for 100,000 people. The food sector employs 240,000 people, from production input industry to retailing.
- The retail market in Finland is highly concentrated. The two biggest retailers have a market share of 83 %.
- Finland has long traditions in plant and animal breeding. Local breeding has been vital for the evolving local food production and in the future, it will respond to the new challenges of farming.

Source: Luke, Statistics Finland, Kantar TNS