

Impact of the common agricultural policy reform in Catalonia

Executive summary



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IMPACT OF THE COMMON AGRICULTURAL POLICY REFORM IN CATALONIA

REPORT

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Barcelona, February 2016

1. EXECUTIVE SUMMARY

1.1. INTRODUCTION AND METHODOLOGY

The Common Agricultural Policy (CAP) has been, since its inception, one of the central elements of the European integration project and the recipient of a very important part of the Community budget. It has undergone several renovations over the years, from being in the beginning a tool to ensure food for the population and the farmer's income, to introduce in 1999, with Agenda 2000, issues such as competitiveness and rural development and to be updated in 2003 with the decoupling and the single payment.

Between 2010 and 2011 the CAP review starts; it is posed in terms of budget reduction, transparency and competition in the internal market, and adaptation to WTO commitments in international markets and consumers new demands. Thus, in a context of economic recession and volatility that characterizes agricultural products, regulatory texts of the new CAP are approved, which leave some aspects to the discretion of the Member States. That is why, later, by the adoption of four royal decrees, the reform in Spain materializes.

In this context, the Economic, Social and Work Council of Catalonia, on its own initiative, decided to value the impact that the new CAP can have in Catalonia as a result of the reform approved, in order to make a series of considerations and recommendations to the Government in this level, in accordance with its purpose, recognized in Article 72.2 of the Statute of Autonomy of Catalonia.

To achieve this overall objective, this Report proposes the following specific aims:

1. To describe the economic framework of the agricultural sector, with special emphasis on the productive sectors and the process of production, processing and marketing sector.
2. To describe the labour market in the agricultural sector, taking into account the age and sex of working people, working conditions and the level of training as key elements.
3. To describe the different reforms that the CAP has suffered.
4. To analyze the potential impact of the CAP in Catalonia with the implementation of the reform.
5. To make the relevant considerations and recommendations to the Government, as the result of the analysis done.

For the purposes of this Report, a methodology structured in three levels has been used. The first one, the documentary and bibliographical management that has nourished the qualitative part of the study, namely the third chapter, on the CAP and the funding to cover it.

Secondly, statistical analysis, both for the writing of the second chapter, on the characterization of the agricultural sector in Catalonia, as in the fourth chapter on the economic projection of the impact linked to the CAP reform. The main sources consulted were Idescat, the Survey on the structure of agricultural exploitations (2007), historical data of CAP subsidies, provided by the Department of Agriculture, Livestock, Fisheries, Food and Rural Affairs, the SAGF, the 2011 input-output tables and the Agricultural Network Accounting (2010-2011), the Statistical Section of the Social Security, and the Department of Enterprise and Employment.

Thirdly, we selected six experts who have appeared in the CTESC and have contributed with their vision regarding the objectives of the Report, both economically and socially, from an open script. We have selected some of the resulting texts that have been considered relevant and they have been introduced in the various chapters of the study, according to its scope and theme.

1.2. THE AGRICULTURAL SECTOR IN CATALONIA

Major changes in the Catalan countryside in recent years

The analysis of the data from the agricultural census conducted in Spain in 2009 shows that during the last decades there has been a gradual concentration of the activity, a decrease in the number of farms¹, some maintenance of the UAS that, however, has fallen slightly compared to the wooded area especially since 1999, and consequently, an increase in the farm size in terms of area. There has also been an increase in the size of farms, although it has only been an increase in staff in the case of pigs sector, with a very intensive and industrialized development in Catalonia and also, although in smaller proportions, in the equine sector.

However, it is necessary to keep in mind that the Catalan rural reality collected in census shows a strong diversity of farm types, ranging from agricultural or livestock farms properly said, focusing on agricultural and farming activity, to properties of different sizes performing maintenance of agricultural activity in the territory, often supported by the recruitment of agricultural services.

However, the set of Catalan farms has been restructured during recent years. The downsizing of farms has been carried out partly on the basis of an increase in leases, affecting 30% of the land, while the property was still the most widespread tenure in 2009.

Moreover, from 1999 to 2009 the volume of days worked in agriculture, calculated from working annualized units (WAU), decreased 14.4%. This decline has occurred despite the strong increase in WAU provided by fixed contracts and by the hiring of agricultural services. Despite the decrease in WAU, the number of people working has increased 11.7%, being permanent employees the ones who have increased the most.

As for agricultural production guidelines developed in Catalonia, almost 47% of cultivated land is devoted to cereals for grain and farther away, we find the olive tree, forage crops, grapes and dried fruit. In recent years crops that have increased its surface have been tropical fruit, seed, citrus and grain cereals.

In this line, we must also include a process of diversification of activities in Catalan farms that has affected growth of rural activity in the field of agro-tourism and renewable energy production.

Agricultural activity: production guidelines and territorial distribution

Catalonia has recorded an orographic and climatic diversity that determines a varied configuration of the Catalan countryside. In Spain, its regulation on the new CAP opts for the regionalization model regarding payment base, and the territorial base of the regions is established based on their production orientation, which can be: herbaceous dry crops, herbaceous crops on irrigated land, permanent crops and pastures.

Given this classification, it is necessary to show that in Catalonia three clearly defined areas are distinguished. Firstly, the counties of the central strip, which are mainly engaged in herbaceous dry crops, especially cereal grain, although forage crops are also important. Within this area there are two zones where irrigation is important, the area of Lleida, with the Pla d'Urgell leading, and much of the Mediterranean coast, in which the Maresme area highlights.

Secondly, the typically mountain counties, currently dominated by extensive pastures, the weight of which is mainly in the Pyrenees counties and in the case of some central counties as Osona, Bages and Vallès Oriental, where there is also a strong presence of arable crops.

Thirdly, the most southern counties, where the weight of areas under permanent crops becomes more important, and where the Tarragona counties and the southernmost counties of Lleida are highlighted.

Livestock activity: production guidelines and territorial distribution

¹ See the definition of farm used by the Census of 2009 at the document.

Catalonia stands out for its livestock, and a proof of this is that in 2011 60.7% of final agricultural production was derived from animal production. The weight of livestock is especially relevant in the Pyrenean strip, which include grasses, as well as in some central counties, where intensive stabling livestock takes on a central role.

As for cattle, it is concentrated in the Pyrenees, where the beef cattle in semi extensive production prevails, and in the counties of the northeast, where the meat activity is complemented with an also important dairy farming. Sheep and goats become more important in relative terms to the Pyrenean counties, but also in the more mountainous areas in the south and in the more urbanized areas where this type of livestock, often in small presence, can take advantage of the few available resources.

Intensive pig farming becomes relevant in the grain-producing counties of central Catalonia, marking a wide band crossing Catalonia from the plane of Lleida to the Empordà. Instead, intensive poultry and rabbit farms are concentrated in coastal counties and especially in the south, especially in the province of Tarragona.

Finally, equines prevail in urban areas, where exploitation of livestock is more related to entertainment purposes, and also on the mountain zones, especially Pyrenees, where it is exploited extensively for their meat utilization.

Typology of farms

According to the 2009 Census, there are 60,839 farms in Catalonia, according to the definition in the census, of which only 20% are farms with livestock and most are with land. 44% of the UAS in Catalonia is herbaceous-sowed, followed in importance by pastures, fruit, olive and vine.

The average size of Catalan farms is around 19 hectares of UAS per farm. This average hides territorial differences that, nevertheless, follow a fairly stable pattern, since a decline in the average size of farms in terms of UAS is observed as we descend from north to south. Therefore, the Aran Valley farms are the largest, with more than 200 hectares per farm. Instead, in the south, just in the Catalonia oriented to permanent woody crops of dry land, it is where farms show the smallest average size.

In general, livestock is also situated in the northernmost part of Catalonia, although the size of farms in terms of livestock units becomes larger in the grain-producing counties of the central strip and less in mountain areas, where livestock focuses on the extensive use of herbivores.

There are some counties, especially in central Catalonia, where the introduction of intensive farming is more widespread, for example, Osona, which is the only one where the percentage of farms with technical and economic orientation (TEO) is mainly granivore. In this county, the volume of cattle is achieved mainly by the presence of more farms with livestock orientation, although the average size of these is lesser than those in Lleida.

The overall average standardized production (OSP) per farm stands at 69.617 euros, although some counties located in the northern part of Catalonia are above. The counties with higher OSP average per farm are distributed along the arc from the Segrià to Selva and Maresme, with farms engaged in horticulture, intensive irrigation and livestock, especially of granivores.

The counties with the lower OSP average per farm are located in the southernmost part, including most of the counties of the Tarragona province, which are located mostly in records below 36,228 euros per farm.

Employment

In 2009, 146,229 people worked in Catalan farms (including family labour and fixed salaried work), 11.7% more than in 1999. The family labour, with 119,994 people employed in 2009, represents the 82% of the total labour (in 1999 represented 86.1% of the total). We must highlight the increase in fixed salaried employment in Catalan farms because it has gone from 18,161 people employed in 1999 to 26,285 in 2009. Consequently, there has been a decrease in family labour between these two years.

Of the total of people who have worked on farms, 18.4% have been dedicated full time while 56.5% worked less than 25% of the annual full-time employment.

Given the incidence of part-time farms and in order to capture which is the total work invested in the sector, labour can be analyzed in terms of AWU since the work study in these units have data on wage labour and eventually work not directly employed by the exploitation, as agricultural services companies staff. Thus in 2009, the total work of

Catalan farms amounts to 63,330 AWU, including labour, wage (and eventually fixed) family labour and external labour.

In 1999, agricultural labour has fallen by 10,681 AWU, a trend that primarily affects the family labour (representing 60.9% of the work in the Catalan countryside), which decreased 22.2%; it shows the decline in time spent by the family labour on the farm, unlike the regular workforce, that is growing 7.5%. The eventual wage labour (10.6% of total employment) decreased 17.7% over 1999. However, in the case of workers not directly employed by the exploitation (external labour), as the agricultural services companies (2.6% of total agricultural labour and 4% of wage labour), there is an increase of 59.6% over the 1999-2009 period.

Considering the average farm work, we can observe that more than half of the farms have less than 1 AWU in 2009 and of these, 45.2% are less than 0.5 AWU.

With regard to the age of the workforce, it is observed that the holders of exploitation of 65 years or older are the most numerous (33.2% of the total), followed by those between 55 and 64 years. As for the , it is observed that the largest group, 27.9%, are between 55 and 64 years, followed closely by those 65 years and older. For the year 1999 we can observe that the owners and younger exploitation chiefs have been declining, while 65 and older have increased.

As for sex, men constitute the majority of the workforce in Catalan farms (67.4% in 2009), although over the 1999-2009 period an increase in the proportion of women among holders of farms is observed as a result of the incorporation of younger women to farming. One factor that could partly explain this situation is the fact that sometimes the work of women is invisible in rural areas, with the consequent lack of records about it.

As for the educational level of people employed in the agricultural sector, there is a lower educational level than in other sectors, although a slight improvement over year 2000 is observed, also applied to other sectors.

According to data from 2009, the agricultural training of the exploitations chief is only the practical experience in most cases, although we have seen since 1999 an increasing number of exploitations chiefs with agricultural vocational training or other training. It should be mentioned that the level of training is related to the age of the exploitations chiefs, thus being more frequent university education between the heads of 25 to 44 years than among older age.

We should bear in mind that the development of employment in the agricultural sector does not require a professional qualification and, therefore, much of the labour sector develops its activities through knowledge and experience. Moreover, the proliferation of part-time farms does not make easier the professionalization of labour.

If we start from the sources provided by the estimations of the INE within the framework of regional accounting, by 2012 the gross mixed income per employed in agriculture, forestry and fisheries is estimated at 33,027.3 per year and 16,8 euros per hour. For the year 2008, gross mixed income in annual terms per person employed in agriculture, including forestry and fishing, increased 8.4% and hourly compensation, 5.7%. Compensation per employee in annual terms has increased by less than the income per employee, and the hour of work of employees in 2012 is paid less than five years ago.

In the whole of Catalonia, with data from 2014, the number of members assigned to the agricultural sector in Social Security is close to 51,943 people affiliated, including some 23,563 people affiliated with the RETA. Altogether, of the set of registered people, 54.6% were employed workers, while the rest, 45.4%, were autonomous.

The number of contribution accounts that we would find on the hiring of the approximately 28,380 members of the general scheme (either through the special agricultural system, hereinafter SEA or not) would stand at around 8,038. Although we do not know exactly which is the total number of companies working in the sector, we can start from the self-employed people registered in the RETA, which would put the lower limit of this figure at 23,563 and where we would add those corporate companies which are not included among the set of registered freelancers who explain part of the eight thousand contribution accounts that we find.

In addition, the census allows us to collect family labour not collected by affiliations. Thus, in 2009, the Ponent counties, followed by Terres de l'Ebre and the Camp de Tarragona, are the areas offering the greatest number of agricultural workers, including family labour and permanent employees. Family labour is a clear majority in the areas where agricultural labour prevails, especially in the Ebre.

The agricultural sector in the context of the Catalan economy

Catalonia has one of the most powerful agro-industrial sectors throughout the State. If we circumscribe the analysis of the agro-industrial complex in Catalonia, it is observed that adding the farming sector and the major agro-industrial branches, it generates directly 4.4% of jobs in the whole of the Catalan economy, 3, 5 % of GVA and 7% of production.

In terms of production, the activity that stands out is the meat industry, which accounts for 32% of total production of the entire food industry, which generates an annual output of about 24,345 million euros.

In terms of employment, agricultural activity is the one generating more jobs directly across the agro-industrial complex, about 69,272 jobs.

Streit coefficients synthetically show all ties established between the different activities. From a more applied and straightforward point of view, it can be stated that the consumption of farming products of the meat activity accounts for 58% of intermediate demand in the sector, whereas 15.7% of intermediate sales belong to other industry food products and tobacco, 7.9% to the dairy sector and 7.6% to the production of beverages. The main supplier in the agriculture sector is the sector of other food products and tobacco.

The strong linkages that the farming sector shows to have with agro-industrial activities give it a strategic value, which is reflected in the Rasmussen coefficients. This importance of the sector is also reflected in the multiplier effects of demand for their products. The effects are especially prominent in terms of occupation, as it is a work-intensive activity, especially with specific regard to agriculture; per each million euros of demand, the sector generates 18.6 jobs and, in comparison to the other branches of TIOC, it is the fifteenth with most impact on employment.

The farming sector in the European and in the Spanish context

European context

The average UAS per farm in Catalonia is on 18.9 hectares. While this figure puts Catalonia above the European average, Catalonia is among the 50% of regions with the lowest average, implying that in Europe we find more regions with a higher average dimension.

However, if we take the rate of livestock intensity, Catalonia is in the highest quartile, with a density of 2.4 livestock units per hectare of UAS, well above the average density of the entire EU27.

The smallest dimension of Catalan farms in terms of UAS is offset by a UAS standardized production which is much higher than the European average, which places Catalonia between the 25% of the most productive regions of Europe.

Catalan field also shows a higher intensity in the use of labour than most European regions. It is in the third quartile above the median, but slightly below the European average. We should bear in mind that in Catalonia greater intensity in the use of labour is complemented by a very high productivity per hectare.

If we analyze the total agricultural labour in Catalonia in AWU terms, compared to other European regions, it is observed that Catalonia is at an intermediate level, with 61,700 AWU in 2010. The regions with the highest agricultural work are in Romania and Poland. Andalusia also falls into this category of regions, along with Bayern and the Bulgarian region of Yuzhen tsentalen. By contrast, some regions of central and northern Europe and the United Kingdom have little agricultural work. Catalan farms also are at an intermediate level in the intensity of labour and its composition, compared with other European regions.

Spanish context

Generally, Catalonia has a yield per hectare higher than most Spanish autonomous communities and it is aligned with other communities of the Mediterranean Basin in the typology of farms.

However, the agricultural map in Catalonia is very diverse and combines very different scenarios throughout its territory. This becomes important to the extent that conditions the productivity orientations in each county and thus determines the leveling criteria from which payments will be decided, according to CAP reform.

The average number of UAS hectares per farm of Catalonia situates the Catalan farms in the same category as most farms in the Spanish coast, in one dimension below the one shown by the central provinces of the peninsula.

Despite the smaller size that Catalan farms present, Catalonia stands out, along with Aragon and Murcia, because of a OSP per farm that stands above most other communities, which can be attributed to the presence of livestock activity with granivores and horticultural activity.

As for the intensity degree in the use of labour per hectare, Catalan agriculture also is aligned with the rest of the Spanish coast, both Mediterranean and Atlantic, with higher registers than inland communities.

According to the analysis of the agricultural work in AWU terms, in 2009 the region with more agricultural work is Andalusia, with 259,763.9 AWU, followed distantly by Galicia and Castile-La Mancha. By contrast, the autonomous communities with less farm work are those of the Cantabrian coast, Navarra, La Rioja, Madrid and the two island communities. Catalonia is at an intermediate level, with 61,703.9 AWU, together with Extremadura, Valencia and Castile and Leon.

As for the intensity of agricultural work, Andalusia is a community with high values of AWU per farm, although Catalonia is also among the regions with high labour intensity (more than 1 AWU), along with Murcia and the Canary Islands.

If the agricultural work in accordance with the composition of the workforce is analyzed, it is observed that the northern communities of the State have a clear predominance of family labour, but Catalonia also shows high values (62, 5%).

As for the gender of operations managers, we find that men are predominant in most regions. However, we must refer to Galicia, where women account for 51.1% of farm managers, as well as Asturias, Cantabria and the Basque Country, where female presence among operations managers also has a significant importance. As for the time devoted to agricultural tasks, Cantabria and Galicia also stand out as communities with higher percentages of operations managers who are dedicated full time.

1.3. THE CAP AND THE FUNDS USED TO COVER IT

Concept, characteristics and evolution

The CAP has been since its inception in 1957 one of the central elements of the project of European integration and the recipient of a very important part of the Community budget. This has undergone several renovations over the years, although initially was raised in a postwar economy in order to ensure food for the population and the farmer's income.

There have been several factors who have shaped successive reforms, which include, on the one hand, aspects such as technological developments, structural changes in the food chain, trends in demand and market crises, as well as the consolidation of the free movement of agricultural products between Member States. Moreover, concatenation of reforms also responds to the Community method of co-decision, which is conditioned by aspects such as the new priorities of the EU, the accession of new Member States and common policies.

As claimed by some authors (Massot *et al.*, 2010), despite having been the subject of successive reforms, the objectives and formal foundations of the CAP have not been changed, and this remains the main common policy in budgetary terms. Thus, the CAP has been articulated on three principles that have guided all its activities: market unity, Community preference and financial solidarity. Moreover, the CAP is structured on two pillars, with different forms of financing: the first pillar is dedicated to direct aid to farms and a small part to market measures, with exclusive financing of EU funds, and as for the second pillar, its measures are aimed to promote rural development, financed by the EU, states and regions.

In the context of post-war Europe, which marks the beginning of the CAP, its goal is to promote the improvement of agricultural productivity so that consumers can have a stable supply of affordable food and ensure that the EEC provides a viable agricultural sector. Thus, the CAP provides subsidies and systems guaranteeing high prices to farmers, providing incentives to produce more.

From the point of view of funding, it must be said that since its creation, the CAP is articulated through a single fund: the European Agricultural Guidance and Guarantee Fund, whose function is to conduct the financial management of the CAP .

In 1964, this fund is divided into two sections. On the one hand, the Guarantee Section, which aims to finance the costs of implementing the policy of markets and prices. Moreover, the Guidance Section, which aims to finance the operations of structural policy and rural development.

In the 80s a climate of conflict arises started by a CAP that achieves the goal of self-sufficiency, but must contend with almost permanent surpluses of the major agricultural products, some of which are exported and other stored or deleted. Consequently, it launches the system of production quotas in the dairy sector and the production limits become the main instrument to tackle overproduction.

Nevertheless, the need to redirect the objectives of the CAP becomes obvious, in order to give space to the environmental issues, the modernization of farms and the braking of the intensification process, in order to slow down the structural surplus.

In this context the concept of multiannual financial perspective is also developed and, in this regard, since 1988 the CAP credits are subject to budgetary discipline through the establishment of an agricultural guideline which limits the budgetary growth of the CAP, depending on the behaviour of GDP.

From this reform, the agrostructural policy is included in a context of regional policy, in which the rural development is not financed solely by the EAGF Guidance Section but also by the EAFRD, created in 1975.

In 1992, the Council adopted a new reform of the CAP, known as the MacSharry reform. Its main feature is the beginning of change of the production support model, through prices, valid until now, by the producer support via income support. Thus, direct payments associated with the production are established and, in parallel, the compulsory set-aside of lands and other accompanying measures, such as agro-environment measures and afforestation, are established.

Year 2003 is the one that generates deeper changes in the CAP conception, because the unique payment system is set. According to this, farmers are assigned entitlements calculated on the basis of aid received in a given reference period (historical rights), which are independent or uncoupled from future production levels. These payments are linked to the fulfillment of certain environmental, animal welfare and plant health standards, that all recipients of payments should meet.

In 2005 the EAGF is divided in two different funds: the European Agricultural Guarantee Fund (EAGF), which funds market measures and income aid, and the European Agricultural Fund for Rural Development (EAFRD), which confirms the separation of the CAP in two pillars.

In 2011 the preparatory work of defining the post-2013 CAP started, contextualized in a key transformational moment in which decisions must be made to establish the basis for the future model, taking into account such factors as price volatility, costs increasing and environmental elements, which require a rethinking of the CAP. In this context, the Commission presented two communications, one on the budget revision and the other one on the CAP in the horizon 2020, in particular on the new agrarian reform.

In the Communication on the budget review is concluded that the CAP must be understood as a horizontal policy that gives impetus to all sectors of the economy on the fight against climate change. In the Communication on the CAP in the horizon 2020, food security, environment, climate change and territorial balance are defined as PAC challenges. It also establishes that the CAP must ensure a viable food production and sustainable management of resources.

The next steps in the way of formal adoption of the reform are the European Parliament partial agreement reached on 26 June 2013 between the European Council, the European Parliament and the European Commission on the CAP reform and the approval by the European Parliament of the political agreement on the financial and multinational framework, July the 3rd, 2013.

These agreements culminate with the approval of the European regulations governing the new CAP, as well as with the realization statewide through four royal decrees on aspects that European regulations left at the discretion of the Member States.

The new CAP regulation

We must place the CAP reform at a time of severe recession in the European economy, closely linked to the 2014-2020 financial perspective, involving the loss of part of the loans granted to the CAP in constant terms, something that we should also combine with the accession of new countries to the EU.

On the other hand, we must take into account the volatility of prices of agricultural products as well as the progressive dependence between agricultural, energy and financial markets.

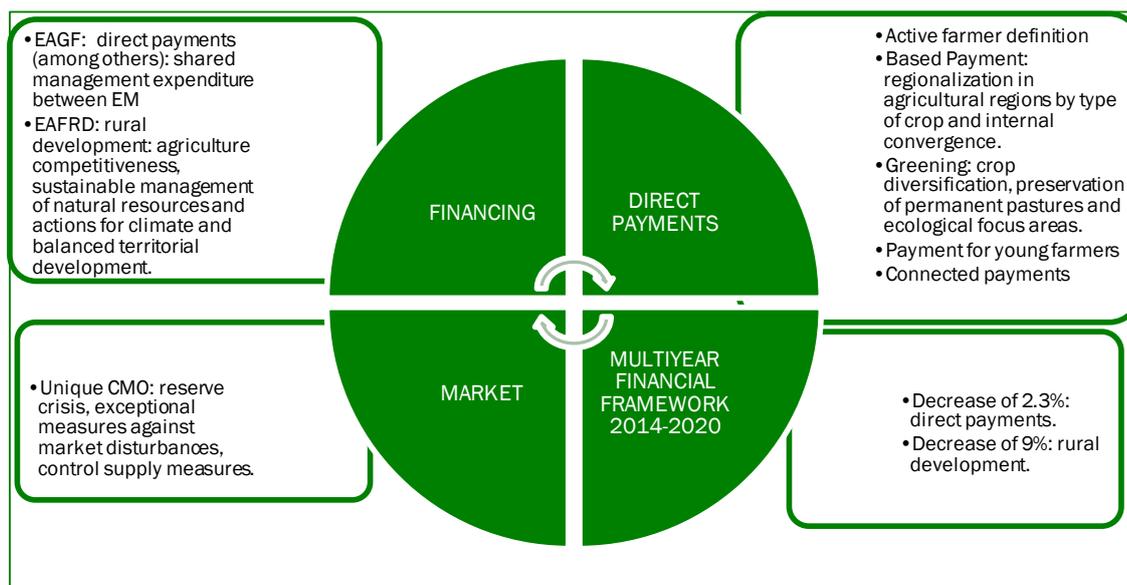
In the context of margining due to the crisis and the mentioned volatility, it has also been considered essential to consider the unbalanced distribution of the value generated by the food chain. We can't ignore, in the context framing the reform, the various meetings of the Doha Round in terms of international trade, in the line to reduce customs fees. We must also consider the renewal of the Kyoto Protocol on climate change, which values the sustainable agriculture and climate change mitigation.

The reform also aims to combat the loss of legitimacy of the CAP between European citizens and, in this sense, it serves the requirements of greater equity between the allocation of direct payments, both among Member States and among the farms, through a process of internal convergence.

The CAP reform is also conditioned by the format of the EU decision-making, as it is decided for the first time through the co-decision process.

Below are shown at schematic level, the main elements of the new CAP, which will be explained later.

FIGURE 1. Main elements of the new CAP in Spain



Since 2010 the European Commission initiates a public debate on the future CAP, which concludes that it remains a strong common policy structured on two pillars and, moreover, further progress is recommended to strengthen competitiveness, improve use of tax resources and obtain the benefits of public policy demanded by European citizens in the areas of food security, environment, climate change and social and territorial balance.

On this basis the CAP reform poses a number of challenges that can be grouped into three areas: food security, environment and climate change and territorial balance.

Based on these elements, in November 2013, the Parliament and the Council adopt the regulatory texts of the new CAP, which are formally approved in December, and deal with the direct payments, the CMO and the CAP and EAFRD financing, management and monitoring. Although these regulations are directly applicable to Member States, they leave some aspects at their discretion. In the case of Spain, several agreements have been taken in Agriculture and Rural Development Sector Conferences, 24 and 25 July 2013 and 20 and 21 January 2014, in which is manifested, among other things, the will of a uniform model throughout the State, and of maintaining the amounts received in previous periods. These agreements culminate with the adoption of four royal decrees in December 2014, which

regulate the application model of the CAP in Spain in the areas in which, as noted above, European regulations leave room.

We can split the content of the legislation in three main areas: direct payments, the CAP financing and the WTO.

As for **direct payments**, Rule 1307/2013 provides for the regulation. This one replaces the single payment per farm by a system of multifunctional payment, direct payments, with seven components (base per hectare payment, green payment, additional payment to youth for five years, redistributive payment to strengthen support for the first hectares of a farm, additional income support in areas conditioned by natural constraints, aid coupled to production for certain areas or types of agriculture for economic or social reasons and a simplified system available for small farmers, with payments of up to 1,250 euros). The first three components are mandatory for Member States and the last four are optional. Of the latter, in Spain only coupled aid and the simplified scheme for small farmers are applied.

The regulation provides that new aid per hectare only will be given to active farmers, a broadly defined figure. The regulation provides, on the one hand, a negative list of beneficiaries² and, on the other hand, in the case that natural or legal persons are part of this list, these ones are considered active farmers if they provide verifiable evidence to show compliance with a series of requirements (not applicable to farmers who the previous year have received direct payments lower to 5,000 euros): the annual amount of direct payments should be at least 5% of the income obtained from non-agricultural activities in the most recent tax year; that their agricultural activities are not insignificant and that their social purpose or principal business is to exercise agricultural activity.

At the State level, the definition of not insignificant agricultural activity is settled, understood on the basis that their agricultural income different of direct payments are 20% or more of their agricultural income throughout the fiscal year. This criterion does not apply for amounts less than or equal to 1,250 euros.

European legislation provides that Member States must allocate 30% of their national budget for direct payments to ecological component. The remaining 70% component of basic pay, after the deduction of the amount for national reserves (required up to the 3% of national budgets) and for additional payments as redistributive payments (at most 30%), will be allocated to young farmers (maximum 2%), less-favored areas (maximum 5%) or in the form of coupled payments (maximum 15%).

On the other hand, it requires the reduction by at least 5% of the basic pay to be granted to farmers who exceed 150,000 euros. At the State level, limits for receiving aid are fixed and they forbid the granting of direct payments when the total amount is less than 100 euros in 2015, 200 euros in 2016 and 300 euros from 2017.

As for the components of direct payments, we must make special mention of the base payment per hectare, which replaces the previous single payment scheme, as discussed above. The beneficiaries are active farmers who are entitled to receive payments in respect of an application for aid in 2013. What generates the right to payment are the number of eligible hectares declared by the farmer in his aid application in the year 2015. The European Regulation allows Member States to apply the basic payment scheme at a regional level and, in this regard, Spain opts for a regionalization model, based on the agricultural districts which are grouped into 50 regions, depending on productive orientation of the different types of agricultural land (rainfed, irrigation, permanent crops and pastures) of each region and the productive potential that characterized them in 2013.

It should also be noted that at European level a process of convergence is expected, so that from 2019 all payment entitlements will have a uniform unit value in a Member State or region, according to the model for which is opted. In the case of Spain, the average value of the region and the value that corresponds to the beneficiary are taken into account, once made the 2015 tax statement. Beneficiaries above average in their region may lose no more than the 30%. Beneficiaries with less than 60% of the average of their region will receive a maximum of 60%. Finally, beneficiaries with a value between 60% and 90% will increase the value of their rights a third of the difference between the value corresponding to them and 90% of the average value of the region.

As for the green payment, European legislation establishes three mandatory measures: crop diversification, maintenance of permanent pasture and to devote at least 5% of arable land to areas of ecological interest. The budgetary limits are set on the State level.

² Natural or legal people or groups of physical people or legal entities that manage airports, railway services, water supply facilities, and permanent real estate and sporting facilities.

As for payments to young farmers, which have a duration of 5 years, the European regulation requires that it should be the first installation on a farm as head of the exploitation or that it had been installed in the 5 years preceding the application of the base payment and the farmer is less than 40 years old. The amount is set at the State level.

In the case of coupled aid, the European legislation details and regulates the various lines of support, considering that they can only be granted to sectors or regions of a Member State in specific types of farming or agricultural sectors that, being specially important by economic, social or environmental reasons, are undergoing certain difficulties. In Spain it is set at Sector Conference.

Regarding the **CAP financing**, through Regulation 1303/2013 it is established a common strategic framework that integrates all the structural financial instruments (EARDF, ESF, Cohesion Fund and EAFRD) with common thematic objectives and a territorial approach in its application. Regulation 1306/2013 regulates the financing, management and monitoring of the CAP, taking into account the changes that they have suffered under direct payments. Funding of the CAP objectives will continue to be carried out through the EAGF and EAFRD, and the expenditure for both funds is defined.

Regarding support for rural development, financed by the EAFRD, the classification in axes made in the previous regulation is eliminated, responding to criteria of simplification. A special mention deserves the incorporation of measures relating to the agroambient and climate and ecological agriculture.

Finally, regarding the CMO, a reference should be made to Regulation 1308/2013, on which the CMO is created. This regulation identifies agricultural products and details the measures of market intervention, aid schemes, rules on marketing, the rules concerning producer organizations, trade with third countries, rules on competition applicable to agriculture and other general provisions.

It should be noted that a reserve is done for cases resulting of crisis affecting the production or distribution forms, representing a reduction of direct payments exceeding 2,000 euros, within the framework of financial discipline. The Regulation also allows the European Commission to take exceptional measures against market disturbances and reviews the systems of public intervention and private storage aid to improve its responsiveness and effectiveness.

The Regulation also provides some measures to control supply, as the completion of the sugar quota on 30 September 2017.

1.4. PROJECTION OF THE ECONOMIC IMPACT OF THE CAP REFORM

The study that has been developed has raised the exercise of calculating what would be the amount of direct aid that Catalonia would receive if the declaration of 2015 finally was exactly the same as 2013. Thus, with data from farms and files of the 2013 single statement, we have attempted to apply the new rules to see what effects it may have on the quantities that Catalan beneficiaries would receive. To carry out the exercise, it has been necessary, therefore, to estimate on the one hand, the basic payment to be received for each hectare declared in 2015 and 2019, after applying the process of convergence (green payment or greening is calculated in proportion of the value of the rights of basic pay); on the other hand, it has also been necessary to estimate all associated aids that complement the green payment and the corresponding greening.

The estimated total amount of aid, including basic rights payment, green payment and the collection of associated aid would gather a volume of aid that would rise to 244,109,608 euros in 2015 and would rise up to 245,074,890 in 2019. In any case, this value would hardly go, in our estimation, beyond 251,501,554 euros in 2019. Regarding the volume of direct payments collected in 2013, this sum brings us to 95.4% of the aid received that year, a proportion that would reach at maximum 97.9%.

The following table shows the global result of these estimations. Since our estimation was made with data from collections made in the calendar year 2013, and since the total amount of aid for 2013 following the SAGF exercise differed slightly of that calendar year, the latest estimation corrects both the value of estimated aid as the aid given in 2013 in order to approximate to the value of aid granted during the year. In the latter case, the estimated aid would reach in 2015 to 250 million euros, and would rise slightly above 251 million in 2019. However, since the volume of aid considered by the whole exercise would also be higher, the enforcement would leave the year 2019 with a volume of aid in nominal terms standing at 93.3% of the ones awarded by the SAGF in 2013.

TABLE 1. Forecast of the evolution of total direct aid between 2015 i 2019 resulting from the implementation of the new regulation, following scenario 2 and scenario 1, correcting or not the gap between the rights charged in the natural year or granted during the SAGF year

	2015	2016	2017	2018	2019	2019 percentage
						on the direct amounts charged 2013
Estimated gross amount of the TOTAL DP without corrections (calendar year)	245.166.282	246.751.052	248.335.188	249.918.688	251.501.554	97,86%E
Estimated amount of the TOTAL DP with corrections ¹ (calendar year)	244.109.608	244.164.562	243.911.339	244.493.236	245.074.890	95,36%
Estimated amount of the TOTAL DP with corrections ¹ (EAGF year ²) ³	250.203.267	250.257.034	250.002.623	250.583.333	251.163.799	93,32%

Units: euros and percentages.

1/ The correction applied consists of the disparagement of the rights that are affected by the limits set out in Articles 6 and 7 of Royal Decree 1076/2014, and of the full acceptance of the small farmers scheme by all beneficiaries that can be taken in. This disparagement is applied year to year according to the provisions of the applicable regulations.

2/ The analysis was carried out from the amounts collected in 2013. The volume of the amounts collected in 2013 does not correspond to the volume of aid granted during the SAGF exercise, which does not correspond to the calendar year. The most important divergence occurred in relation to the suckler cow aid. The divergence has been shared out pro rata (51.32%) and is linearly applied to the entire series to partially correct the downward bias that would have been incorporated.

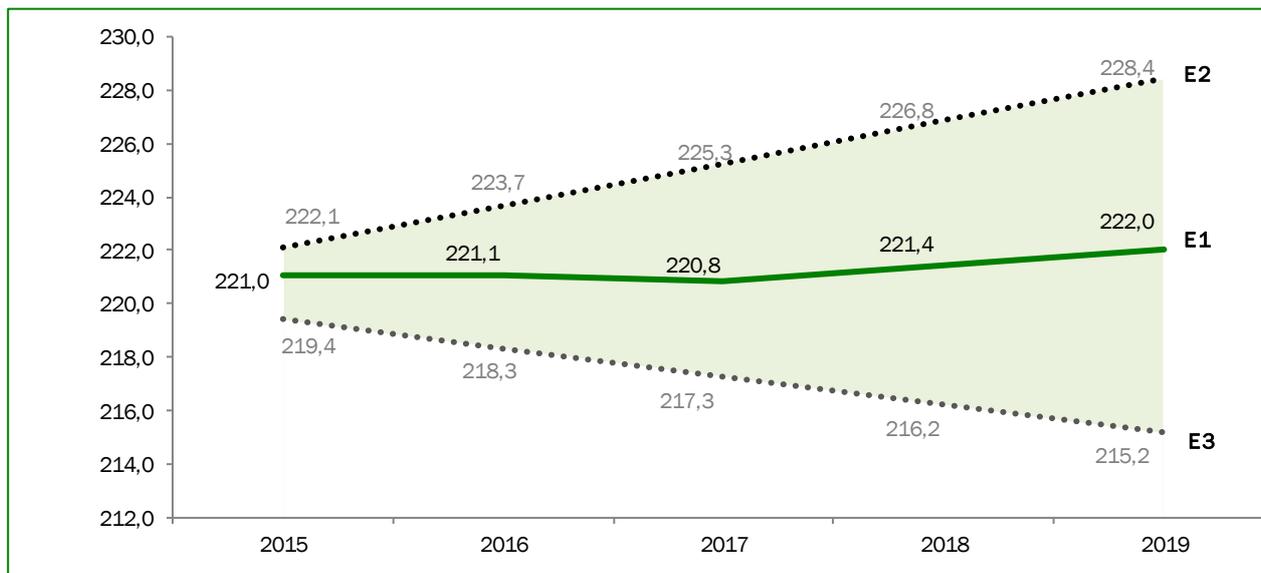
3/ While in the first four cases total aid for 2013 have been calculated as fees charged in the calendar year, this criterion is modified in the last two approaches; in these cases, to calculate the total aid in 2013, the total volume of aid granted in the SAGF exercise has been taken into account, which has increased the volume of aid to suckler cows, as well as the volume of specific aid granted under the umbrella of Article 68 of the EC Regulation 73/20029.

Source: own elaboration (see the methodological appendix of the Report).

Although in global terms the whole of Catalonia may seem to maintain a level of aids which is lower, in nominal terms, to that of 2013, this behaviour would not be geographically distributed in an uniform way. Thus, the counties of the northern third of Catalonia, for want of seeing whether the pastures declaration is finally reduced or not, collect a higher aid volume than that in 2013, mainly because the associated livestock aid amply offset the effect of the application of the rules on the decoupled payment. However, this would not happen in the southern counties of the province of Lleida and Barcelona, or in the whole of the counties in the province of Tarragona.

By components, the estimation of the total basic payment rights plus the green payment or proportional greening which is perceived would be of 221,037,473 euros in 2015 and it would increase to 222,002,754 in 2019, after the convergence process.

CHART 1. Estimation of the value of the basic rights plus the associated greening received in Catalonia, 2015-2019



Units: millions d'euros.

(E1) Scenario 1: Applying to each hectare a negative correction which is proportional to the effort required for each county (after the proportion of beneficiaries that correct downwards in relation to the whole of beneficiaries that also do it in the whole of each county. See the pro rata procedure in the methodological appendix). Also removing all the aid lower than 300 euros and discounting the convergence of those with less than 1.250 euros.

(E2) Scenario 2: Applying to each hectare a negative correction proportional to the effort required for each county (after the proportion of beneficiaries who corrected downward in relation to the whole of beneficiaries who also do it in the whole of each county. See the pro rata procedure in the methodological appendix). Without excluding direct payments of less than 300 euros or the convergence of payments for less than 1,250 euros a year.

(E3) Scenario 3: Applying the total correcció to the hectares that converge negatively. No kind of correction is applied.

Source: own elaboration (See the methodological appendix).

One of the main factors that have a bearing on determining the convergence volume of the basic payment rights is the application of the exclusion criteria laid down in article 6 and title V of Royal Decree 1075/2014 of 19 december. Specifically, we refer to the exclusion of aid recipients with less than 300 euros per year, and to the non-convergence of the rights of the beneficiaries including the small farmers scheme (RPA), which, on the other hand, is optional. Another factor to consider is also the downward effort of convergence that those beneficiaries with rights over the average of each region finally will make.

Although the estimate that has been made includes the application of the rules laid down in articles 6, 86, 87 and 88 of the above mentioned Royal Decree, its inclusion or not, along with the apportionment or not of the downward convergence in each region open us a range of possibilities that could modify the value of the basic payment rights plus the greening estimated for the year 2019 between 215.2 and 228.4 million euros. However, it should be taken into account that the changes that finally could be carried out in the declarations would change greatly both rights and values of convergence, which can substantially modify our initial estimate. The estimate, considering that the statements have not changed with regard to 2013, is shown in the previous graph, which reflects the range of possibilities between the three estimated scenarios.

According to estimates, the hectares that could subsidized for the rights of basic payment for the year 2015 were 952,993. Of these, 39.6% were plots devoted to herbaceous crops, along with pastures (29.2%) were the two uses declared more present, far ahead of the olive tree (9, 3%) and fodder crops (5.8%) and vineyard (4,5%).

Among the types of crops subsidized above average we could find rice, citrus fruit, herbaceous crops, fodder and olives. Similarly, the allocation of rights that has been made leaves the fresh fruit, pastures, vegetables, vineyard and dried fruit with aid per hectare below average, although most of these types of crops, except nuts and dried fruit, possibly can tend to correct their aids upward together with the convergence process. All other crops may converge downward.

Considering the first two convergence scenarios that have been calculated, on the whole, the computed hectares could converge between 0.5% and 3.7% upwards, although the third stage, to a certain extent improbable, could lead

to a negative convergence of 2.3%. As for the vineyard, perhaps along with the orchard finally computed, it seems probable that the rights will gain value with the convergence. Similarly, all estimates point to a downward convergence average in land devoted to olive trees. However, it should be taken into account that other types of crops such as nuts and dried fruit show a loss of value of the rights between 2015 and 2019, although this development responds to the disappearance of beneficiaries affected by article 6 of the RD 1075/2014 and to the no convergence of small farmers rather than to the downward convergence of their own lands. In fact, these types of effects are concentrated mainly in the counties of the province of Tarragona and south of Barcelona.

Territorially, convergence would not substantially modify the distribution of rights to basic payment between 2015 and 2019. An important part of the basic payments would be allocated to land located in the counties of Segrià, Noguera and, in general, in the counties of southern Lleida, the Baix Ebre and Montsià, and, farther away, in Osona and Alt Emporda. In general, these same counties lose weight in the distribution of aid after the process of convergence, except for Osona.

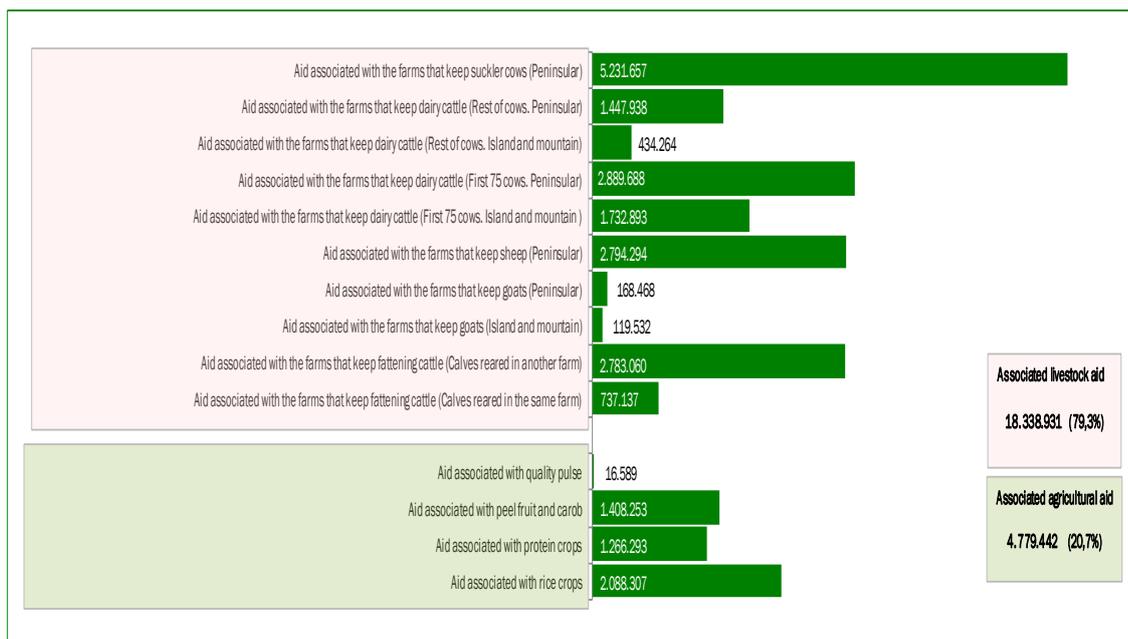
In 2015, the average value of basic payment rights per hectare is estimated to be higher in the counties of the Ebro, the southern province of Lleida, in the Aran Valley and in the more eastern counties of the provinces of Barcelona and Girona. The convergence process would moderate slightly differences among the average price per hectare that is charged in each of the counties.

The convergence process improves in general the average values of the basic payment rights per hectare in the whole of Catalonia; however, this improvement would not occur in all counties. We must highlight the counties of Aran Valley, Baix Camp, Priorat, Segarra, Pla d'Urgell, Garrigues, Montsià and Segrià for the loss of the rights average value.

If the basic payment rights are distributed according to the location of each beneficiary farm, then counties of Segrià and Noguera, which account for much of the aid, become even more relevant. Farther away, although with an important aid volume, we can find other counties such as the Baix Ebre, Montsià and Osona. For farms, the gain arising from the convergence in the mountain counties is much more evident than per hectares.

Apart from the basic payment, aid associated with farming and agricultural activities that Catalan beneficiaries could receive would be around the 23,118,373 euros, following estimations. The most important part of the associated aid would go to the livestock sector, as shown in the graph below, while aids to the agricultural sector would represent only 20.7% of the total. A portion of this associated aid could be excluded in cases where the total direct payments do not exceed 300 euros. Such involvement would only represent, in our case, 0.5% of the estimation, which would mainly focus on farming aid and, in relative terms, in a more important way, on aid for quality vegetables crops and nuts and dried fruit.

CHART 2. Estimate of the associated livestock and agricultural aid that is given to Catalonia, 2015



Units: euros and percentages.

Source: own elaboration (see the methodological appendix of the Report).

Overall, livestock aids tend to concentrate more on the northern counties of Catalonia, while farming aid, especially those related to rice and dried fruit, do it especially in the southern ones. As a result of the fact that the estimates obtained from the livestock aid outweigh the farming estimates, in general, the relative and absolute importance of associated aid focus mainly on the northernmost third of Catalonia especially in the Pyrenees, where they represent an important part of direct payments.

The only livestock aid which maintains a more dispersed distribution and more focused on the southern counties is the raising of goats. In the case of sheep, the distribution is also quite scattered, although the southern counties do not acquire such importance. In any case, both grants have relatively a minor importance in relationship to the ones given in the sector of dairy cattle, fattening cattle and breeding cattle. In this field, the more intensive forms also focus much assistance to the southern counties of the province of Lleida, in Osona or to the cattle counties in the province of Girona.

This factor along with the upward convergence of grasslands, as mentioned earlier, explains the fact that the counties of the northern third of Catalonia, especially in the Pyrenees, show in general an estimated aid level for both 2015 and 2019 higher than the one in 2013. This does not happen in other Catalan counties.

1.5. CONSIDERATIONS AND RECOMMENDATIONS

The CTESC, after having prepared this Report, wants to highlight a number of considerations and recommendations to the Government of Catalonia, in order to advise it on the development of policies related to agriculture and especially, with regard to the implementation of the new Common Agricultural Policy in the Catalan countryside.

The CTESC is aware that some of the recommendations require a competence framework higher than the one that the Government has at this point. However, it considers that this should not be an obstacle to formulating them, given the Government's ability to negotiate with other governments the possibility of implementing them, as well as its capacity to influence the development of initiatives that incorporate the spirit of the proposals.

1.5.1. ON THE FARMING SECTOR IN CATALONIA

It is obvious that Catalonia has one of the most powerful agro-industrial sectors throughout the State. If we limit the analysis to the agro-industrial complex in Catalonia, we can observe that adding the farming sector and the main agro-industrial branches, it generates directly 4.4% of jobs in the whole Catalan economy, 3,5% of GVA and 7% of production.

If we analyze the sector from a diachronic point of view, then it is possible to observe that in recent decades there has been a gradual concentration of the activity, a decrease in the number of farms, along with a relative maintenance of the Useful Agricultural Surface (UAS) exploited, which, however, has tended to give ground to the forest area. This trend has led, on average, to an increase in the size of farms in terms of surface and also of the livestock farms, although in the latter case it has only meant an increase in the total number of pigs and equine.

This redimensioning of the operations has taken place mainly from an increase in the rental agreement, although the ownership is still the most usual tenure system.

Regarding farming activity and the productive farming orientations, Catalonia registers an orographic and climate diversity that determines the varied settings of the Catalan countryside. Nevertheless, almost half of the cultivated land is devoted to cereals for grain and at great distance we find olive trees, forage crops, vineyards and dried fruit and nuts. In recent years the crops that have grown most are tropical fruit, seedbeds, citrus fruit and cereals for grain.

Catalonia has three clearly defined areas. The first, which comprises the counties of the central strip of Catalonia, mainly engaged in herbaceous dry crops. A second area comprises the typically mountain counties, currently dominated by extensive pastures. Finally, the southern counties, where the weight of the surface with permanent crops gains importance.

The livestock plays a very important role in Catalonia. In the year 2011, 60.7% of the final agricultural production was derived from animal production. The livestock activity is especially important in the Pyrenees zone because of its abundance of grass, as well as in some more central counties where intensive stabled livestock takes a central role.

There are difficulties to obtain data that gather and demonstrate the diversity of the agricultural sector in terms of employment. With the available data, and from the census of 2009, 146,229 people worked on farms in Catalonia, including family labour or permanent employees, 11.7% more than in 1999. The family labour represents 82% of the total, clearly a majority, although it goes down 4 percentage points compared to the situation 10 years ago. This retreat is explained by the increase in the fixed salaried employment and it is linked to the phenomenon of integration and concentration to the detriment of the traditional family farm. The incidence of part-time work is very important and that is why, when analyzing the workforce in terms of annualized working units (AWU), the 146,229 workers are equivalent to 54,963 AWU, that is to say, people working full time. If we take into account the temporary and external workforce we could reach 63,330 AWU.

Despite the increase in the number of people who are working in the field, agricultural work as a whole has decreased by 10,681 AWU between 1999 and 2009, as a result of the reduction in the time that the family workforce devotes to the exploitation. Besides, the work of people who are not directly employed by the farm (external workforce), as in the case of companies of agricultural services, increased 59.6% over the period 1999-2009. It is also remarkable to note that more than half of the farms have less than 1 AWU per year and only 11.7% need more than 2. Moreover, the working time that each person devotes to the exploitation tends to decrease.

It is also possible to verify the high average age of people employed in the Catalan countryside in 2009. Thus, 1 in 3 exploitation owners are 65 years old or more. As for heads of operations, the largest group, 27.9%, are between 55 and 64 years, followed closely by those aged 65 and over, 27.3%. Between 1999 and 2009, the average age has increased. Despite the aging trend, experts indicate that, by several factors, the statistical sources do not just properly measure this reality, and everything suggests that the possible scenario of a gradual abandonment of the field is unlikely.

With regard to gender, men make up a substantial majority of the workforce, 2 out of 3 employees. However, between 1999 and 2009 there was a certain increase in the proportion of women, due to the incorporation of younger women in farming. One factor that may explain in part this situation is the invisibility that sometimes has the work of women in rural areas, with the consequent lack of records about it.

Regarding the educational level of the employed population, the level reached is lower than the one of the employed population in other sectors. We should not forget that the development of employment in the agricultural sector often does not require a professional qualification. Other factors explaining this fact are the age of the working population, the proliferation of part-time work and the casual employment.

In this context, the CTESC recommends:

1. To support the internationalization of companies and agro-industrial cooperatives, taking into account the new areas of global consumption. In this regard, it would be necessary to enhance trade missions and other instruments of export aid as means of cost reduction, promoting synergy actions between PRODECA, ACCIÓ, ICEX and other organizations with similar functions.
2. To structure a new plan to promote the competitiveness of the agricultural cooperatives, more adapted to their reality and their challenges, replacing the current Plan of concentration, intercooperation and modernization of cooperatives (PCIM). This Plan should encourage co-operation, the structuring of business cooperatives, as well as mergers, and drive a significant jump in the average size of these companies, reinforcing its leadership in the environment (other autonomous communities, other Member States and European regions).
3. To promote the concept of "food chain" in order to make clearly visible all the links that make it up and promote their collaborative interrelation.
4. To promote the entrepreneurial skills of the figure of the farming and forestry producer, promoting the adoption of corporate figures, economies of scale and the reduction of the operating costs within the framework of a multi-year business plan.
5. Given the existence of a strong discrepancy between the number of farms, 60,000, which the census identifies, and the number of companies that can be sensed based on information from the Social Security records (less than half), fact that reveals the existence of part-time farming, it would be necessary to promote the development of more efficient policies to prevent the abandonment of agricultural activity.
6. Due to the low presence of figures with corporate and commercial liability limitation, in relation to other sectors, it is proposed to remove administrative obstacles to certain requirements of the lines of existing aid, when they are an impediment to the adoption of these legal figures.
7. To implement a specific training program for governing councils of the agricultural cooperatives that focuses on three areas: the regulatory framework, business skills and management skills to foster leadership in business strategy.
8. To advocate for a greater concentration of supply to improve the strategic position of agricultural producers in the food chain.
9. To strengthen the relationship between the producer and the agro-industrial sector. This production sector needs interaction to find new market niches with higher added value, given the challenge to compete on price and/or volume. The co-operation with the agro-industrial sector can help to promote Catalonia as one of the major agricultural clusters encompassing the entire value chain.
10. To promote the observatory food prices task, deepening on the elements of market situation foresight and, above all, providing models of success both in the farm exploitation as in the food industry.
11. To promote those agro-industrial models that provide mostly with raw Catalan materials and/or prioritize raw Catalan materials in front of another option.
12. To bet on measures that promote competitiveness of agricultural production and diversification of activities.
13. To develop mechanisms to bring to market the producer that offers own final products through projects of short-circuit product awareness and the use of renowned Catalan cuisine.
14. To define and establish campaigns of great impact on public opinion to promote Catalan products of quality or certified origin for promoting consumption.
15. To encourage the use of resources allocated to innovation and to highlight the available technological possibilities.
16. To promote decidedly precision agriculture, since it allows to optimize resources in agriculture.
17. To foster the modernization of irrigation to save water and energy.
18. To simplify administrative procedures in transactions of assets in order to facilitate adaptation to the new EU policies and access to generational change, as well as the entry of persons who are not necessarily the farmers' sons/daughters.
19. To promote measures and provide with the necessary means to improve the working conditions of immigrants working in the field, under the AGREE project.
20. To develop a sustainability plan for intensive farming.

21. To provide documents of forest management with a greater legal security regarding the guarantees of performance over time, especially in the case of protected areas.
22. To develop economically viable forestry as a mechanism for fire prevention and preservation of the environment. The level of extraction of forest material should consider annual rates of forests growth to avoid the progressive accumulation of the forest fuel and the increased risk associated.

1.5.2. ON THE COMMON AGRICULTURAL POLICY

By now, nobody can argue that the Common Agricultural Policy (CAP) has been, since its inception in 1957, one of the backbones of the European integration project and the receiver of a key part of the Community budget.

The CAP has undergone successive revisions due to a number of factors. A first set of factors would have the common aspects of a series of changes that have occurred in Europe in the nearly 60 years that the CAP is being implemented, such as technological changes, structural changes in the food chain, the demand trends and market crises. Another significant factor has been the consolidation process of the free movement of agricultural products between Member States and international trade relations. And one last item, in this case, more technocratic, is the Community decision method, which is influenced by aspects such as the new priorities of the EU, accession of the new Member States and common policies.

The CAP has been articulated on the basis of three principles: market unity; Community preference, which involves the protection of domestic production and financial solidarity, which implies that the financing is done through the Community budget.

Another distinctive element of the CAP is the configuration in two pillars: the first devoted to direct aid for farms and a small part of market measures, financed exclusively with funds from the EU. And the second, which corresponds to measures to promote rural development, financed by the EU, States and regions.

The new CAP reform must be contextualized in a time of severe recession in the European economy, which has led to the implementation of fiscal austerity policies in the majority of countries of the EU. This situation has had a significant impact in terms of budgetary multiannual financial perspectives 2014-2020, which entails a loss of part of the loans granted to PAC in constant terms, a fact to which we must add the accession of new countries to the EU. This framework must be complemented with the volatility of prices of agricultural products, as well as with the progressive dependence between the agricultural markets, energy and finance. It is obvious that the increase in energy prices has an impact on the increased costs of agricultural production.

Given these elements, in early 2010 the European Commission opened a public debate in which it concluded, on the one hand, that the future CAP remains a strong common policy structured around two pillars and, on the other, it recommended further progress to strengthen competitiveness, improve the use of natural resources and reap the benefits of public policy requested by European citizens in the areas of food safety, environment, climate change and social and territory balance. Based on these pillars, in November 2013 the Parliament and the Council adopt the new PAC regulatory texts, the essential elements of which are:

- The mechanisms of direct subsidies pass from dissociation or separation to targeting.
- With regard to horizontal and financial rules, the integrated administration and control system is simplified, as well as the eco-conditionality of aid.
- With regard to the Common Market Organisation, the instruments in place are adjusted in order to convert them into safety nets that are only applied in case of price crisis and market disturbances.
- The existing instruments in relation to rural development are simplified in order to concentrate on the aid for competitiveness, innovation, knowledge-based agriculture, the establishment of young farmers, sustainable management of natural resources and balanced territorial development.
- Finally, the new regulation maintains the two pillars of the CAP, while increasing the links between them, which provides an integrated and comprehensive approach to support the policy.

Having outlined the framework of the new CAP, it should be noted that, although European regulations are directly applicable in Member States, they leave some aspects to their discretion and, therefore, there is some scope to define the model by each State. In Spain, the various regulations and agreements reflect the will of a uniform model throughout the country, as well as the maintenance of the amounts received in previous periods. These agreements culminated with the approval of four royal decrees in December 2014, which regulate the application of the CAP model in Spain.

Briefly, the most distinguishing feature of the Spanish model is the basic payment model. Thus, the first pillar of the CAP (direct payments) consists, on the one hand, of the base payment, the green payment and the scheme for young farmers and, on the other hand, the coupled payment. Regarding the basic payment, the State opts for a model of regionalization based on 50 agricultural regions, following administrative, agronomic, socio-economic criteria and also criteria related to regional agricultural potential. In addition, these regions are divided according to the productive guidelines presented in the campaign in 2013 for the declared surfaces or to the use reflected in the geographical identification system for the agricultural parcels (SIGPAC), for surfaces not declared in the mentioned campaign. Specifically, they are divided into farmland (dry farming and irrigated), permanent crops and permanent pastures. An average right value is assigned to each of these regions and, in this sense, the values of the single payment rights of each region will converge towards the average.

It should be mentioned that the Department of Agriculture, Livestock, Fisheries, Food and Environment considers that the State royal decrees contain manifest contradictions in relation to the Community law and, consequently, in February 2015, it sent a request before filing an administrative contentious appeal to the Ministry of Agriculture. The first element of conflict is the definition made by royal decrees on the concept of active farmer since, according to the Department, it favours the access to grants of natural or legal persons the main activity of which in any case is agriculture and livestock, which is contrary to Community law. Moreover, the Department shows that the legislation excludes of the payment for young farmers those who begin activity exclusively in sectors such as fruit, vegetables, potatoes, ornamental plants, vineyards or horse or a combination of them, sectors that were not included in the single payment scheme. Moreover, based on the new rules, the Department believes that young farmers not included in the single payment scheme who have basic payment rights because of assignments (lease, sale or succession inter alive or mortis causa) could not receive additional payments. The Department also considers that the fact that the requirements for young farmers are different depending on the aid concerned, for rural development, direct payments or from the national reserve difficults access to funding. Finally, with regard to couple aid, the Department believes that significant sectors in Catalonia should have been included as irrigated alfalfa and olive underperforming. Otherwise, it considers that the fact that the couple aid system does not fit the regionalization model can provoke in some sectors an overcompensation contrary to Community law.

In connection with some of these issues that have been conflict object, we should remark the recent approval of Royal Decree 1172/2015, which amended the above mentioned State Royal Decrees, governing the application model of the CAP in Spain. The most significant changes have been the clarification of the social object of the activities excluded from the direct payments granting. In this sense, it is explained that the requirements of the active farmer shall not apply to farmers who received amounts totaling 1,250 euros or less, before the application of the penalties or exclusions arising from the eligibility or conditionality checks. On the other hand, codes corresponding to the business tax are incorporated to determine the activities considered to be excluded from aid.

Regarding the definition of agricultural activity, grazing is added as part of livestock activity and, consequently, the list of maintenance activities is amended.

Also noteworthy are the changes regarding the young farmers scheme, as the new Royal Decree eliminates the requirement to start business in any of the sectors included in the single payment scheme until 2013 or from 2015 in the payment scheme basic, so that the aid is opened to young farmers installed exclusively in sectors such as fruit and vegetables, vineyard and wine, ornamental plant and horses. It also provides access to the national reserve for those persons who prove to have appropriate education and training in the agricultural sector and thus combines criteria for training and teaching experience.

As for coupled aid, the associated dairy cattle grant is amended, since from 2016 the lines defined by Royal Decree 1075/2014 are reduced from four to two, eliminating the distinction between the first 75 cows and more than 75 cows; also, with respect to the amount of the aid, it establishes that the first 75 will be paid in full amount, and the remaining, 50%.

In this context, the CTESC recommends:

23. To make an in-depth reflection with a view to the 2017 mid-term review, in order to clearly identify the strengths and weaknesses of the CAP. In this regard, it should be noted that the current reform drags a model designed years ago and, in the case of Spain, it has opted for a conservative model compared to most EU Member States, conditioned by the productive diversity of the State.
24. Once final data on the allocation of rights to basic payment are available, to analyze the impact of changes in the new system of direct payments in Catalan farm income as an important element in negotiating future changes.
25. To assess in the medium-term the use and effectiveness of the main instruments regulated under the Common Market Organisation approved in 2013, relating them to the general CAP objectives.
26. To evaluate the impact that a direct aid model of "single state or regional flat rate" would have in Catalan farms, differentiating the effect for each sector as an important element in the preparation of the current CAP discussion beyond 2020.
27. To produce periodical briefing papers on the CAP and its potential evolution in order that companies can work on the strategies with enough time, taking into account possible changes after 2020.
28. To undertake appropriate actions to demand a new definition of active farmer applied to Spain, since the current conceptualisation can create misunderstandings. In this regard, the department responsible for agriculture considers that the definition of this concept favors the access of natural or juridical persons to aid although their agricultural activities are not significant in any case, which is contrary to the provisions of EU regulations.
29. To explore cultivation practices and the elements associated with farms in Catalonia that would be coherent for giving a response to the objectives of granting a green payment in the CAP of the future, especially with respect to the surfaces of ecological interest.
30. To study the list of public goods generated by Catalan agriculture and its competitive advantages, that should be taken into account in order to incorporate them into the definition in a European level, starting from 2020 in the CAP direct aid, and to assess which are the appropriate mechanisms to promote them.
31. To opt resolutely for strengthening the second pillar of the CAP (rural development measures) and for measures devoted to regulate markets and the crisis reserve in the first pillar. In this sense, the CTESC considers it necessary to progressively replace direct aid for income and production insurances that include all sectors and all farmers and to establish mechanisms to ensure the competitiveness and viability of companies.
32. To promote that the grants take specially into account more marginal and environmentally sustainable sectors and/or areas.
33. To work for a simpler CAP, easier to implement and monitor, with a significant reduction of administrative procedures.
34. Aid must have the corresponding resolution issued on time, and, once completed the mandatory justification-validation bounded procedure, the Administration must generate a document that becomes receipt and acknowledgment of debt when no payment is formalized in the indicated periods. This document should allow, with legal security, to make official financial transactions on the official payment guarantee.
35. To ensure enough resources to have a fluid relationship with the technical and political managers of the D.G Agriculture of the European Commission, with the aim of maintaining regular meetings and to submit documentation about the Catalan positioning on agricultural policies.
36. To strengthen the technical resources of the Department of Agriculture and IRTA in order to increase the capacity to influence on the development process of agricultural policies.

1.5.3. PROJECTION OF THE ECONOMIC IMPACT OF THE CAP REFORM

The economic projection that the Report has made, bearing in mind their limitations, widely discussed in the corresponding methodological notes, displays a series of considerations that the CTESC want to highlight:

The combination of the modalities of implementation of the CAP reform adopted by the Spanish Government have a significant negative impact on the funds that the Catalan agricultural sector will receive. In 2015 the reduction would be at least 4.8%, which could reach up to 7.6% compared to the 2013 campaign (reference campaign of the new model), which would be slightly corrected downwards by the convergence of the values of basic payment rights. In 2019 the minimum reduction would be 2.2%, which could reach up to 7.25%, while the whole of Spain only would have a reduction in funds dedicated to the CAP direct aid of 2.51% in 2015 and 1.5% in 2019.

This evolution of the direct aid estimated for Catalonia is not reproduced in all regions. Although the model predicted that the loss of decoupled aid would be complemented with new forms of associated aid, in Catalonia this only happens in the case of the regions of the northern third. The rest lose value in comparison to the grants received in 2013. The key factors in this distribution are, on the one hand, the allocation to pastures –it is possible that finally not all the considered ones may be incorporated- and secondly, the strong cattle orientation of the associated aid, which gives to these northern regions more weight of the aid in relative terms than to the rest.

This situation would not improve with the convergence process. In general, the equalization of the basic payment rights does not seem to change much the comparative map 2015 to 2019 in relationship to the one of 2013. This is because the transfers of the convergence resources are generally not significant because most counties that worsen in the collection of aid are precisely areas which were already below the average volume of aid obtained in 2013.

As for the allocated basic payment rights, most would be destined to dry land, accounting for 77.5% of the land eligible for the system, and 60.7% of the aid. The hectares of irrigated land would be usually more subsidized than that belonging to the dry land. The convergence process between 2015 and 2019 would increase very little the percentage of basic payment rights for dry surfaces.

If we analyze the basic payment rights by productive sectors, only two types of crops show a positive convergence in the three elaborated scenarios: horticultural production and the vineyard. Conversely, olives tend to converge downward.

Some productive orientations such as dried fruit converge downward, not so much because of convergence but because of the exclusion of more modest beneficiaries and the non-convergence of them who would enter the small farmers scheme.

The process of convergence would not substantially modify the distribution of the basic payment rights between 2015 and 2019. An important part of the basic payments would be allocated to land in the counties of Segrià, Noguera, Pla de Lleida, Baix Ebre and Montsià and, at more distance, Osona and Alt Emporda. Yet these same counties would lose weight in the distribution of the convergence process aid, unless Osona. The counties with the highest percentage of rights that would converge downward are Aran Valley, Baix Camp, Garrigues, Alt Urgell, Baix Emporda, Montsià, Priorat and Pla d'Urgell.

The option, chosen by the State Government, not to incorporate into the basic payment scheme farmers without rights of the single payment regime in 2013 affects outstandingly productions of sectors which are not included in full in the latter regime. This is the case of a significant portion of fruits and vegetables, vineyard, flower and ornamental plant and horses, or of the ones that, despite being producers of the sectors included in the single payment scheme, did not generate rights at the time. Specifically, of the 173,488 hectares of Catalonia (SIGPAC 2013) belonging to these sectors, 89,065.36 hectares correspond to farmers who did not receive direct aid from the CAP, ie a 51.34% of them. However, in the vineyard sector, where only 5.9% of hectares generated rights, the excluded areas only account for 23.49% of the total. Instead, in the fruit sector only 2.7% of the hectares generated rights, while areas excluded are reaching 64.57% of the total. In the vegetable sector, where only 0.9% of hectares generated rights, excluded areas reached 73.3% of the total.

The estimate given for the whole total of associated aid to be granted to Catalonia slightly exceeds 23 million euros. Among the agricultural aid, the one that implies a most important entry is the one destined to the cultivation of rice, around 2 million. As for livestock aid, among the most important in quantitative terms stand out those granted in the field of cattle exploitation in all its forms, with a total of approximately 15 million euros.

The most important part of the associated aid concentrates in the counties of northern Catalonia, due to the greater relative importance of livestock aid in the overall associated aid.

Among the herbaceous crops, barley, wheat and corn stand out for its relevance in the occupied area,. Of all three, taking into account the regionalization plan of direct grants that were incorporated into the single payment scheme and the State modulation and financial discipline in 2013, only barley and wheat on average would improve aid since 2015 in a 14.70% and 29.68%, respectively. Corn, however, would suffer an average decrease of 3.23% in the aid received in 2015. Given the convergence that will occur until 2019, everything points to extend the average improvement of the barley and wheat in a 16.63% and 31.78%, respectively, while the decline in average aid of corn will moderate until 2.13% compared to 2013. However, taking into account the deviation of the basic payments received, in 2015 the spread of basic payment rights plus greening in irrigated corn would be very wide, placing most of the variances in relation to 2013 between a loss of -83.14% and a gain of 76.68%; for the 2019 this fork would be placed between -70.39% and 66.13%. In the case of barley, which shows a greater dispersion, aid variations in

relation to 2013 diverge too much in general, since it is between -95.1% and 124.5%, a fork that moderates slightly with convergence, going to stand between -80.5% and 113.8%. Finally, wheat, which suffers the most intense deviation of the three, shows a strong dispersion, passing away from the average and placing most of the variances in relation to the year 2013 on a fork which would go between a loss of -95.08% and a gain of 154.44% for 2015 and between -80.34% and 143.9% for 2019.

In the citrus fruit sector, taking into account the direct aid that was incorporated into the single payment scheme, in 2015 there should be average reductions between 14.34% and 34.31%, moderating slightly because of convergence to 13.38% and 31.60% in 2019. The dispersion degree in the basic payment resulting from the application model to the Spanish State plus greening in the citrus fruit would go in 2015, in terms of 2013 value reference, from a loss of between -62.43% and -70.99% and earnings situated between 2.37% and 33.76%. In the year 2019, it would be placed, with respect to the aforementioned reference value, between losses of -52.61% and -63.32% and profits located in a fork between 0.13% and 25.84%.³

In forage crops we highlight the irrigated alfalfa, by the surface occupied, which, taking into account the direct grants that were incorporated into the single payment scheme and the modulation and the State financial discipline of the year 2013, would see an increase in the average of 0.62% in 2015 and a slight decrease of 0.66% in 2019. The dispersion degree in the basic payment resulting from the application model to the Spanish State plus greening in irrigated alfalfa is placed in 2015, compared to the reference value in 2013, between a loss to -72.20% and profit to 73.45%, a fork that for 2019 would be located between -61.81% and 60.50%.

In the dried fruit sector, we should highlight almonds and hazelnuts, the first one because of the occupied area and the second because of the highest aid incorporated in the single payment scheme, even taking into account the specific aid associated with dry-land almond and hazelnut. In the year 2015 the first would improve by an average of 45.56%, while the second would decrease by an average of 4.53%. In 2019, while almond would increase slightly to 46.75%, hazel would only moderate its initial decline to 4%. The dispersion degree in the basic payment resulting from the application model to the Spanish State plus the greening and the aid associated with almond would be located in the year 2015, compared to the reference value in 2013, between losses up to -45.81% and earnings up to 136.94%, a fork that for 2019 is between -31.81% and 125.31%. This dispersion degree in hazel would be 2015, compared to the reference value in 2013, between a loss of -44.19% and profit to 35.13%, a fork that for 2019 would be between -39.06% and 31.06%.

The rice sector, taking into account the direct grants that were incorporated into the single payment scheme and the State modulation and financial discipline of year 2013, as well as the specific associated aid, would worsen in 2015 an average of 7.92%, and in 2019 it would moderate its initial decline until 7.13%. The dispersion degree in the basic payment resulting from the application model to the Spanish State plus the greening and the aid associated with rice would be placed in 2015, with respect to the reference value in 2013, between losses up to -33.14% and a profit up to 17.31%, a fork that for 2019 is between -29.64% and 15.37%.

In the vineyard sector, taking into account only these plots which received direct subsidies that were incorporated into the single payment scheme in 2013 (5.9% that now will pass to be 76.51%), the dispersion degree in the basic payment resulting from the application model to the Spanish State plus greening would be located in the year 2015, compared to the reference value in 2013, between a loss of -99.14% and -52.54%, a fork that for 2019 is between -92.95% and -51.02%.

In the olive oil sector, taking into account the direct subsidies that were incorporated into the single payment scheme in 2013, 2015 would worsen an average of 40.87% and its initial decrease in 2019 would be similarly placed at 40.77%. The dispersion degree in the basic payment resulting from the application model to the Spanish State plus the greening would be placed in 2015, compared to the reference value in 2013, between a loss to -87.91% and profits up to 6.17%, a fork that for 2019 would be between -82.50% and 0.96%. This result conceals a wide variation by counties and even by municipalities. Regarding the Alt Camp, Baix Camp, Baix Penedès, Priorat, Tarragonès and Terra Alta, 2015 worsens on average between 47.64% and 59.96% and in 2019 its initial decline will be placed between 48.21% and 59.32%. As for the counties with a large presence of the olive tree, it is necessary to take into account the following average reductions: Baix Ebre with a fork that will be placed between -39.97 in the year 2015 and -37.19% in 2019; Montsià between -21.96% and -23.93%; Garrigues between -21.96% and -23.93%; and Segrià between -16.55% and -15.16%, respectively.

³ The calculations were made by comparing, for each year, those better funded varieties and those which are worsely subsidized, and comparing it with the historical average of all citrus fruit before 2013.

In this context, the CTESC recommends:

37. Associated grants represent in Catalonia between 9.4 and 9.2% of the total estimated direct aid while in the whole of Spain they would represent between 12.08% and 11.95% (in 2015 and 2019 , respectively). This represents a loss of funds between 6.6 and 7.1 million per year, which suggests that the criteria that have been established for the associated aid do not take into account the productive reality of Catalonia. Therefore it is recommendable to take this into account in the review of the associated aid to be held in mid-term.
38. To defend, in the next revision of the CAP application model, the overcoming of inequity that has been highlighted in the present study, specifically the one derived from the adopted regionalization model, which entails a significant loss of funds in relation to other areas of the State and generates a significant distortion in the markets.
39. To defend in the next revision of the CAP application model the incorporation of the areas excluded from the redefined active farmers, as stated in Recommendation 28, which basically affects the sectors of the vineyard, fruit and the orchard, in the allocation of basic payment rights, to avoid the distortions generated by the current system.
40. To defend, in the next revision of the CAP application model, the incorporation of a new aid related to the olive tree, but exclusively limited to the agro-economic regions which have been significantly affected by the adopted regionalization model. In addition, we consider it necessary to review the aid associated with hazel in order to eliminate its negative convergence.
41. To deepen the analysis of the impact that the application of the new aid scheme will have in the livestock sectors, especially as a result of the current scheme of associated aid, to assess the need for concrete proposals in the next review.