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**ANNEX TO THE
COMMISSION STAFF WORKING DOCUMENT**

accompanying the

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Towards a better targeting of the aid to farmers in areas with natural handicaps

Impact Assessment

ANNEXES 2-7

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ANNEXES

Annex 2.	The Inter-Service Steering Group (ISSG)	3
Annex 3.	ISSG Mandate.....	4
Annex 4.	ISSG Hearings	10
Annex 5.	Contributions received following the LFA public consultation	11
Annex 6.	Studies, reports and contributions from ISSG members	42
Annex 7A.	Opinion of the Impact Assessment Board of 03.02.2009 on the draft impact assessment report	43
Annex 7B.	Explanation of the follow-up given to the recommendations of the Impact Assessment Board	46

ANNEX 2. THE INTER-SERVICE STEERING GROUP (ISSG)

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ANNEX 3. ISSG MANDATE



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate F. Horizontal aspects of rural development

F.3. Consistency of rural development

Brussels, 22 January 2008

MANDATE

INTER-SERVICE GROUP FOR THE IMPACT ASSESSMENT OF THE REVIEW OF THE PAYMENTS SYSTEM TO FARMERS IN AREAS WITH HANDICAPS 'LESS FAVOURED AREAS'

1. CONTEXT AND ISSUES AT STAKE

1.1. Background

The Rural Development Policy for 2007-2013 includes a significant evolution of the support scheme to farmers in Less Favoured Areas (LFAs). The LFA scheme in place since 1975 had been subject to strong concerns from the European Court of Auditors in 2003¹. The Court recommended a complete and in-depth review of the existing classification of LFAs as well as an overall evaluation of the aid scheme.

In 2005, when designing the new strategic approach for Rural Development Policy and taking into account the Court of Auditors' concerns, the Council set out a new direction for the LFA scheme: the aid to farmers in areas with handicaps² is now part of Axis 2, which aims at improving the environment and the countryside by supporting sustainable land management. Article 50 of Regulation 1698/2005 therefore characterises the eligible areas as areas affected by natural handicaps³, and no reference is made to the socio-economic criteria widely used in the past for designating LFAs⁴.

¹ European Court of Auditors (2003), *Special Report No 4/2003*, OJ C 151 of 27 June 2003, http://www.eca.europa.eu/audit_reports/special_reports/docs/2003/rs04_03en.pdf.

² See Article 36 (a) (i) and (ii) of Regulation (EC) No 1698/2005, OJ L 277 of 21.10.2005, p. 18.

³ However, a specific mention to the need of preserving the tourist potential is made as concerns areas with specific handicaps, which should not exceed 10% of the area of the Member State concerned.

⁴ According to Article 19 of Regulation (EC) No 1257/99 "an economic performance in agriculture appreciably lower than the average" and "a low or dwindling population" had to be used for designating intermediate LFAs.

However, in 2005 the Council could not find an agreement on a possible Community wide system for LFA classification more in line with the new policy objectives. It therefore decided to maintain the previous LFA system into force until 1 January 2010 and called for the Commission to undertake an extensive review of the LFA measures implementation and present in 2008 a report and proposals concerning the future payment system and designation of LFAs for a Council decision⁵.

The Commission's departments launched the LFA review exercise by an independent evaluation concluded in November 2006⁶. At the same time, the Joint Research Centre has been developing a framework to identify a number of biophysical criteria indicating significant handicap for European agriculture. 27 bilateral meetings between DG AGRI and the Member States were held and an expert meeting between the Commission and the Member States took place on 14 November 2007 concerning the delimitation of areas affected by significant natural handicaps.

1.2. Problems to be tackled

Community support to farmers in LFAs is a longstanding aid scheme which, according to the evaluation findings, has contributed to the continuation of farming in marginal areas. Its logic of intervention has undergone a significant evolution since its inception in the 1970s: instead of addressing explicitly rural depopulation, natural handicap payments are devised as a land-management tool that should contribute to maintaining the countryside through sustainable farming systems.⁷

In the wider approach designed in 2005 for the new Rural Development Policy, more targeted measures are available to tackle socio-economic handicaps and rural depopulation, through income improvement, job creation, better quality of life in rural areas and the building of local capacity for growth and jobs. In this perspective, the socio-economic criteria used up till now for classifying the eligible area do not seem relevant anymore. The LFA designation and payment system should be overhauled in line with the revised objectives and the strategic approach decided for the Rural Development Policy for 2007-2013.

Since 1975 the eligible areas have tended to increase and the delimiting criteria to become more and more varied. The wide variety of criteria used by the Member States to qualify as LFA may lead to disparity of treatment among beneficiaries and the Court of Auditors criticized the lack of firm evidential criteria which are comparable and justified.

In many cases the classification criteria have not been reviewed to take account of the developments occurring in the areas concerned, although the situation may have changed significantly over the years. In addition, many indicators used up to now may be flawed and in particular:

⁵ Presidency's compromise of 20.6.2005, Council doc. 10352/05 of 23.6.2005, p. 5.

⁶ IEEP (2006), *An evaluation of the Less favoured Area measure in the 25 Member States of the European Union*, http://ec.europa.eu/agriculture/eval/reports/lfa/index_en.htm.

⁷ See Recital 33 of Regulation (EC) No 1698/2005

- It is difficult to say if farm productivity indicators reflect the presence of land of poor productivity or simply result from bad management skills or lack of training.
- Proxy indicators, such as the proportion of grassland, may lead to inappropriate results.
- Physical indicators relating to soil and climate handicaps are widely used by the Member States, but their definition and application is extremely diverse from one Member State to the other.

More generally, the classification and allocation criteria used up till now are only partially adapted to recognised environmental priorities and region-specific land management requirements.

Finally, there is need to strike a balance between a coherent and transparent approach ensuring equal treatment among beneficiaries and the request for subsidiarity put forward by a majority of Member States in order to take into account regional peculiarities.

2. ANALYSE D'IMPACT

2.1. Cheminement

En suivant le cheminement prévu par les lignes directrices de la Commission, l'analyse d'impact devra chercher à:

- identifier les situations-type où le système actuel de délimitation des zones défavorisées et d'attribution des aides ne correspond pas aux objectifs et conditions retenus lors de la révision de la politique de soutien au développement rural en 2005, et analyser les conséquences du point de vue de la cohérence et de l'efficacité de l'intervention communautaire ;
- identifier des orientations pour un alignement plus précis des modalités du régime d'aide sur les situations visées par le nouveau règlement en tenant compte des priorités des stratégies de Göteborg et de Lisbonne, transcrites dans les objectifs de la PAC réformée et dans les orientations stratégiques pour le développement rural. Les orientations pour la révision tiendront également compte :
 - des contraintes liées aux engagements internationaux, financiers et budgétaires de l'Union ;
 - de la recherche d'une meilleure complémentarité et cohérence avec d'autres soutiens de la PAC qui concourent au maintien de l'agriculture et/ou à la promotion de modes de gestion des terres plus durables (les aides agro-environnementales, les paiements Natura 2000, le paiement unique par exploitation, les paiements supplémentaires au titre de l'article 69, les aides couplées à la production) ;
 - le cas échéant, d'une meilleure complémentarité et cohérence avec d'autres objectifs et interventions de l'Union au titre de ses politiques ;

- des engagements de la Commission en matière de simplification et de réduction de la charge administrative ;
- élaborer des options pour la délimitation des zones défavorisées et l'attribution des aides qui accordent une priorité différente aux orientations identifiées pour la révision du régime et qui adoptent des approches différenciées selon le degré de subsidiarité, le niveau de ciblage et de concentration de l'aide, l'articulation avec les autres formes de soutien, ou d'autres dimensions jugées pertinentes pour explorer l'étendue des choix possibles et mettre en évidence leurs conséquences;
- évaluer l'impact des options analysées sur les parties prenantes et sur différentes catégories d'objectifs et d'enjeux ;
- comparer les avantages et les inconvénients des différentes options à l'aide de critères correspondant aux orientations de la révision.

2.2. Moyens

L'analyse pourra notamment s'appuyer sur :

- le rapport spécial n°4/2003 de la Cour des Comptes consacré au soutien du développement rural aux zones défavorisées⁸;
- l'évaluation indépendante du régime d'aide finalisée en novembre 2006 par l'IEEP⁹;
- l'étude sur l'impact territorial de la PAC et de la politique du développement rural réalisée dans le cadre du réseau ESPON¹⁰;
- l'étude réalisée par l'IEEP sur les indicateurs pour délimiter les zones à haute valeur environnementale (HNV)¹¹;
- les études commanditées par le CCR sur la définition des systèmes agraires à haute valeur environnementale et sur l'identification des zones menacées d'abandon des terres;
- le rapport des services de la Commission sur les méthodes mise en œuvre par les Etats membres pour délimiter les régions affectées d'handicaps naturels ;

Pour compléter le diagnostic sur les conséquences de l'inadéquation du système actuel de délimitation et de distribution des aides et pour faciliter la conception d'options de révision, le groupe auditionnera des experts dans le cadre d'un atelier.

Chemin faisant, ESTAT compilera des données statistiques des zones défavorisées jugées utiles pour l'analyse tirées de l'enquête 2005 sur la structure des exploitations agricoles et éventuellement 2007.

L'analyse bénéficiera des résultats du travail d'un groupe d'experts coordonné par le CCR, chargé de définir des critères biophysiques communs pour délimiter les zones affectées de

⁸ JO C 151 du 27.6.2006

⁹ Cf. Note 6

¹⁰ http://www.espon.eu/mmp/online/website/content/projects/243/277/index_EN.html

¹¹ <http://ec.europa.eu/agriculture/analysis/external/evaluation/report.pdf>

handicaps naturels importants pour l'agriculture ainsi que du travail engagé avec les experts des Etats membres sur l'applicabilité de ces critères¹².

La contribution des parties intéressées à l'analyse de la faisabilité des options analysées et à l'étude de leurs conséquences sera sollicitée dans le cadre d'un appel lancée à l'occasion d'une réunion du Comité consultatif pour le développement rural, au besoin élargi à d'autres parties prenantes ou porteurs d'enjeux.

Pour la quantification de l'impact des options analysées sur la distribution des aides, l'activité et le revenu des agriculteurs, il est prévu de faire appel aux données et aux outils de modélisation du RICA, et, dans la mesure où la définition des options le rendrait pertinent, à d'autres outils de modélisation.

2.3. Composition et échéances

Le groupe sera composé de Stefano GRASSI (SG), Elena PANICHI & Catherine VANBEUREN (BUDG), Michael GRAMS (ECFIN), Christine MEISINGER (ELARG), Diana JABLONSKA (EMPL), Anna BARNETT & Eva VIESTOVA (ENV), Hubert CHARLIER (ESTAT), Michel TILLIEULT (FISH), Jean-Michel TERRES (JRC), Patrick SALEZ & Johan MAGNUSSON (REGIO), Yves DISCORS (OLAF), Daniel GUYADER (RELEX), Hans-Jörg LUTZEYER (RTD), Andreas LILLIG, , Iman BOOT, Aniko NEMETH, John LOUGHEED, Mathilda ABERG, Inge ZAISER, Pascale MATHES, Christophe DERZELLE, Josephine LORIZ-HOFFMANN, Alex PAGE, Michael PIELKE, Antonella ZONA, Notis LEBESSIS, Thierry VARD, Piotr BAJEK, Guido CASTELLANO & Peristera KREMMYDA (AGRI).

Les travaux commenceront en décembre et de dérouleront au rythme moyen d'une réunion par mois jusqu'à la fin juillet, date prévue pour l'introduction du rapport à l'IAB, selon l'échéancier suivant :

décembre – janvier	Constitution du groupe de pilotage, approbation du mandat, organisation et programmation des travaux
janvier - février	Identification des problèmes, des acteurs et des impacts à analyser
février	Atelier / audition avec des experts
janvier - Mars	Définition des orientations et des options
mars - mai	Consultation des parties prenantes sur les options et les impacts

¹² http://ies.jrc.cec.eu.int/fileadmin/Documentation/Reports/RWER/EUR_2006-2007/EUR_22735_EN.pdf

mars - juin

Evaluation des options, éventuellement
auditions complémentaires

juillet

Transmission du rapport à l'IAB

ANNEX 4. ISSG HEARINGS

EUROMONTANA	Eider ARRIETA LANGARIKA Frank GASKELL Marie GUITTON Petr KROGMAN Sylvain MARMIER
EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM	Guy BEAUFOY Gwyn JONES Xavier POUX
INSTITUTE FOR EUROPEAN ENVIRONMENTAL POLICY	Tamsin COOPER
SOLAGRO	Philippe POINTERAU

ANNEX 5. CONTRIBUTIONS RECEIVED FOLLOWING THE LFA PUBLIC CONSULTATION

The consultation paper published on 22 May 2008 is available at http://ec.europa.eu/agriculture/consultations/lfa/index_en.htm.

The 109 responses received are summarized anonymously, as announced in the public consultation.

Respondent	Preferred Option	Objective of LFA and Assessment of Options	Elements of the method and technical suggestions
Member States			
	Status Quo	<ul style="list-style-type: none"> • Unprofitable Agriculture must be compensated • A loss of Agriculture will lead to a loss of landscape protection • Only option 1 delivers the objectives 	<ul style="list-style-type: none"> • Wish to use combined criteria
	No Preference	<ul style="list-style-type: none"> • All options are in line with the objectives • The JRC criteria are sufficient to delimit LFAs • A large disparity amongst MS • The intervention mechanism should be used to ensure continuation of farming 	<ul style="list-style-type: none"> • The size of delimitation should be at least a whole farm or business entity • Refining criteria should be based on average yields or crop gross margins • HNV should not be used
	Status Quo	<ul style="list-style-type: none"> • Compensatory allowances are very important for preserving agriculture in handicapped areas • All options would cause a change in the currently defined area. 	<ul style="list-style-type: none"> • "Gemarkung" = part of a commune = part of NUTS 5/LAU 2 should be used for the size of delimitation • Step 2 of option 2 should only be optional and only applied if it is clear that step 1 does not comply with the actual circumstances • The definition of the criteria for options 2-4 should be flexible and allow the possibility to take into account also

		regional characteristics
Common Criteria or Eligibility Criteria	<ul style="list-style-type: none"> LFA areas should be based on EU common criteria. LFA should have common financing and equal treatment across the EU Medium term the LFA scheme should be integrated to CAP pillar I with appropriate financial arrangements. Option 1: variety of criteria used and not comparability across the EU, does not meet objectives of review. Option 2-3: would make the LFA scheme comparable across the EU Option 4: HNV are defined differently in each MS and are not always equivalent to LFA areas. Biodiversity challenges are AE issues whereas LFA should focus on sustainable land management 	<ul style="list-style-type: none"> A new delimitation should come into force only in 2013 Scale of delimitation should be Local government (commune) level.
No Preference	<ul style="list-style-type: none"> No particular comments 	<ul style="list-style-type: none"> No particular comments
Status Quo	<ul style="list-style-type: none"> Status quo -no problem except maybe not replying to CoA criticisms. For common criteria 2nd step not relevant for Finland. Eligibility rules at EU level not possible due to differences in the the MS. Extensification not fair. HNV not compensating for natural handicaps. Community wide consistent data should be obligatory EU level could establish the minimum area and level of cross compliance HNV not meeting the objectives to compensate for natural handicaps. 	<ul style="list-style-type: none"> Extensification should be addressed in AE-scheme not in LFA Should be full MS flexibility Current timeframe not possible to have a functional system by 2010 Differentiation between different level of handicaps to be reflected in different support levels Eligibility rules impossible at EU level Forests, lakes, rivers etc should be additional criteria. Additional cost of livestock production in northern conditions should be compensated for. Level of delimitation should be NUTS 3 Northern location criteria needed Production costs should be taken into consideration

No Preference	<ul style="list-style-type: none"> • Most important threats are the bad chemical soil properties, the acidity and the arid climate. • Irrigation, liming, draining etc. are useful but expensive methods which have to be applied continuously. Therefore, farmers who overcame the natural handicap must not be excluded 	<ul style="list-style-type: none"> • Second step of the delimitation is unnecessary because complete NUTS 5 regions, qualified according to the biophysical indicators, could be excluded. • Scale of delimitation should be Physical block, the bigger size, like the NUTS 5 level, obscures the differences
No Preference	<ul style="list-style-type: none"> • Some questions remain over the JRC methodology which will need to be clarified • Land abandonment is related to various factors with socio economic playing a role • Scattered structures and small farms are found most often in LFAs • All options are inline with the objectives of the review • A single method for delimitation may be hard to achieve • Index systems maybe better suited to delimit LFAs although some of these have socio economic criteria embedded 	<ul style="list-style-type: none"> • NUTS 5 should be used as a level to delimit • JRC criteria are adequate to be able to be used • Should allow MS flexibility especially allowing for socio economic indicators to be used • Suggest having a scattered structure criteria
Status Quo or Common Criteria	<ul style="list-style-type: none"> • Consider that both Option 1 and Option 2 are well responding to the Court of Auditors • Land soil and climate indicators and production should be set in place at community level for ensuring equal treatment between Member State • A clear demarcation with HNV philosophy is obligatory • If any intensive farmers are required to be excluded, then not working intensively must to be compensated by comparison with intensive farm activity. 	<ul style="list-style-type: none"> • Option 2, it should be made clear that soil-water balance will consider only the available water which is present in the soils at maximum rooting depth. • Slope threshold should be established at 12%, as most of nationals GAEC's details are imposing requirements starting with this value • Land fragmentation is a relevant indicator, as only large farms are intensive, this indicator being also very easy to collect and can be use at a certain values across EU. • Indicators proposed these are very hard to collect and present a very high risk of variations between MS because of the reference level, jeopardizing the aim of Court of Auditors in establishing equal criteria treatment among Member States (a reference level can be only at European level)
No Preference		<ul style="list-style-type: none"> • Foresee a difficulty with implementing at the LAU2 level due to lack of data.

Common Criteria	<ul style="list-style-type: none"> • Focus on farming activities and not farming systems • Discontinuation of cultivation and grazing creates biodiversity losses and loss of landscape values • Fine tuning of eligibility rules giving enough flexibility for MS to take into account regional situations • Option 1: does not meet objectives of review. • Option 2-3: Need to collect necessary data. • Important to find principles for eligibility rules with sufficient flexibility. • Option 4: HNV not yet agreed and mix of objectives 	<ul style="list-style-type: none"> • Level of delimitation at NUTS5 • Common criteria and eligibility rules be set-up nationally • HNV is too unclear still and harmonisation difficult • Option 4 would be very administratively burdensome • Confusion between AEM and LFA in some options • Threshold important • 1 criterion is enough to classify • Lowest level of administrative borders would be best to delimit areas
No Preference	<ul style="list-style-type: none"> • LFA measure needs to reward those carrying out extensive farming that delivers environmental and landscape benefits that would not otherwise be provided by the market alone • UK's less favoured areas are particularly highly valued for their environmental features and agricultural landscapes, forming a key part of our national heritage. • Support the need for a review of the Less Favoured Area measure • However, as the apparent scope of this review has moved beyond a narrowly-focused technical review of the delimitation criteria to include a review of the eligibility conditions, the UK feels it is important to spend sufficient time in getting this right • LFA is achieved through the use of objective criteria identifying natural handicap • Support the principle of achieving consistency of approach across the EU through common criteria 	<ul style="list-style-type: none"> • Recommend that further work is needed on the criteria and methodology being proposed • Current proposals do not accurately reflect areas that suffer genuine natural disadvantage in UK • Indicators relating to rainfall/soil wetness/soil water balance/field capacity need further consideration, as do interactions between certain criteria • Major issues with data availability • Production-based data would need regular updating to remain valid • UK recommends that further work is needed to explore which approach would deliver the broader objective • Essential to retain Member States' existing flexibility to determine their own eligibility conditions within the LFA • Flexibility to focus LFA support on those areas or production systems defined as important within the LFA • Flexibility to designate LFA at land parcel or (sub) holding size level should we wish to do so rather than restricting it to a higher administrative level or

- Not convinced that a “one-size-fits-all” methodology achieves this ward
- LFA is also only delimited where “*maintaining extensive farming activity is important for the management of the land*”. This is a critical requirement necessary to focus LFA designation on those areas important for environmental and landscape objectives.
- Current proposals do not yet ensure parity of treatment for beneficiaries
- Member States have sufficient flexibility to apply the EU criteria, it is also important to provide flexibility within Member States

Farming Organisations		
Status Quo and Common Criteria	<ul style="list-style-type: none"> • Believe that socio economic indicators should be included in new system • Main criteria should be areas capability for agricultural production • Should be a peer review process • Should recognise wider concept of handicap remoteness, access to market • Concern about the lack of data availability • Political concerns about significant change • Support efforts to find objective and relevant criteria 	<ul style="list-style-type: none"> • Option 3 is not feasible • Should not dilute the LFA measure with pseudo Ag Env elements • Should postpone implementation until next programming period • Community framework with full subsidiarity should be the way forward • Commune level is the most appropriate for mapping • Should produce an analysis of the impacts and effects of any policy change
Status Quo	<ul style="list-style-type: none"> • Largely accepts the European Commission's view that use of physical criteria will provide a more objectively verifiable approach to LFA classification and that socio-economic handicaps and rural depopulation could be addressed using targeted measures made available under the Rural Development Plan • Land exposed to structural handicaps such as peripherality and remoteness are at a genuine and legitimate disadvantage which is likely to remain a permanent attribute of that land. • Suggest delaying the implementation of this exercise until the current RDP period comes to a close and new budgets and direction of CAP support have been established. • Recommend the Commission install a means of 'quality control' or peer review to ensure a rigorous and consistent approach towards LFA classification across the EU. • EU should ensure that sufficient core funding is allocated to each Member State/region to meet the minimum costs of LFA measures and avoid dilution of payments to LFA scheme participants. 	<ul style="list-style-type: none"> • Most appropriate scale for assessing natural handicap is at a parish/commune scale • Genuine merit in adopting option 1 • Member States have the flexibility to delimit LFAs according to national indicators of natural handicaps allows for selection of the appropriate physical criteria which are well suited to each Member State. We endorse this level of flexibility acknowledging that Member States have different yet valid reasons for identifying natural handicap criteria. • Option 1 may fail to succeed in delivering the Commission's objectives of transparency and commonality • Option 2 would appear to offer a more transparent approach to delimitation in keeping with the EC objectives • JRC criteria do not reflect UK conditions being more relevant to Mediterranean and Continental climates rather than Oceanic • EC broadens this list and identify further criteria of natural handicaps such as rainfall, aspect and altitude. • Doubt that a single criterion should trigger LFA status

- Permit individual Member States the flexibility to identify threshold values at a regional or state level in order to establish what is truly a handicap.
- Not supportive of adopting option 3 or 4

Status Quo

- The current system of delimiting LFAs across Scotland has resulted in the correct areas of land being designated as 'LFA'. If the Commission is concerned about the consistency of designation amongst Member States, it should take these concerns up with the Member States involved.
- If Scotland is coerced to revise the area of land delimited as LFA, the criteria used must reflect true physical and climatic handicaps to agricultural production. That is, the combination of (predominantly) soil and climate factors that dictate the 'workability' of land in Scotland and therefore limit its productive potential or agricultural capability.
- The basis for payments of the delimited LFA must allow for the inclusion of the additional costs that are caused by socio-economic factors, such as distance to market, peripherality and low service provision.
- The system for designation must ensure that only areas that face legitimate and real handicaps to agricultural production, and where active farming underpins the economic, environmental and social dimensions of rural development, are included in future LFAs and are therefore eligible for support.
- Delimitation of LFAs should be done at the most appropriate administrative level. Devolved administrations should have responsibility for their own LFAs within the UK. Actual mapping of LFAs should be done at the most accurate mapping level appropriate to the resources and capacity of the administration.
- LFA delimitation must result in a distinct or continuous less favoured 'area', not fragmented or punctured, whilst LFA payments must be
- The greatest threat to the continuation of farming systems, and the multiple benefits they deliver is further decline in the returns to those who depend on livestock production for their living, eventually resulting in land abandonment.
- The relative importance of LFA scheme, given the historically low productivity of such areas, elevates the importance of LFA support to a level that effectively straddles both Pillars 1 and 2.
- LCCA to delimit the LFA boundary, together with socio-economic parameters to reflect real additional costs, is exactly what is required.
- The other Options fail to recognise the link between active and productive farming and the rural economy, its environment and its people.
- Concerned that Option 2 could seriously puncture the existing LFA. This could result in some areas that clearly deliver the full range of rural development benefits derived from extensive livestock grazing systems falling out of the LFA
- Option 3 will deliver neither improved efficiency nor effectiveness of the LFA mechanism
- Option 4, the notion of HNV remains very much a 'concept' under discussion and does not yet lend itself to serve as the basis for designation of intermediate LFA
- Impact of the options presented would be the misalignment of LFA delimitation with appropriate levels of LFA support
- Essential that Option 1 also includes socio-economic parameters as part of the basis of LFA payment.
- The main criteria to take into account when delimitating the intermediate LFAs should be the area's capability for agricultural activity
- Considers biophysical criteria are of primary importance
- However, they have to be appropriate to the soil and

made at the farm level in order to reflect the contribution of individual businesses that active farming makes to delivering rural development benefits.

- If the area of land designated as LFA subsequently increases within regions as a result of the delimitation exercise, Member States should not be permitted to dilute the payments to existing LFA scheme participants - new funds should be secured to accommodate new LFA claimants.
- As there are no agreed EU guidelines on what constitutes 'high nature value' farming, it is inappropriate to include this as a realistic option.
- The position is to support Option 1 on the condition that the option to use socio-economic indicators to designate LFAs is offered to administrations where appropriate.

climatic conditions that give rise to the agricultural capability of Scotland, and not those that are better suited to 'Mediterranean' LFAs.

- Delimitation of LFAs should be done at the most appropriate administrative level.
- LFA delimitation must result in a distinct or continuous less favoured 'area', not fragmented or punctured
- The only way to assess whether natural handicaps have been overcome is to confirm the viability of farm businesses and the sustainability of farming systems that deliver a comprehensive range of economic, environmental and social benefits.
- Considers it essential that both LFA delimitation and subsequent payment schemes remain free from major upheaval and adhere to areas and structures that are currently well understood - not least for what they deliver by way of significant benefits for rural Scotland.

<p>No Preference</p>	<ul style="list-style-type: none"> • Agrees with common position of Copa Cogeca, but replies to the consultation in relation to the national, regional and local specificities of Sweden • Swaying between option 1 and 2. Common criteria are an advantage since it gives freedom, but must be in a non distortive way • LFA should be linked to production • Main objective is to compensate for production disadvantages. Environment important, but not main objective. • Option 1: Easiest, but difficulties with CoA. • Option 2: Great freedom, but risk of competition distorting implementation. • Option 3: Environmental and EU steering creates implementation problems, too difficult. • Option 4: No advantages, risk of over bureaucracy 	<ul style="list-style-type: none"> • Option 3-4 will introduce an environmental cross-compliance only for LFA areas creating extra burden on farmers. • HNV indicators too different in EU. • Farm layout has to be included (scattered land) as a criteria. • A scattering index could be introduced • Scale of delimitation should be at Parish level with room for exceptions • Review also compensation levels, consider an increase • Couple support to production in order to reduce passive farmers receiving support
<p>Status Quo</p>	<ul style="list-style-type: none"> • HNV does not meet the objectives of LFA scheme • Northern climate handicap can not be overcome cultivation technologies • Differentiation between different level of handicaps to be reflected in different support levels • Livestock producers should get special treatment • Economic impact assessment should be carried out 	<ul style="list-style-type: none"> • Extensiveness not suitable for Finland. • Status quo fine but additional criteria of 'distance' to be included. • Common criteria 2nd step not suitable for Finland - adaptation to northern climate is taking place but the high costs can not be overcome. • Eligibility to be defined in general terms at EU level. • Need for common indicators, common criteria OK but need to be guaranteed that the indicators are fair • Disadvantage in status quo that farmers in areas based to socio-economic criteria would suffer. • Common criteria, introduction of a 2nd step would exclude some farmers but costs to alleviate the natural handicaps would not be compensated for. • Eligibility rules would not allow differentiation between different regions • Level of delimitation should be Nuts 3
<p>Status Quo</p>	<ul style="list-style-type: none"> • The handicapped areas in Bavaria are mostly dependent on tourism 	<ul style="list-style-type: none"> • Land Value Indicator should be used •

- Compensatory allowances help to maintain the land and keep the landscape in attractive condition
- A new delimitation would lead to decreasing of the LFAs and therefore reduce the farmers' income
- The delimitation of LFAs should not be changed.

<p>Status Quo</p>	<ul style="list-style-type: none"> • LFA review should be postponed until 2013 as the natural handicap criteria are not yet clearly defined • Member states should be allowed to define their natural handicap based upon guidelines laid down from the EU • Member States should be allowed to choose from a number of criteria • Existing less favoured areas which have already qualified under stringent rule must continue to qualify for payments and that the review should only take into account the addition of new areas • Lack of available data 	<ul style="list-style-type: none"> • Option 3 this option would clearly not work as natural handicap criteria are not the same from one Member State to another • Option 4 this option is too narrow and it is already mainly covered through the Natura 2000 Network. • Also linking it to HNVs would effectively make the LFA scheme into an agri-environmental scheme.
<p>Common Criteria</p>	<ul style="list-style-type: none"> • Should exclude intensive systems • Option 1 is not consistent with the objectives of the review • Option 4 will creep into the remit of Ag Env • Do not includes socio economic criteria • Tackle the problem of delimited areas receiving preferential treatment in other measures of RD, this is the reason farmers are so wedded to reaming in the LFA 	<ul style="list-style-type: none"> • Target payments at grassland farmers • Option 2 is fair • Eligibility rules should be left to MS to fix • Find a criteria to show areas of extensive farming and target the aid there (combination of grassland and livestock density) • NUTS 5 should be the level of delimitation
<p>No preference (Not HNV option)</p>	<ul style="list-style-type: none"> • Land abandonment has a negative effect on environment and landscape • Option 1,2 and 3 meet the objectives of the review • JRC criteria are alone not enough to cover the range of farming in the Community • Lack of data availability 	<ul style="list-style-type: none"> • The eligibility rules should not be fixed at Community level • HNV option is not consistent with LFA policy • In reality criteria interact to create a handicap not just one • Flaw in the calculation methodology of cost and income forgone as different regions can have differing costs
<p>Status Quo</p>	<ul style="list-style-type: none"> • The implementation of option one would result in the majority of Welsh LFA being maintained, while avoiding the heterogenisation of large areas in terms of land classification. • Option one would also have the least impact in terms of the bureaucratic burden placed upon the Welsh Assembly Government. 	<ul style="list-style-type: none"> • Socio economic factors are an intrinsic part of the complex relationship that exists between agriculture, rural communities, and the environment, and that ceasing to recognise this interdependency could result in economic pressures that would damage traditional communities, leading in turn to environmental damage, due to land abandonment.

	<ul style="list-style-type: none"> • Loss of LFA land categorised as such due to socioeconomic factors would have a significant impact on communities and the environment, particularly at a local scale • A reduction in the size of the Welsh LFA would also reduce the framework within which other broad-scale EU objectives, such as water catchment area based schemes, can be facilitated • Concerning aspects of the proposals is the likelihood that it would result in heterogeneous categorisations 	<p>This would clearly run contrary to the objectives of the LFA.</p> <ul style="list-style-type: none"> • Virtually impossible to equitably establish or agree upon delimiters according to bio-physical criteria identified by the JRC, and Member States or regions are far better suited to make their own assessments as to what constitutes appropriate criteria. • Options 2-4 based upon criteria would require significant public money in order to assess what areas of land, if any, should be removed, and considerable administrative and monitoring costs for the taxpayer thereafter
No Preference	<ul style="list-style-type: none"> • Option 3 and 4 are going beyond the remit of the review • Farmers are already complying with Cross Comp and GAEC • No creep into Ag Env and N2K • Certain flexibility in the delimitation of the less-favoured areas will have to be ensured • Create heterogeneities in the delimitation of the areas with "holes" that it will be difficult to justify • Option 1 is favoured as this will create less change • Option 2 makes it possible to target aid towards those which need it most to maintain an agricultural activity in these areas • Production indicators are not relevant 	<ul style="list-style-type: none"> • Member States should be able to choose the selection criterion that they consider relevant to designate the most affected areas and in particular, that they could use a criterion of comparison of the incomes • Commune seems to be the most suitable level for delimitation
Environmentally targeted NGOs		
Eligibility Rules	<ul style="list-style-type: none"> • There is an evident need to reform LFA support. • As currently implemented in many Member States and regions, the measure does not adequately address the Axis 2 objective. • Many national LFA schemes are still focused only on addressing socio-economic issues in rural areas, and 	<ul style="list-style-type: none"> • Eligibility criteria that should be required elements within the EU framework would include: <ul style="list-style-type: none"> • Minimum and maximum stocking densities • Limits on drainage

payments are used as ‘income support’ for farmers, with no clear policy objective other than retaining rural populations.

- The positioning of LFA support within Axis 2 of the RDR means that its policy objective must relate to the environmental delivery of agricultural land management. The types of extensive farming systems that are important to the maintenance of countryside features and high levels of biodiversity, and typify areas of natural handicap, can be called ‘High Nature Value’ (HNV).
 - These systems are currently under very real threat of abandonment, in many parts of Europe, but may also be subject to pressures to intensify or amend their HNV practices
 - Delimiting ‘Intermediate’ LFAs based on objective physical criteria that denote natural handicap, and not on subjective socio-economic criteria, is an important part of the process of reforming support
 - Re-drawing the intermediate LFA boundary using new criteria should be seen as the first stage in the process of identifying recipients of LFA support.
 - A delimitation exercise alone will not allow the direction of LFA support to farms that contribute to managing our rural land in a way that delivers environmental benefits.
 - There is a need to identify which farms should be supported by LFA
 - Believes that all LFA support should evolve into a system of support for HNV farming.
 - This should be supplemented by higher-tier support provided through agri-environment, which would pay for the delivery of specific public benefits
 - It is essential that a clear longer term vision for LFA support is identified as part of the ongoing
- Limits on irrigation
 - Limits on field size
 - A minimum percentage of semi-natural habitat and landscape elements in the holding
 - A minimum percentage forage area in the holding
 - Limits on fertiliser use
 - Limits on indoor keeping of livestock
 - It will be important to ensure that Member States and regions are clear about the types of farming activity they would seek to classify as ‘HNV’ and therefore support with LFA funding.
 - The relationship between types of farming and Axis 2 objectives within rural development plans should be made clear, as should the contribution of the detailed eligibility criteria Member States and regions draw up to select HNV farming.
 - Detailed eligibility criteria should be drawn up at Member State or regional level, within a tight framework of required elements set at EU level
 - EU Regulation should require Member States to categories of eligibility criteria, as appropriate, on the bases of an identification of the HNV farming practices relevant for the specific country. The actual detailed eligibility criteria (e. g. actual stocking densities or % of semi-natural habitats) will necessarily have to be determined at national or regional level.
 - There should be no limits on eligibility by age or part-time status of farmers, as these characteristics do not have a bearing on HNV land management practices.

	<ul style="list-style-type: none"> reforms of the CAP, • However, the current structure of LFA support requires that geographic areas of natural disadvantage are identified (within which support can be targeted more closely). As such, a mapping exercise to delimit boundaries is necessary • The HNV map produced by JRC using Corine and other data sources, serves a number of useful policy purposes, but its use cannot be extended to determining eligibility for LFA support. • Advocates a focus for LFA support on meaningful eligibility criteria that serve to select HNV practices. This is close to what is proposed in Option 3. 	<ul style="list-style-type: none"> • The identification of handicap for designation purposes would be best achieved at the level of the agricultural 'parish' or similar unit.
Common criteria	<ul style="list-style-type: none"> • LFA scheme has ensured the continuation of farming • Should become more environmentally focused in the future • Any new system has to be evidentially sound • Option 1 not defensible • Option 3 and 4 is to be applauded but in practice they see the difficulty in implementing this approach 	<ul style="list-style-type: none"> • Criteria need to be robust
Common Criteria or Eligibility Rules	<ul style="list-style-type: none"> • Concerned about general impact in Mountains of CAP reform • Like coupled animal payments • LFA scheme must ensure that there is a critical mass of farmers to manage land in the uplands • LFA should support farming organisations • LFA payments are vital in the fight against climate change • Option 1 does not meet the objectives • Option 2,3 and 4 do go some way to meeting these • Socio economic factors can not be ignored 	<ul style="list-style-type: none"> • Remoteness should be considered as a criteria • The level of delimitation should be LAU 1 or 2 • Additional criteria could suggest that a handicap has been overcome number of farmers and workers, ration of revenue compared to elsewhere, production related indicators • Part time farmers should not be excluded

Eligibility Rules

- LFA is central to the achievement of the Axis 2 objectives, so the LFA reform must result in a robust and easily defensible set of rules which can play a strengthened role in the CAP over future programming periods.
 - LFA payments should aim to support farming that is a) handicapped by natural conditions and b) operates within these physical handicaps in such a way that ecological values are conserved (“sustainable land management”).
 - Criteria for setting the boundary of the LFA should be transparent and rigorously enforced, but should not be tightly drawn. Effective targeting of LFA payments is best achieved through farm-level eligibility criteria.
 - The LFA cover vast areas and funds are limited, so eligibility criteria and payment scales should aim to target most support on the types of farming that are best placed to deliver the environmental priorities defined for a given LFA.
 - Many Member States have a semi-natural grassland inventory, which some have incorporated into their LPIS/IACS systems. Others have cadaster-based systems which can be adapted to give information which better identifies semi-natural vegetation. As part of their preparation for the new LFA measure (and to facilitate their monitoring of the HNV indicators in their RDPs), all Member States should ensure that their LPIS/IACS system is able to identify all semi-natural farmed vegetation used by farmers (including grazing land off the UAA).
 - As for all CAP support, the basic requirements of the LFA scheme should be the minimum specified in GAEC.
 - The interaction of the LFA measure with agri-environment measures and also with SFP and Article 69 measures should be made explicit in the RDPs,
- Criteria for farm eligibility and for setting payment levels should be drawn tightly. They should be set at Member State level but conform to a set of common EU guidelines, and be clearly related to Axis 2 objectives. Criteria which are unrelated to Axis 2 objectives, such as a requirement to be a full-time farmer or being below the age of retirement, should be disallowed.
 - Farms which are not disadvantaged, or have been able from market returns or CAP support to overcome the natural disadvantage of an area through intensification, should not receive payments, whether or not they fall within the LFA boundary.
 - Eligibility rules and the requirements which applicants must fulfil should be clearly separated in the logic of schemes. To ensure sustainable land management, a maximum stocking density limit might be applied as a requirement
 - Sustainable land management should not be interpreted merely as compliance with GAEC and SMR. The LFA have particular fragile environments and the conservation of these environments depends on the continuation not of farming in general, but of specific types of farming, generally characterised by a low intensity of input use and land exploitation
 - Payment levels must be closely aligned to the requirements and to the cost of meeting these requirements in the specific natural conditions in which the farm operates.
 - All payments within a particular scheme should aim as far as reasonably possible to compensate additional costs and income foregone to the same extent and in the same proportion in all areas; Member States should be required to demonstrate this in RDPs.
 - For livestock farms, the proportion of semi-natural forage should be a criterion for both eligibility and the setting of payment levels. This is the best way to

	<p>with a clear justification of the costs and benefits being paid for through each measure.</p> <ul style="list-style-type: none"> • We do not support an approach which involves attempting to map and delineate HNV farmland areas, either as a suitable tool for targeting support at HNV farmland, or as a substitute for LFA boundaries. 	<p>link the LFA measure to the delivery of the HNV farmland objectives of Axis 2.</p> <ul style="list-style-type: none"> • The necessary tightening in cross-compliance criteria <i>must</i> be matched by improved targeting and more tailored payment calculations in LFA schemes and better use of Pillar 1 support. • Remoteness from markets and key services should be included in the set of natural factors recognised as leading to disadvantage. Remoteness is clearly a natural and physical factor beyond the control of the farmer and is as important in defining marginality as the other factors proposed by JRC.
<p>Eligibility Rules</p>	<ul style="list-style-type: none"> • Farming in these areas is economically marginal. It is constrained by a harsh climate and poor soils and is under pressure from many social and economic influences. • Less Favoured Area payments have helped to maintain less intensive and unprofitable farming where it is important for the environment, but farming activity in these areas is severely declining. • LFA payments support these systems, but their targeting needs to be improved, so that the payments are more closely associated with explicit environmental outcomes. • LFA payments should be part of a broader strategy for a sustainable multi-functional agriculture in these areas, based on (e.g.) targeting the Single Farm Payment, National Envelopes and the other components of a Rural Development Plan. • Technical difficulties involved in setting criteria that are relevant to all Member States • Drawing maps of HNV farming is difficult, not least in that the data on which these should be based is not uniformly available • The setting of criteria and common thresholds 	<ul style="list-style-type: none"> • A compensatory income payment for farming in areas affected by physical and environmental handicaps, on offshore islands, and perhaps other remote places. • A higher level of payment in areas of High Nature Value. • All LFA payments should be subject to conditions that ensure the continuation of extensive and other environmentally benign farming methods. Additional environmental conditions should apply to payments in HNV areas, designed to maintain the environmental value of these areas. • Re-drawing the LFA boundary to include those areas where farming is essentially extensive in nature and makes an identifiable contribution to the environment (for example because it includes a high proportion of more or less natural rough grazing). • Impose additional conditions on payments that ensure the recipients take some positive steps to ensure that they do ‘...contribute, through continued use of agricultural land, to maintaining the countryside...’ • Phase any changes over a period • Make a relatively small compensatory payment for merely being inside the boundary, but make a rather

	<p>for delimiting LFAs raise doubts that it is possible, or, in view of the variation in climate and soils across the EU, that it will achieve any real uniformity of approach. It might be more appropriate to specify the criteria in broad terms at the EU level</p> <ul style="list-style-type: none"> • Agree with the removal of the socio-economic indicators from the criteria for designating the LFA, it is important to recognise that environmental factors are interlinked with social and economic ones. 	<p>more substantial payment to those recipients who were prepared to take on more demanding environmental commitment with a view to maintaining (or increasing) the environmental benefits.</p> <ul style="list-style-type: none"> • Criteria themselves could be made more relevant to Scotland by taking more account of temperature and rainfall. • Main level of delimitation should be the agricultural parish • There are serious disadvantages associated with remoteness, particularly for farmers on offshore islands.
<p>Status Quo</p>	<ul style="list-style-type: none"> • Concerned from an environmental viewpoint if an outcome of the Commission's Review was to reduce to any significant degree, the land area covered by any future LFA scheme. • Areas delimited on socio-economic grounds as LFA in 1975 manifest a range of natural handicaps as to justify continuing aid as a counter balance to the risk of losing environmentally beneficial farming activity therein. • Considerable merit both in terms of consistency of designation and the minimisation of the Commission's scrutiny role in applying common criteria across all Members States 	<ul style="list-style-type: none"> • Over intensification and abandonment particularly where remoteness and rising transport costs combine as a burden • Administration burden with options 3 and 4 as opposed to other options • Difficult to see how adoption of option 3 and 4 could overcome the concerns of the Court of Auditors regarding equality of treatment across Member States • Puzzled as to why rainfall is not considered appropriate as a criterion of climate

Regional or Local Authorities			
	No Preference	<ul style="list-style-type: none"> • A risk that the low productivity land areas are abandoned • When implementing the options internal issues within Member States could be difficult to cope with • Islands with no road links to the mainland face a lot of geographical problems that affects agricultural production. 	<ul style="list-style-type: none"> • An indicator reflecting remoteness as a factor that is a disadvantage and a difficulty for island areas should be considered • Level of delimitation should be Commune level
	None should have another option	<ul style="list-style-type: none"> • Given the undeniable and unavoidable issues effecting islands, they should be by default considered for LFA designation. • The manner in which LFA designation is applied must also recognise the existence of other handicaps faced by islands, such as mountainous areas and acknowledge that the level of support must be calculated accordingly. 	
	No Preference	<ul style="list-style-type: none"> • No doubt that land management in these areas faces significant physical and climatic handicaps, and that active management of this land is necessary for the delivery of related environmental benefits and the maintenance of traditional agricultural landscapes. 	<ul style="list-style-type: none"> • Countries are given adequate and sufficient time to prepare for effective implementation.
	No Preference	<ul style="list-style-type: none"> • The interlinkage between CAP pillar 1 and LFA • Milk sector is very important for LFAs • Increase in the handicap, particularly salinity • MS flexibility is important • Don't confuse LFA with Ag Env particularly in the case of HNV • Don't extend GAEC for LFA farmers • LFA is in essence an income support 	<ul style="list-style-type: none"> • MS is the appropriate level for delimitation • Small parcel are a big factor in LFA areas • Cost and income forgone is not the best way to calculate the level of payment
	No Preference	<ul style="list-style-type: none"> • Option 1 matches most with the objectives of the review • Consider the wider context of CAP • Data availability might be an issue 	<ul style="list-style-type: none"> • Additional criteria such as organic texture, limited possibilities to drain, salinity, permanent high water level, small fields need to be considered • MS is the most appropriate level at which to delimit

- The payment ceiling (€150/ha) in NL is not enough to change farmers habits
- LFA scheme provides long term stability to farmers

- Cost and income forgone is not a good way of calculating the payment level
- Economic comparison is the best method for determining if the handicap has been overcome

Common Criteria	<ul style="list-style-type: none"> • Vast majority of surface in fodder crops and generally permits only meat and milk production • Can only be maintained if one compensates for the loss of income for the majority of the farmers • Compensation contributes to the maintenance of an agricultural activity which by its more extensive character is capable of contributing to environmental and biodiversity protection. • Only option 2 seems to meet the aims of the revision • Options 3 and 4 go well beyond the objectives • Priority to the principle of subsidiarity for the fixing of the eligibility rules • Biophysics criteria are sufficient to serve as a base to the delimitation of the new areas • All communes for which more than 30% of their UAA is handicapped by at least one of the criteria should be able to be considered potentially disadvantaged. • flexibility is essential in the application of these criteria in order to be able to delimit continuous and/or more homogeneous territories on the plan on biophysics 	<ul style="list-style-type: none"> • Commune level should be used as the area for delimitation • income appears us to be the most adapted criterion for excluding areas • Yield is not an appropriate criterion for exclusion
Status Quo	<ul style="list-style-type: none"> • Agree with central Govt views 	<ul style="list-style-type: none"> • The proportion of grassland should be taken into account as an additional criterion • Proposes to use the exclusion of intensive land use systems • Health Check and abolition of milk quotas will have a significant effect on LFA farms
Eligibility Rules	<ul style="list-style-type: none"> • Options 1 and 2 do not go far enough in terms of addressing the concerns with the operation of the present scheme • Main threat is that agricultural activity in these areas will fall to a level below the critical mass needed to sustain farming systems and the associated infrastructure such as hauliers, marts, slaughter houses and feed suppliers in these areas. 	<ul style="list-style-type: none"> • 'Eligibility Criteria' approach but merged with 'High Nature Value' ethos as the second step in area designation. • Eligibility rules under option 3 should be designed to ensure that the payments actually deliver at farm level in terms of public goods and sustainable farming practices. • 'Mountains and Islands' should be added as should 'Remoteness' as bio-physical criteria

- Data availability issues

- Avoid becoming an Ag Environment scheme
- Level of delimitation should be 'Regional'

No Preference	<ul style="list-style-type: none"> The importance of small farms in mountainous areas in Germany is underestimated Compensatory allowance can be an important instrument of compensation for local disadvantages 	<ul style="list-style-type: none"> The compensatory allowances should in the future be considerably more spread and concentrated on the areas with actual disadvantages. This way the maximum allowance could be substantially increased. Compensatory allowance should be determined according to actually cultivated areas of individual farms. Current technology in Germany would allow this without any substantial additional costs.
No Preference	<ul style="list-style-type: none"> Encouraged by the inclusion of natural handicap as an objective criteria, but are very concerned over the lack of reference to islands and peripherality within the natural handicap criteria Islands suffer from severe and permanent geographic handicaps 	
No Preference	<ul style="list-style-type: none"> Threats to LFA farming are numerous Importance of the ovine livestock-farming Small structures of the farms in crop production The market alone is not enough to maintain the activity cannot treat in a homogeneous way the Nordic areas and the Mediterranean areas 	<ul style="list-style-type: none"> Best level for delimitation is commune or the portion of commune Eligibility should depend on where the main farm holding is situated Remoteness and desertification should be considered as further indicators The specificity of transhumance should be studied
Status Quo	<ul style="list-style-type: none"> LFA policy should be based on natural disadvantages Land management in LFA means higher productivity costs than in other areas If farmers are not compensated, farming activities will decline Compensatory allowances should reflect the degree of production difficulties 	<ul style="list-style-type: none"> Only option 1 takes account of peripherality Option 3 and 4 are getting confused with Ag Env Compensation of disadvantages in LFA must be calculated according to a whole range of different factors of natural and constant disadvantages
Pan European or Regional Organisations		
High Nature Value	<ul style="list-style-type: none"> Encouraged by the inclusion of natural handicap 	<ul style="list-style-type: none"> Option 1 which does not address the need for better

- as an objective criteria, but are concerned by the lack of reference to islands and peripherality
- LFA scheme can also provide targeted support to underpin activity and sustainable farming and crofting in these marginal and remote areas where the threat of land abandonment is very real.
 - Sustainable farming systems can be achieved with the help of a better targeted LFA scheme that will help support active land management in the most disadvantaged areas
- targeting
- Core data not available
 - Political pressures may also prove to be a difficulty
 - Option 1 and 2 do not go far enough in terms of the refocusing and better targeting required of an effective LFA scheme
 - Option 4 would appear to target the aid to areas where agriculture is clearly associated with biodiversity and where farming abandonment would jeopardize the sustainable land management
 - 'Exposure' should be added as a bio-physical criteria
 - 'Remoteness' should also be added as a bio-physical criteria
 - Comparing agricultural activity in new LFA areas with other areas can a determination be made as to whether the handicap has been overcome
 - Level of delimitation should be 'Regional'
 - Avoid becoming an Ag Environment scheme via option 3

<p>High Nature Value</p>	<ul style="list-style-type: none"> • Agriculture in mountain areas, especially the alms farms, risk discontinuation and land abandonment with biodiversity losses as a consequence • Mountain farming to be better recognised in LFA and AEM schemes and in support in general 	<ul style="list-style-type: none"> • Traditional agricultural areas and practices, which are specific for northern Europe; the mountain, forest and outland agriculture. These areas need to be sufficiently targeted and included in the context of HNV when reviewing the LFA. • The set-up of AE support is problematic.
<p>Status Quo</p>	<ul style="list-style-type: none"> • Redefinition of LFAs to reflect areas that face a true physical and climatic handicap • The redefinition should address the European Court of Auditors' concerns over the classification of LFAs. • Identify the real monetary value of public goods • Basing payments on income forgone is not sufficient to keep people farming in LFA areas, or to maintain environmental benefits or public goods. • Recognition of the complex and interdependent linkages between environmental management, provision of public goods and socio-economic issues. • The provision of socio-economic, environmental management and public goods outcomes should all be considered within the redefined LFA. • From a Scottish perspective, the EU common bio-physical criteria is a less useful and relevant approach than the long-standing method of classifying agricultural land in Scotland 	<ul style="list-style-type: none"> • Option 1 does pose difficulties with transparency and controllability of the aid scheme across Europe. • However option 1 is the most appropriate to encourage the 'preservation of sustainable farming activities in areas affected by natural handicaps' • Options 2 and 3 afford greater levels of transparency and controllability, the administrative burden and cost of implementation is high for both of these options, especially for countries with less developed datasets. We believe that the development of one EU criteria would be impossible owing to the diverse landscape, habitats and public goods provided across Europe. • We do not believe that the High Nature Value is a viable option as its focus is too narrow. • Concerned that the EU timetable may force a decision which has not been fully considered. • Believe that the EU criteria are more suited to Mediterranean conditions. • Believe that the slope criteria is too lenient and the EU criteria does not cover soil climate interactions • To prevent further abandonment of the upland landscape and loss of associated public good, we must fully cost the goods. • If the SFPS is to be abolished, then the LFA funding needs to address the shortfall by ensuring larger LFA payments • Issue needs to be considered alongside the CAP Health Check and the future of CAP to achieve a clear and focused vision for the future of our uplands.

	Status Quo	<ul style="list-style-type: none"> Concerned that there is no data on the impact of the proposal so are unable to make a valued judgement Suggest a transition period Danger that land in areas that are currently designated as LFA Disadvantaged Areas will go out of agricultural production or at least will remain in very low productivity due to lack of appropriate investment. Need additional sources of funding 	<ul style="list-style-type: none"> Groups of “winners” and “losers” from the proposals would generate significant political opposition to the changes The indirect contribution of the current system of payments to the maintenance of important biological habitats and high quality landscape areas has not been sufficiently addressed in any of the options More information on the details of how the criteria are to be defined would be welcomed. The most appropriate unit in the UK we believe to be the rural Parish
Political Parties	Eligibility Rules	<ul style="list-style-type: none"> The proposals for the necessary new delimitation of LFA can be considered as good, as long as they are focused on natural conditions of the cultivation of agricultural areas Attention has to be paid to sensible national legislation Additional conditions connected with cross compliance should not occur within the framework of delimitation. The existing and confirmed basis for establishing biophysical criteria are to be applied. 	<ul style="list-style-type: none"> The current market prices combined with national and EU funds are not sufficient to cover the costs of cultivation. The option 'High nature value' is not considered acceptable, because a high level of protection of nature is already achieved by applying biophysical criteria conservation of nature can only occur when respective farmers want them and when they have appropriate financial resources made available.
Local Action Group	High Nature Value	<ul style="list-style-type: none"> Land abandonment and lack of grazing animals are causing loss of biodiversity and loss of landscape values Present LFA not sufficient to compensate for the natural handicaps Create an LFA for sustainable agriculture with natural constraints Steer the LFA support towards extensive agriculture and areas with risk of land abandonment 	<ul style="list-style-type: none"> More work needs to be done to assess the value of Mountain areas
Academic Institutions			
	No Preference	<ul style="list-style-type: none"> Concur that an environmental rationale for LFAS 	<ul style="list-style-type: none"> The proposed biophysical criteria do not adequately

is reasonable

- However, there are many situations where, if market forces were to prevail in the farm sector, the environmental qualities of less favoured areas would be likely to decline
- A system of rewarding delivery of these public goods and services is likely to be necessary to sustain their provision into the future
- The introduction of the Single Farm Payment system, coupled with weak implementation of GAEC rules has enabled farmers to largely de-stock their land and still receive SFP and LFAS payments
- Do not consider such trends to be desirable for both environmental and socio-economic reasons
- Sceptical about any payment vehicle for compensating farmers based on the cost of overcoming biophysical disadvantages
- Administrative burden is likely to be least with Option 1
- Option 4 will incur the greatest administrative burden
- Question whether an LFA policy which is not explicitly based on the delivery of environmental public goods really 'belongs' in Axis 2 of Pillar 2
- Concerned that the economic logic for an LFA based on biophysical criteria is weak, but understand why a biophysical basis for designation is more likely to be consistent than one based on HNV farming.
- Critical that the basis for designation is equitable across the EU and we are unconvinced that this is the case with the proposed EU system

represent the limitations imposed on production systems by the biophysical conditions in rural Scotland.

- Any change is not without welfare implications on the farming community and we argue that degressive payments should lighten the burden on those who are excluded
- If the LFAS is to sit legitimately within Pillar 2 Axis 2, three of the four options are not consistent with the aim to justify LFAS as a component of Axis 2. The only valid option is that outlined in Option 4
- Option 1 presents major problems of equity in that different Member States may use different criteria for selecting LFAs.
- Option 2 is ostensibly fairer but it is absolutely critical that the criteria reflect the genuine disadvantages of operating in areas where there are substantial bio-physical challenges. The nature of the constraints will vary from place to place.
- Option 3 modestly refines option 2 and the same issues apply.
- Option 4 presents enormous problems of classification, greater perhaps than any classificatory challenge under options 1-3.
- The climatic criteria are much more appropriate for continental (length of growing season and soil-water balance) or Mediterranean conditions (heat stress and soil-water balance) than the Scottish climatic conditions.
- These climatic criteria do not cater for the cool, wet equable maritime climate which still limits severely the land use options.
- There would be large changes in the LFA boundary and we anticipate a need for degressive transition payments to such farmers should they be excluded from a revised LFAS.
- Most appropriate level of delimitation is the holding

<p>Status Quo</p>	<ul style="list-style-type: none"> • Not a realistic option for the Member States to collect all the necessary data for the common bio-physical criteria in a comprehensive comparable way • The “regional” approach would allow for the LFA to be more clearly addressed in their main spatial characteristics and would provide scope for subsequent differentiation for the Member States. • Classification target might be the level of municipalities or parts of municipalities • The scheme should pay particular attention to the degree of production difficulties • Differentiation of support on farm level • Need to ensure that there is no policy creep from LFA into Ag Env • Pluriactivity is an important feature of farm households • The close relationship of farm management with the regional situation is particularly expressed in LFAs. 	<ul style="list-style-type: none"> • Option 2 the disadvantage of this proposal is that the single criteria provide very detailed information and don't address the LFA character of an area. • useful to pinpointing to specific situations, but less meaningful for a geographical classification • Option 3 is not an option for the classification of the LFA but for the application of the scheme within the area • Option 4 as such it would not take account of the aspects to remunerate farm management under specific natural production difficulties. • As the natural handicap is not changing over time and irreversible the scheme has to be conceived as a long-term measure with objectives well beyond the agricultural sector alone.
<p>Private Individuals</p>		
<p>No Preference</p>	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
<p>High Nature Value</p>	<ul style="list-style-type: none"> • HNV does not take sufficiently into account mountain and forests areas, especially forests close to farms. • The specific farming traditions, practices and conditions are not enough reflected in the current HNV definition. 	<ul style="list-style-type: none"> • The areas linked to traditional agricultural areas and practices, which are specific for the northern Europe; the mountain, forest and outland agriculture. These areas need to be sufficiently addressed and included in the context of HNV when reviewing the LFA
<p>Professional Organisations/ Bodies</p>		
<p>High Nature Value</p>	<ul style="list-style-type: none"> • 'High Nature Value', be replaced with the term 'High Environmental Value'. 	



Land Owner Organisations

Status Quo

- Concerned about the proposed timetable for implementing LFA redesignation. Think it is most important to get the principles right in how LFAs define
 - Important interaction with integrated livestock systems with uplands and lowlands
 - LFA farmers deliver important public goods
 - None of the proposed options for LFA redesignation are able to address the key issues surrounding LFAs.
 - None of the options addresses the wider issue of how to keep rural communities in the LFAs to manage the land.
 - Data issue
 - Important to develop criteria which relate to the second part of Article 50, 3(a) that is to focus on the positive side of the concept of LFAs namely the extensive farming systems which are a vital part of the management of these semi-natural habitats and landscapes
- Propose that the revised LFA designations should be timed to come into effect in 2014
 - Important that the Commission does not disregard socio-economic development
 - Any reform of LFA needs to take a balanced approach whereby sustainable land management is coupled with ensuring people are able to live and work in these areas
 - Strongly advocate the importance of Food and Environmental Security, vital that this concept is incorporated into LFA discussions
 - Option 1 is chosen if the implementation of the review is by 2010 however option 3 would be the preferred option if the implementation was post 2014
 - Income forgone payment is not a sufficient mechanism to keep people farming in LFAs
 - Option 1 model does not allow transparency or controllability of LFA payments across Europe
 - Options 2 & 3 are focusing on land affected by natural hardships but the model assumes 'one size fits all' and does not necessarily account for the huge variation in land and the threats to these areas across Europe
 - Options 2 and 3 do adapt the current LFA delimitation and have a good level of transparency and controllability but the administrative burden is high for both of these options
 - Greater flexibility would be needed
 - Option 4 does not recognise the wide range of public goods that farming delivers
 - The payment resource allocation needs to be re-examined

Non Statutory

No Preference

- Any changes to the current scheme may have far reaching consequences for the red meat
- Challenge is to clearly identify the beneficiary of the payments

Public Body

- industry
- To sustain farming systems in areas with natural handicaps needs policy intervention that recognises the increased costs and lack of productivity that are a consequence of farming in these areas. Equally, policy measures are needed that encourage succession in these areas. In some cases there may be a need restructuring of the industry.
- Climate, integrated soil-climate, soil and terrain are suitable criteria to establish natural handicap.
- Removal of socio economic indicators should be carefully considered
- Payment is made to those who are actually managing the land supported
- Payment calculation based on additional costs and income foregone related to the handicap needs to be heavily researched
- Transition would need to be managed equitably
- Further work is needed to be able to quantify and value public goods
- Merit in considering support for high nature value farming, this should not be the sole criteria for a policy to aid land managers
- Rainfall and number of days with rain, days of snow cover, cold stress and possibly wind should also be considered as a criteria
- NUTS level three administrative regions as the basis for assessment
- Measures of enterprise productivity, farming income, population retention and growth of agricultural GDP could all be used as measures to assess whether a natural handicap has been overcome.

ANNEX 6. STUDIES, REPORTS AND CONTRIBUTIONS FROM ISSG MEMBERS

The impact assessment could rely on several reports and studies drawn up in recent years as regards the LFA support scheme and a number of closely related issues.

The evaluation report commissioned by DG AGRI, IEEP (2006), *An evaluation of the Less favoured Area measure in the 25 Member States of the European Union*, http://ec.europa.eu/agriculture/eval/reports/lfa/index_en.htm provided quantitative and qualitative information on the implementation and the impacts of the LFA scheme;

The Special Report No 4/2003 of the European Court of Auditors (OJ C 151 of 27 June 2003), the Opinion of the European Economic and Social Committee on *Compensation payments for disadvantaged areas beyond 2010 (own-initiative opinion CESE 881/2007 fin)* and DG AGRI report presented at the LFA expert meeting of 14.11.2007¹³ were used, together with the ISSG hearings listed in Annex 4 and the responses to the public consultation in Annex 5, as source for analyzing the drawbacks of the current system and its evolving objectives.

Complementary sources were the JRC study *Analysis of farmland abandonment of 2008*¹⁴, the SIGULDA study on land abandonment¹⁵; the ESPON study on the territorial impact of the CAP¹⁶.

The following contributions were prepared by ISSG members:

Main features of the agriculture in non mountainous Less favoured Areas;

Overview of the Less favoured Areas Farms in the EU-25 (2004-2005) based on FADN;

Focus on LFA-other than mountain in the EU-25 (2004-2005) based on FADN;

Fine-tuning of the LFA delimitation system;

LFA and the environment;

Assessment of natural (soil, climate and terrain) handicaps to agriculture in Europe.

¹³ DG AGRI F.3, Delimitation of areas affected by significant natural handicaps according to Article 50.3 (a) of Council regulation (EC) No 1698/2005, Technical Expert Meeting of 14.11.2007

¹⁴ JRC IES (2008), *Analysis of farmland abandonment and the extent and location of agriculture areas that are actually abandoned or are in risk to be abandoned*, EYR 23411EN-2008.

¹⁵ DLG (2005) *Land Abandonment and Biodiversity in relation to the 1st and the 2nd Pillars of the EU's Common Agricultural Policy*, 7-8 October 2004. DLG, Utrecht.

¹⁶ http://www.espon.eu/mmp/online/website/content/projects/243/277/index_EN.html

ANNEX 7A. OPINION OF THE IMPACT ASSESSMENT BOARD OF 03.02.2009 ON THE DRAFT IMPACT ASSESSMENT REPORT



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

Brussels, 03 FEB. 2009
D(2009) 831

Opinion

Title **Impact Assessment on: Commission Communication on the Review of the Less Favoured Areas Scheme (delimitation of designated areas)**

(draft version of 7 January 2009)

Lead DG **DG AGRI**

1) Impact Assessment Board Opinion

(A) Context

The draft IA report accompanies a Commission Communication on the Review of the Less Favoured Areas (LFA) Scheme, which is a longstanding measure of the Common Agricultural Policy (CAP). In 2003, the European Court of Auditors expressed strong concerns about the LFA scheme, in particular as regards the designation of so-called 'intermediate' LFAs, and recommended a complete and in-depth review of the existing classification as well as an overall evaluation of the aid scheme. In Article 50 of Regulation 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) the Council set out new principles for the LFA scheme: the aid to farmers in areas with handicaps will be part of Axis 2 of Rural Development Policy, which aims at improving the environment and the countryside by supporting sustainable land management, no reference is made anymore to the socio-economic criteria (widely used in the past for designating LFAs). At this time it could not agree, however, on possible Community wide criteria for LFA classification, and therefore decided to maintain the existing LFA system in force for a limited period of time. It called on the Commission to undertake a review of the implementation of the LFA scheme and to present, according to the new principles, a proposal for a future payment and delimitation system to be applied from 2010.

(B) Positive aspects

Substantial preparatory work has been carried out and the report is based on an extensive consultation of a broad range of stakeholders.

(C) Main recommendations for improvements

The recommendations below are listed in order of descending importance. Some more technical comments will be transmitted directly to the author DG.

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General recommendation: The report needs further work on several key aspects. Most importantly it should better present the political context and the objectives of the Communication including a more precise roadmap with indicative timetable on the follow-up actions. The report should also clarify the role of the LFA scheme in the more general context of the modernisation of the CAP instruments, paying more attention to the consistency and avoidance of overlaps with other CAP instruments. From a subsidiarity perspective and with a view to reduce complexity the report should assess whether the common biophysical criteria are simpler to apply than the current national criteria. Finally, the report should consider the economic and social impacts on the farmers who will no longer benefit from LFA support.

DG AGRI agreed to make changes along these lines and announced it would shortly submit a revised report to the Board.

(1) Clarify the political context of the LFA review exercise, the objectives of the Communication and the envisaged follow-up action. The report should explain why the Commission does not present a legislative proposal at this stage, and should present a roadmap on the envisaged follow-up actions with an indicative timetable. In addition, the report should define concisely the problems which need immediate action (incomparability/lack of transparency of the LFA delimitation criteria, ineffective targeting of aid), so that the limitations of the current review exercise, as set by the Council in 2005, would be more explicit.

Without prejudice to these limits, the report should reflect on possible future developments of the LFA scheme against the background of the current and future modernisation of the CAP instruments. In this respect the report should firstly address the plausibility of Option 4 (Applying High Nature Value criteria in addition the LFA criteria) in a long-term perspective and discuss whether the proposed biophysical criteria would be compatible with the principles to be applied in a possible definition of the High Nature Value Areas. Secondly, the report should reflect whether in the future some alternative CAP instruments (such as topping up direct payments) could be more effective/efficient for reaching the objectives of the LFA scheme.

(2) Pay more attention to the consistency/complementarity of the revised LFA scheme with other CAP instruments. Given that improved consistency with other agricultural policies is one of the objectives of the review exercise, the report should provide a thorough discussion of potential overlaps or synergies of the LFA support options with other CAP instruments.

(3) Assess further the simplification potential of the proposed set of common biophysical criteria and address subsidiarity issues. The report should discuss whether the biophysical criteria are simpler than the current national socio-economic and land productivity criteria. It should also examine whether, considering the regional peculiarities, the common biophysical criteria would be more effective and how these criteria would comply with the principle of subsidiarity in terms of implementation.

(4) Assess the economic and social impacts on farmers who will no longer benefit from LFA support as a result of the annulment of the socio-economic criteria. The report should explain briefly but clearly whether, and if so which, measures would be applied or put in place to compensate for the socio-economic handicaps up to now covered by the LFA support.

(D) Procedure and presentation

The report should respect the 30 page limit, follow the format for the Commission IA reports and be accompanied by an Executive Summary in the form of a separate staff working document as set by the IA guidelines.

2) IAB scrutiny process

Reference number	2008/AGRI/009 (CLWP, priority initiative)
Author DG	AGRI
External expertise used	No
Date of Board Meeting	28 January 2009
Date of adoption of Opinion	03 FEB. 2009

ANNEX 7B. EXPLANATION OF THE FOLLOW-UP GIVEN TO THE RECOMMENDATIONS OF THE IMPACT ASSESSMENT BOARD

Following the IAB opinion of 3 February 2009, the draft LFA impact assessment report has been revised. The adaptations made to the report to take the IAB's recommendations into account are indicated below after each recommendation:

(1) Clarify the political context of the LFA review exercise, the objectives of the Communication and the envisaged follow-up action.

The report should explain why the Commission does not present a legislative proposal at this stage, and should present a roadmap on the envisaged follow-up actions with an indicative timetable.

Section 1.1 has been revised and includes a roadmap.

In addition, the report should define concisely the problems which need immediate action (incomparability/lack of transparency of the LFA delimitation criteria, ineffective targeting of aid), so that the limitations of the current review exercise, as set by the Council in 2005, would be more explicit.

Sections 2.2 to 2.4 have been shortened and redrafted to this end.

Without prejudice to these limits, the report should reflect on possible future developments of the LFA scheme against the background of the current and future modernisation of the CAP instruments. In this respect the report should firstly address the plausibility of Option 4 (Applying High Nature Value criteria in addition the LFA criteria) in a long-term perspective and discuss whether the proposed biophysical criteria would be compatible with the principles to be applied in a possible definition of the High Nature Value Areas.

The first part of Section 5 has been enlarged to discuss this issue.

Secondly, the report should reflect whether in the future some alternative CAP instruments (such as topping up direct payments) could be more effective/efficient for reaching the objectives of the LFA scheme.

This point is addressed in the introduction of Section 5, before the description of the options.

(2) Pay more attention to the consistency/complementarity of the revised LFA scheme with other CAP instruments. Given that improved consistency with other agricultural policies is one of the objectives of the review exercise, the report should provide a thorough discussion of potential overlaps or synergies of the LFA support options with other CAP instruments.

A new Section 2.1 has been added to explain the intervention logic of Natural handicap Payments in relation to other CAP instruments.

(3) Assess further the simplification potential of the proposed set of common biophysical criteria and address subsidiarity issues. The report should discuss whether the biophysical criteria are simpler than the current national socio-economic and land productivity criteria. It should also examine whether, considering the regional peculiarities, the common biophysical criteria would be more effective and how these criteria would comply with the principle of subsidiarity in terms of implementation.

A new section 5.5 'Simplification potential' has been added

(4) Assess the economic and social impacts on farmers who will no longer benefit from LFA support as a result of the annulment of the socio-economic criteria. The report should explain briefly but clearly whether, and if so which, measures would be applied or put in place to compensate for the socio-economic handicaps up to now covered by the LFA support.

A new paragraph has been added at the end of Section 5.2

(D) Procedure and presentation

The report should respect the 30 page limit, follow the format for the Commission IA reports and be accompanied by an Executive Summary in the form of a separate staff working document as set by the IA guidelines.

The length of the report has been substantially reduced by redrafting and transfer in annex of more technical elements. It makes now 34 pages including the cover page, the list of content, the list of Annexes and the tables and figures included in the text. The Executive Summary will be prepared according to the guidelines in time for the interservice consultation.