

Environment and Sustainability Committee

E&S(4)–02–14 paper 1

Implementation of a new Common Agricultural Policy – Papers from the Minister for Natural Resources and Food

Scope

This evidence paper updates the Committee primarily about Pillar 1 (direct payments) of the Common Agricultural Policy (CAP), following my statement to Plenary on 14 January 2014. The paper also comments briefly about Pillar 2 the new Wales Rural Development Programme (RDP) where relevant to farming.

Current position

Changes to CAP will now commence on 1 January 2015 due to the long time taken to complete the reform negotiations. The European regulatory framework for CAP reform is finalised, excepting implementation regulations and delegated acts (which prescribe operational details); these are expected soon and then I can take all remaining decisions in time to submit full Pillar 1 proposals to the European Commission by 1 August 2014. Consultation on Pillar 2 will take place in February and March; the draft RDP will be submitted to the Commission in May.

The Welsh portion of the UK CAP budget for 2014–20 is €2.245bn for Pillar 1 and €355m for Pillar 2. Importantly for Pillar 1 Wales maintains the same share (8.96%) of the UK ceiling that it currently enjoys, although reduction of the UK budget means a cash cut of 1.6% compared with 2013¹. The Pillar 2 budget is 7.8% more than for 2007–13². Further CAP reform will probably take place from 2020 and the budget may fall further in real terms. This makes it especially important to use the 2014–20 reform to put the Welsh agricultural industry in a position to be resilient, efficient and profitable.

Consultation

Consultation about Pillar 1 began at the Royal Welsh Show in July 2013 and ran until 30 November. In conjunction I held well attended question and answer meetings throughout Wales in the autumn. Feedback broadly supported the proposals, but with concern that area based payment rates will mean lower levels of funding support. **Annex A** summarises the main points.

¹ It is a 12.6% inflation adjusted reduction.

² Inflation adjustment means it is a 5.5% reduction.

Pillar 2 consultation events were held in spring 2013 and a final consultation exercise will begin February. A stakeholder group chaired by Peter Davies³ has informed policy development.

Policy position

CAP is an integrated policy and decisions on Pillar 1 have taken account of the scope and my ambition for Pillar 2 to support the farming industry, related businesses, and to protect the natural environment. Both Pillars must support farming and be used in conjunction. I want to build on the 2007–13 RDP and use the next one as a tool to develop farming and the wider rural economy.

I have taken into account Kevin Roberts' report on the resilience of the farming industry. Farms need to become better able to withstand setbacks, whether natural or from the market. The latest Farm Business Survey⁴ statistics portray a notable difference between the most profitable farms and the average. The need to target improvements in the industry is one of the main reasons why I have decided to transfer the maximum level of 15% of the Pillar 1 budget to Pillar 2. A principal aim of the RDP will be to make the industry more resilient and competitive, to build skills and knowledge and to add value to products.

Pillar 1 Direct Payments

The regulations require that from 2015 Wales must introduce a Basic Payment Scheme (BPS) in place of Single Farm Payments. The new Scheme must base payments on the area of land farmed. There is discretion about the BPS' design and how quickly to make the change to a wholly area based system in place of the 'historical' entitlement system presently used in Wales. The BPS will be entitlement based with a National Reserve giving priority to young and new entrants. All BPS claimants must meet 'greening' criteria which determine 30% of their payments. Eligible young farmers⁵ are entitled to additional BPS payments. Only 'active farmers' will be allowed to hold entitlements and claim payments. Payments greater than €150k a year will be reduced compulsorily by 5%. There are optional Schemes for coupled support, for introducing an Area of Natural Constraint Scheme, for a simplified payment Scheme for small farms, and to pay higher payments on the 'first hectares' of all claims (which has the effect of weighting payments towards small farms).

Annex 2 summarises my decisions for Pillar 1. I will take further decisions in the spring on points of detail when the delegated acts and implementing regulations are finalised. These will be about aspects of greening, further eligibility criteria for additional

³ The Commissioner for Sustainable Development for Wales.

⁴ <http://www.aber.ac.uk/en/ibers/science-into-practice/fbs/fbs-database/>

⁵ Persons setting up as head of holding for the first time or within the last five years and who are no more than 40 years old. The Welsh Government may apply additional eligibility criteria.

payments to young farmers and beneficiaries of the national reserve, and the definition of 'active farmers'.

The following paragraphs expand on the main decisions in **Annex 2**.

Payment system

Extensive modelling work has been undertaken and shared with a stakeholder working group which includes the farm unions. The FUW, NFU Cymru, CAAV and CLA have all agreed with the goal that change to an area based system should be done in a way that causes the least change to current payments. My other goals are to recognise the agricultural productivity of land, to minimise risk of delay to payments or audit censure, and to complete change in a timescale that provides enough time to adapt but drives a realistic pace of change. Change is made harder because 'historical' entitlement values are tremendously varied when farms' current payments are considered in per hectare terms – **Table 1**. There are farms in all situations in Wales with high and low entitlement values and consequently it is inevitable that moving them to a small number of common payment rates will mean change. The very high values that some currently receive are not sustainable.

Data modelling has demonstrated the importance of placing moorland in a specific category in order to minimise financial disruption. The initial proposal was that 287,000 ha would be classified as moorland for payment purposes using a map of vegetation types prepared in 1992. In response to feedback, I have modified the method to restrict moorland to areas at 400m or higher within the 1992 map. This reduces moorland to 157,300 ha, with most of the removed land being reclassified as SDA (**Table 2**). Doing this removes better quality grazing from moorland (addressing many landowners' concern), better aligns land regions with their potential for agricultural production, and sets a clear, objective basis should landowners wish to appeal against land being classified as moorland.

Table 1: variation of historical entitlement values per hectare for different land regions

Region	# Farms	€ per ha				
		Average	Min	Low	High	Max
DA & lowland	1,509	255	6	58	433	2,024
Lowland	2,641	250	2	72	431	12,110
Other no moor	1,306	242	4	101	381	42,943
DA	2,990	225	1	68	393	3,967
DA & SDA	1,967	222	7	89	365	2,216
SDA	2,755	187	7	74	306	2,983
Other with moor	1,374	155	12	75	294	2,707
Moor & SDA	1,506	132	2	61	261	1,182
Total	16,048	196	1	122	245	42,943

Source: SPS claimants for 2012, when moorland is at or higher than 400m on the 1992 moorland map. The columns 'low' and 'high' show the values which capture 90% of the farms, with 'min' and 'max' showing the extreme lowest and highest values.

The reduced moorland area would be some 12% of the land presently claimed under SPS (Table 2). Modelling since the consultation exercise using more up to date 2012 claim data shows a two region model causes more disruption than three region models. This, and the fact that moorland when restricted using altitude means that nearly 90% of farmland in Wales would be paid at the same rate, has made me reconsider my consultation proposal and decide instead to introduce a payment system that uses three land regions – moorland; SDA; and DA combined with lowland.

Table 2: the size of land regions (hectares), their proportion of total claimed farmland, proposed payment ratios, indicative rates and aggregate annual payments in 2019.

Characteristic	Land region			
	Moorland	SDA	DA/lowland	Total
Area (ha)	157,300	617,700	558,000	1,333,500
% claimed area	12	46	42	100
Payment ratio	1	10	12	n/a
Indicative payment rates €	20	200	240	196 (Wales flat rate)
Indicative aggregate payment €m pa	3.1	123.7	134.2	261

Source: SPS claimants for 2012.

Data modelling has identified the statistically best fit payment rate scenarios for all models. Comparison of the models when different years' claim data are used reveals notable variation in the best fit payment rates. This is because the number and size of claims varies from year to year. It will not be possible to calculate the exact best fit rates for the new Scheme until claims are made in its first year (2015) and demand is also known for the National Reserve and top-up payments for young farmers. Thereafter there will continue to be year on year variation during the transition to a wholly area based payment system as the number and size of claims will change annually as it does now. The conclusion to draw is that there is not an ideal set of payment rates.

Modelling is a guide for what land regions should be in the payment system, and what their relative weighting should be. Within the 'top 30' best fit scenarios there is wide variation in the payment rates; this is not tabulated but around €5 to €10 variation for each region is typical. Examining the best fit scenarios suggests that a weighting of payments in the ratio of 1:10:12 is a reasonable balance between the three regions. Come 2019 this would result in the indicative payment rates and aggregate payments shown in **Table 2**.

Table 3 shows what impact a three region system with these payment rates would have on aggregate payments to different farm sectors and the numbers of farms that would experience a rise or fall in payments greater than, or less than, €5,000. **Table 4** presents the same data for land region types. Both tables present data modelled for the projected position in 2019.

It is evident that within the same sectors there are many farms that would gain and others that get less. Overall the dairy sector would have the largest net and proportional reduction, with the sheep sector gaining the most. The dairy sector is projected to receive smaller payments under all area based models, an effect of many dairy farms having high historical entitlement payments, having converted milk quota into additional historical entitlements. Under the area based payment system these farms tend not to have a large enough land area to make up this loss. Another common feature of all the models examined is that small farms (minor) with less than 20 ha tend to gain, typically because they have few if any historical entitlements and presently have very low SPS payments.

Table 3: payment values (€m) and number of farms experiencing cash changes greater or less than €5,000 for different farm types by 2019 compared with a budget scaled baseline

	Value (€million)		Change (€million)			% change
	Baseline	Land based	Gains	Losses	Net	
Total	261.0	261.0	42.7	42.7	0.0	0.0%
Farm type						
Dairy	43.2	34.8	2.2	10.7	-8.5	-19.6%
Beef	35.0	34.5	5.8	6.4	-0.5	-1.4%
Sheep	64.3	73.2	15.7	6.9	8.8	13.7%
Sheep with beef	67.0	63.1	6.8	10.7	-3.8	-5.7%
Other main	45.0	46.8	8.9	7.1	1.8	4.0%
Minor	5.9	8.0	3.0	0.8	2.2	36.7%
Micro	0.6	0.6	0.2	0.2	0.0	0.5%
Number of farms						
	Gain >€5	Gain <€5k	Loss <€5k	Loss >€5k	Total	
	k					
Dairy	157	330	403	604	1,494	
Beef	423	763	503	347	2,036	
Sheep	908	1,383	717	383	3,391	
Sheep with beef	441	737	708	638	2,524	
Other main	626	1,116	504	372	2,618	
Minor	0	2,530	546	29	3,105	
Micro	0	662	213	5	880	

Source: SPS claimants 2012.

When the payment distribution is considered in terms of land regions it can be seen that the chosen system will have a redistributive effect moving funding from the lowlands to the uplands (Table 4). Moorland and SDA in combination gain the most. In aggregate terms €126.8m a year would be channelled to them (Table 2), which is greater than the €118.4m a year provided by the 3 region consultation proposal which did not restrict moorland using altitude. Overall the new payment system is estimated to result as follows:

- 10,076 farms would gain higher payments⁶ under a wholly area based payment system compared with their budget adjusted historical allocations;
- 3,594 would lose up to €5,000 and 2,378 over €5,000;
- geographically net gains would arise in Carmarthenshire, Gwynedd, Ceredigion, Monmouthshire and, notable by its relative size of gain (€4.2m or 24%), South Wales and
- net losses are greatest in Powys in cash terms (around €6.3m) but in relative terms in Flint & Wrexham (-12.9%)

⁶ Out of 16,048 claimants in 2012.

Table 4: payment value and changes (€m) by 2019 for different land regions, and the number of farms that would gain or lose by land region type/mix, compared with a baseline of budget scaled baseline.

Land mix	Value (€ million)		Change (€ million)			Relative change
	Baseline	Land based	Gains	Losses	Net	
Lowland	38.3	36.8	5.4	6.9	-1.5	-3.8%
DA	25.3	27.0	5.8	4.1	1.7	6.7%
SDA	25.8	27.5	5.1	3.3	1.8	6.8%
DA & Lowland	32.0	30.1	4.2	6.1	-1.9	-5.8%
DA & SDA	32.4	31.7	4.7	5.4	-0.8	-2.4%
Other no moor	29.5	26.9	3.0	5.6	-2.6	-9.0%
Moor & SDA	30.8	33.5	6.8	4.1	2.7	8.8%
Other with moor	46.9	47.5	7.7	7.1	0.6	1.2%

Land mix	Number of farms				
	Gain >€5k	Gain <€5k	Lose <€5k	Lose >€5k	Total
	Lowland	359	1,306	563	413
DA	352	1,841	547	250	2,990
SDA	263	1,536	754	202	2,755
DA & Lowland	289	610	287	323	1,509
DA & SDA	297	900	451	319	1,967
Other no moor	199	467	349	291	1,306
Moor & SDA	408	519	357	222	1,506
Other with moor	388	342	286	358	1,374

Source: SPS claimants 2012.

The new system will be introduced completely by 2019. Change over five years is a reasonable time period that strikes a balance between change taking place quickly enough pace to be meaningful but slowly enough for farms getting less support to adjust. I have had an ambition that farms would not lose more than 10% in any year of the change. Modelling my proposal suggests that this will be true for 84% of current claimants. The proportion rises to 89% of claimants when those that receive arguably small payments⁷ are taken out of the picture.

I have modelled and ruled out the alternative (tunnelling) because it would result in large number of farms that are currently paid very generously still being significantly above the target payment rates come 2019. At the same time 10,153 farms would still be paid less than the target rate. **Annex C** summarises data. Whilst I do not dismiss the difficulty any business faces when support reduces, it is not in the interest of the industry as a whole that a minority continue to enjoy significantly higher levels of support (which they have done for many years) whilst the majority still receive less than they are entitled to. Completing transition by 2019 also eliminates the risk that further CAP reform for 2020 onwards will change the payment system again, perhaps leaving those that have not

⁷ Small payments are taken to be less than €5,000 over the whole transition (an on average loss of less than €1,000 a year).

migrated to lower levels of funding exposed to a sudden drop in support, and possibly exposing the Welsh Government to a higher level of scheme management and audit compliance risk.

My other decisions are self explanatory and are stated briefly in **Figure 2**. There was support in the consultation responses for raising the minimum claim size to five hectares and capping large payments at higher rates in addition to the 5% minimum cap on payments of €150,000 or more required by Europe. Capping will apply to the Basic Payment Scheme and not the greening element. Greening will make up 30% of support to farms and the consultation supported adopting the Commission's default proposals. I recognise these are unlikely to offer additional benefit for Wales' natural environment and one of the reasons why I have chosen to transfer 15% of Pillar 1 to 2 is recognition of that and the consequential need to boost support for wildlife and ecosystem services through agri-environment schemes for example.

Pillar 2 – Rural Development Programme

The RDP is a seven year European Union and Welsh Government-sponsored programme to improve competitiveness in the agriculture and forestry sector; safeguard and enhance the rural environment and foster competitive and sustainable rural businesses and thriving rural communities. **Annex D** summarises the regulation priorities and focus areas. My aim for the next RDP is to use it to ensure that agricultural and rural businesses come out of the programme period in 2020 in a more resilient and competitive shape than they went in. This aim will be set firmly in the context of Green Growth, with aims of strengthening economic, sustainability and social aspects of rural Welsh life. The focus is on transforming rural Wales' business and social capabilities. In line with Europe's 2020 strategy the RDP will aim to deliver growth that is:

smart, through more effective investments in education, research and innovation;

sustainable, thanks to a decisive move towards a low-carbon economy; and

inclusive, with a strong emphasis on job creation and poverty reduction.

The February consultation will order priorities around the broad themes to: equip people with skills and knowledge; make good investments for a better future; safeguard our natural assets; utilise renewable energy; and strengthen communities.

The greater policy control afforded by the RDP is why I have decided to transfer 15% of Pillar 1 and aim to set an intervention rate in excess of the regulatory requirement in order to increase the RDP programme in total for 2013-20.

The majority of money spent under Pillar 2 already goes to beneficiaries who also receive CAP direct payments, and that will continue. The RDP will include support for farmers to develop their business and financial and professional skills, an enhanced advisory

service, on-farm investment (through grants or possibly loans) and support for diversification. Support for young farmers will come under the RDP in a way complementary to the above, and revised Glastir, including organic, moorland, commons and woodland will also be a part. It will offer support in particular for upland farms where opportunities to diversify are scarcer, and the potential for ecosystem services goes unrecognised by the market.

My principal aim will be to drive change in the agricultural industry that develops its productivity and resilience to setbacks, adds value to and opportunity for its products, encourages innovation and promotes co-operation. I will be devoting about 10% of the programme funding to knowledge transfer and innovation offering, expanding it to encompass a range of business and professional skills, and broadening and enhancing advisory services that will now include animal and plant health and renewable energy. Mentoring and peer-to-peer learning is going to be a central feature as we move forward. We will support cooperation among small operators and aid short supply chains and local markets, including supply chains for the sustainable production of energy.

We are intending to use about 15% of the programme funding to offer a flexible investment scheme that would provide grants, and potentially loans and other financial instruments for agricultural, forestry and non-agricultural diversification purposes. All investment support will be conditional upon an appropriate business plan, a training and skills analysis matched with a plan for achieving the necessary skills levels, an exit strategy where appropriate and a value for money assessment.

I am about to consult on a revision of Glastir, to include a sharper Entry Level scheme, a targeted part-farm scheme, options to assist Uplands resilience, an organic farming conversion and maintenance scheme, a woodland management and woodland creation scheme. In addition I expect to fund the successor to the Young Entrants Support Scheme via the RDP, offering start-up aid for new entrant young farmers and young farmers succeeding as head of holding. Land-based interventions will make up about 60% of the programme funding.

LEADER is an engine for change within the RDP and will have a remit to encourage innovation – facilitating experimentation, the pre-commercial trialling and piloting of new approaches, new processes and new products. I expect to set out a broad framework of thematic options, with Local Action Groups (LAG) being able to choose more than one option to reflect the needs of their area. This will ensure the alignment of LEADER resources to the key priorities without disabling the function of LAGs as a tool for governance, enabling communities to contribute and stimulate innovation from a grass-roots level.

I also expect to offer a centrally controlled fund for LAGs and other community-based organisations to apply to for community-led projects that support basic services and village renewal. I want all elements of the RDP to be tested against the Welsh

Government's Tackling Poverty Action Plan but this fund will have a particular focus towards these aims. LEADER and Local Development will together make up around 10% of the programme funding.

The delivery model will be simplified, with a small number of elements accessible to a broad range of beneficiaries. It will focus on finding appropriate assistance for a beneficiary's unique circumstances. The key elements will be: human and social capital measures; investment measures; area-based measures; and LEADER and local development. There will be a renewed emphasis on a simple point of entry and supporting the beneficiary through a developmental journey rather than providing a range of separate and relatively short term fixes to immediate issues. For this reason there will be streamlined access points for those interested in accessing support via the RDP, so that needs can be considered against the whole suite of support and not in isolation as has sometimes been the case to date.

Technical assistance funding will be capitalised upon to provide a framework of support, in effect a 'field force' to work across the range of rural interests. Complemented by the Advisory Service and the network of LEADER Local Action Groups, this resource will act as an outreach to RDP and non RDP support and bring about better outcomes for rural citizens, businesses and communities.

Future RDP funding needs to achieve meaningful integration and alignment with Pillar I of the Common Agricultural Policy (Direct Payments to Farmers) and with European Social Fund, European Regional Development Fund and the European Maritime and Fisheries Fund in pursuit of greater added value and impact. There has been close working with officials leading the development of the other funds and joint consultation events have been held with the Structural Funds. The consultation will set out the proposed complementarity between funds and the added value of the RDP. This will continue to be developed through the scheme design process prior to submission to the European Commission.

Conclusion

The overall goal of CAP reform is to use both Pillars in conjunction to put Welsh farming on a better footing to have a profitable future as CAP support inevitably declines over the long term.

Alun Davies AM

Minister for Natural Resources and Food

Pillar 1 Consultation Responses

Consultation about Pillar 1 began at the Royal Welsh Show in July 2013 and ran until 30 November. In conjunction the Minister for Natural Resources and Food held well attended question and answer meetings throughout Wales in the autumn. Principal messages to the Welsh Government were as follows.

- Agreement that there should be different payment rates for different land types, but no consensus on what they should be nor whether the payment system should be based on two or three land regions. There were different perspectives from upland and lowland farmers, each arguing that payments should be weighted towards their own area. There was no appetite for a single flat rate system.
- There was concern about the size of the moorland area originally proposed, the inclusion of improved pasture within it, and the proposed payment rate of €49 a hectare. The proposal to revise moorland on the basis of altitude met with a better response (although there remained some reservations) with acceptance that it would be easier to understand and administrate.
- There was understanding that reduction of the EU CAP budget would impact on Welsh payments and concern that this and the move to area based payments will greatly reduce the notional per hectare payments many receive when historical payments are considered on the basis of land farmed.
- A desire for support to maintain a livestock industry in the uplands was evident, with criticism of current and historical policy interventions, and some concern that a decline of upland stock farming will lead to land abandonment and a knock on hit on lowland livestock farming. Some made the counter point that farm production is mainly in lowland areas and those should be the most deserving of support, being the most viable and profitable businesses. There was little support for introducing a coupled support scheme and no convincing case was presented for it.
- There was strong interest in how entitlements will be allocated and concern that only 'active farmers' are the beneficiaries.

- Agreement that the Commission's default greening proposals are the best option.
- Support for targeting support at 'proper' farms, not hobby-farming, and some views (not universally held) that food production should take precedence and that farms have been hampered by emphasis on the natural environment.
- Support for encouraging young and new entrants (although this was in conflict with the widely held view that the transition to area based payments should be managed in ways that minimise the size and speed of reductions to current beneficiaries who will get less).
- Recognition in the meetings, but not reflected to the same extent in consultation responses, that a shorter transition (around five years) is sensible.
- Distrust of how transfer of funds to Pillar 2 would actually benefit farming and a desire to have a low transfer rate or none at all.

Summary of Pillar 1 decisions

Issue	Decision
Choice of payment system	Introduce a three region model based on moorland (at 400m or higher within the area mapped as moorland in 1992), the SDA, and a combined DA/lowland land region. Set indicative payment rates per hectare of €20 moorland, €200 SDA, and €240 DA/lowland for 2019 – actual payment rates will depend on the number of entitlements allocated in 2015, the proportion of these activated, demand from the National Reserve and demand from eligible young farmers for additional payments.
Speed of transition	Complete the introduction of a wholly area based Basic Payment Scheme in 5 years by 2019.
Minimum claim size	Increase the minimum claim size from 1 ha to 5 ha.
Capping of payments	Introduce additional capping of Basic Payment Scheme payments above €150k a year, using a tiered approach under which no element of a claim exceeding €300k will be paid. The Welsh Government will not take account of employment related expenditure when calculating cap deductions.

Small Farmer Scheme or
Redistributive Payments

The Welsh Government will not introduce a
Small Farmer Scheme or Redistributive
Payments.

Greening

The Welsh Government adopts the
Regulations' default greening proposals.

Coupled Payments Scheme

No coupled payment Scheme.

ANC Scheme

No ANC Scheme

Tunnelling option – the numbers of farms that lie above or below target payment rates by 2019, ordered by the size of their historical entitlement values per hectare.

	Scaled historical entitlement € per ha					Total
	Under 100	100 to 200	200 to 300	300 to 400	At least 400	
% farms are from target rate by 2019						
Over by >50%	6	33	46	124	596	805
Over 40% to 50%	1	19	27	279	19	345
Over 30% to 40%	2	34	112	413	0	561
Over 20% to 30%	4	60	411	485	0	960
Over 10% to 20%	13	129	1,179	64	0	1,385
Over by <10%	15	248	1,576	0	0	1,839
Under by <10%	22	657	942	0	0	1,621
Under 10% to 20%	45	1,810	415	0	0	2,270
Under 20% to 30%	99	2,028	0	0	0	2,127
Under 30% to 40%	1,694	1,535	0	0	0	3,229
Under 40% to 50%	906	0	0	0	0	906
Under by >50%	0	0	0	0	0	0
Total	2,807	6,553	4,708	1,365	615	16,048
Farms with a change of over 5,000 euro						
Over by >50%	3	24	42	95	478	642
Over 40% to 50%	1	16	22	220	12	271
Over 30% to 40%	0	26	78	299	0	403
Over 20% to 30%	3	41	246	278	0	568
Over 10% to 20%	6	53	335	28	0	422
Over by <10%	2	18	52	0	0	72
Under by <10%	3	16	13	0	0	32
Under 10% to 20%	18	298	31	0	0	347
Under 20% to 30%	63	574	0	0	0	637
Under 30% to 40%	652	507	0	0	0	1,159
Under 40% to 50%	380	0	0	0	0	380
Under by >50%	0	0	0	0	0	0
Total	1,131	1,573	819	920	490	4,933

Source: SPS claims 2012.

Rural Development Regulation priorities and their focus areas

Priority 1: Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas
<ul style="list-style-type: none"> (a) Fostering innovation and the knowledge base in rural areas (b) Strengthening the links between agriculture and forestry and research and innovation (c) Fostering lifelong learning and vocational training in the agricultural and forestry sectors
Priority 2: Enhancing competitiveness of all types of agriculture and enhancing farm viability
<ul style="list-style-type: none"> (a) Facilitating restructuring of farms facing major structural problems, notably farms with a low degree of market participation, market-oriented farms in particular sectors and farms in need of agricultural diversification (b) Facilitating generational renewal in the agricultural sector
Priority 3: Promoting food chain organisation and risk management in agriculture
<ul style="list-style-type: none"> (a) Better integrating primary producers into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations (b) Supporting farm risk management
Priority 4: Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry
<ul style="list-style-type: none"> (a) Restoring and preserving biodiversity, including in Natura 2000 areas and high nature value farming, and the state of European landscapes (b) Improving water management (c) Improving soil management
Priority 5: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors
<ul style="list-style-type: none"> (a) Increasing efficiency in water use by agriculture (b) Increasing efficiency in energy use in agriculture and food processing (c) Facilitating the supply and use of renewable sources of energy, of by-products, wastes, residues and other non-food raw material for purposes of the bio-economy (d) Reducing nitrous oxide and methane emissions from agriculture (e) Fostering carbon sequestration in agriculture and forestry
Priority 6: Promoting social inclusion poverty reduction and economic

development in rural areas

- (a) Facilitating diversification, creation of new small enterprises and job creation
- (b) Fostering local development in rural areas
- (c) Enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas