

# Public consultation HT. 4145 "CAP Reform – Guidelines"

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## Input from Flanders: Ministry of Agriculture and Fisheries

### General considerations:

The draft guidelines seem to suggest that PO's for olive oil, cereals, beef and veal have no possibilities at all to buy and sell the product of their members unless they fulfil all criteria of art 169, 170, 171. This was not our understanding of the text. We do read these articles as an exception to the general rules applicable to POs. If the PO is a cooperative and there is transfer of property and the entire production is negotiated, there should also not be any problem? If there is no transfer of property and if they only negotiate for part of the production they would have to respect the criteria in art 169, 170 171 of the CMO regulation which are exceptions to the general rules.

A PO is constituted by farmers willing to work together because they suppose that way they can earn time, energy and money in comparison of working alone. If a farmer doesn't find such reason (time, energy and/or money) in a co-operation, he's going to stop it. The fact that farmers-members are member and stay member over the years is already an indication that member judge their position in the Po is better than outside. The number of members and its evolution can be an indirect indication of the efficiency of a PO.

In the guidelines it should be clear what to do in case a PO develops multiple activities (we hope this will be the case for most of them), do they have to pass the test for each and every one of those actions or does it suffice that they pass the test for just one activity? We believe it should be at least one since the regulation says so, although there might be interference between separate measures and goals since and one activity might loose efficiency without the other (like quality policy and promotion)

Since outsourcing is allowed for any of its activities (article 155) outsourcing has to be possible for efficiency-enhancing activities. But based on art 173 of R1308/2013 a delegated act is necessary to define in which sector outsourcing is allowed.

- member states can and have to decide themselves anyhow to allow or not outsourcing (art 155)
- outsourcing does not relief the PO of its control and responsibility!

The text of the CMO regulation is quite vague and allows for a lot of flexibility. These objectives are reached provided that **their pursuit** leads to integration of activities and such integration **"is likely to lead"** to **significant** efficiencies so that activities of the PO overall contribute to the fulfilment of CAP objectives. → So it might be a bit over the top by really trying to quantify the efficiencies with the risk of being stricter than what the legislator has in mind, therefore a simplified method should be enough.

The activities have to be significant in terms of volume, or costs and the sales of the product, but one should not judge this on basis of the result of one single year since results in the agricultural business can fluctuate severely because of for example climatic conditions but also because of pests and disease.

One should also take into considerations the age of the PO, the situation for a start-up PO or a well-established PO will be completely different.

### Specific measures in the guidelines (for Olive Oil, Arable crops, beef and veal)

#### Joint processing:

First of all processing is not an obligation for a PO but only a possibility. Be aware that this can start on small scale for new and young POs. At the initial stage of POs, feasibility studies could already demonstrate the willingness of the PO to develop this activity or they can show possibly the request for necessary permits or authorizations.

Processing should not only be seen as processing into a final product for the final consumer but could also be first stage processing into products that still need further processing. Or preparation of products for an external processor and in this way already adding value to the raw product.

**Joint transportation**

Joint transportation can give more guarantees that transport is done in the best conditions. Joint transportation can also contribute to reduce the risk of food and or feed losses, reducing risk of spreading of pests or diseases. It will also reduce the relative cost of transport because it will be more efficient. although the distance between grower and PO or PO and buyer will have an important impact.

The PO could organise transport with its own vehicles or through the services of a third party (outsourcing?). This means that ownership of the means of transport or personnel on the platform is not a necessary requirement. Members should have access to this service or activities (this applies to all kinds of activities)

**Selling platform**

An electronic selling platform can also exist and create efficiencies on locations separate from physical stock. This could also be advantageous if physical stocks are on different and distant locations. It avoids useless transport of goods. It is not always necessary to physically transport the goods to a central point if the selling is done centrally. The point is that the selling should be centrally organised.

The major advantage of a joint selling platform is the possibility to concentrate all sales efforts. Plus it gives possibilities for central bookkeeping and invoicing and central commercial and budgetary management

A joint selling platform gives possibilities to deliver larger volumes to larger customers and reach new customers and thus create efficiencies.

But a platform should be seen together with the total functioning of the PO, the fact of having a platform will give certain advantages but combining it with joint distribution centres or with quality and/or traceability systems will boost the effect (before selling one needs quality products).

**Joint distribution centres**

The joint distribution centres can definitely increase efficiency, but as already mentioned above physical transport of good to a central location is not always absolutely necessary or the best solution in every case. The central co-ordination is much more important.

Joint distributions centres will also allow much better the respect of animal and or plant health rules.

The joint use of central equipment or storage facilities make it possible to organise this in a better and more professional way with added guarantees towards energy efficiency, food security, shelf life of the end product etc... So having specialized infrastructure and specific professional staff would indicate significant efficiencies.

**Joint promotion**

The PO could develop its own brands or quality marks or could join other existing brands or quality marks. This can be preferably linked with the quality control in next point

The PO can for example use the attribute of 'local product' and 'fair prices for fair products' and even refer to the co-operative model as an extra promotion element.

**Joint organising of quality control**

The PO can develop new or adhere or adopt existing certification systems. The PO can perform with its own personnel the quality control or external bodies can certify that the PO respects all methods, procedures etc. required by the specifications of certain quality assurance systems.

Some types of Quality system can be aimed at a control at the entrance of the PO, or quality control at the exit of the PO when the PO does some kind of treatment, processing, packaging etc... Or introduction of traceability system. All of these would definitely demonstrate significant efficiencies.

**Joint use of equipment**

The PO can acquire central equipment for the use of the PO itself (central grading, storing...) or can buy equipment to be used on individual farms like harvesting machinery etc. or GPS equipment for precision agriculture. This will also create and here again there are several possibilities that 1 machine is used by several farmers or that several farmers get the same type of equipment. This situation will depend in most case on the size of the farms.

The type of production will also dictate where it is appropriate to have central equipment or central acquired equipment but locate on the level of the individual holding (like harvesting equipment)

The PO can also generate efficiencies for its members when they negotiate with suppliers about procurement of goods without being owner of the investments and obtain significant discounts

The PO can promote and introduce new technologies

The PO can promote more sustainable methods

### **Joint storage**

Joint storage can help to do this to the highest standards newest technology and use professional management and control

### **Other types of activities that can generate efficiencies and demonstrate the added value of the PO**

- technical assistance to farmers:
  - will generate efficiencies,
  - reduction of production costs,
  - use of environmental friendly techniques,
  - more sustainably
- joint research contributes to
  - accessibility to research
  - affordability of research
  - ready available and applied solutions for typical problems
- joint planning of production contributes to adapt productions to needs of the market in the field of quantities, qualities