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List of Abbreviations

APO – Association of producer organisations

CAP – Common Agriculture Policy

EU – European Union

LFA – Less Favored Areas

PDO – Protected Designation of Origin

PO - Producer organisations (s)

PGI - Protected Geographical Indications

RDP – Rural Development Program

SWOT - Strengths-weaknesses-opportunities-threats

UAA - Utilized Agricultural Area



Abstract

This report aims to provide a review of Common Agricultural Policy rules, within the framework of its two Pillars, on the support of mountainous agriculture. The importance of the mountainous regions as the deprived segment of the European agriculture is considered within a threefold analysis based on the concepts of sustainable growth. The definition of what may be termed as mountainous is further discussed. The extent to which support is directly or indirectly targeted at the mountainous regions is also examined with a view of identifying the level of focus given by the CAP exclusively to the mountainous regions.

The analysis provides a review of a selection of Measures from Pillar I and Pillar II of the current (2014-20) CAP, as practiced in Cyprus, which directly or indirectly assist the mountainous agriculture and the extent to which these measures have proved successful for reversing the trend of land abandonment and depopulation of the mountains. A short brief of the new CAP framework (2021-27) is further examined with a view to identifying specific focus in the mountainous regions.

A special focus is given to the policies for quality products which aim to support the marketing of mountain agricultural products.



Executive summary

The Common Agricultural Policy (CAP) is built and occasionally restructured around a set of objectives that aim to facilitate the economic viability of agriculture and the rural areas of Europe as a whole. Since its inception, CAP has been primarily focused in achieving food security for the European citizen and a competitive agricultural sector in the world trade of agro-food products. In the past 30 years, CAP has seen a gradual reform that has put a much greater emphasis on product quality and environmental sustainability. The role of agriculture in protecting the environment has become a key factor in the recent reforms of 2013 and more recently, in the discussions for the new CAP 2021-27.

Agriculture is crucial for the economy of the mountainous areas, but the structures of agricultural holdings are less geared towards competitiveness due to several limiting factors that place them at a disadvantage compared to their counterparts in the lowlands. Policy intervention is therefore an important tool for supporting mountainous agriculture, especially for social and environmental reasons. The CAP acknowledges this fact and treats mountainous agricultural holdings as deprived ones under the concept of Less Favored Areas (LFA), a measure incorporated in Pillar II of the Rural Development Programs.

In the policy framework of the CAP, the LFA tool is the only one directly targeted at the mountains. The overall policy framework takes a horizontal approach, across all agricultural areas, leaving room for member states to decide their focus in specific regions based on their SWOT (strengths-weaknesses-opportunities-threats) analysis. It is therefore the case that many of the policy measures in place for the CAP 2014-20 can be well suited to the mountain regions if properly targeted from the member state or utilized by the mountain farmers. The new CAP (2021-27) places a greater emphasis on member state autonomy to decide their intervention priorities based on their strategic plans. The mountain regions can be supported through the CAP funds if the individual member state decides to do so.

Another important element of the CAP policy for the mountains was introduced through the so-called “Quality package” revision (Regulation (EU) 1151/2012), which has introduced the possibility of using specialized labelling to enhance the value of products, under the term “mountain product”. Evidence from around the EU concludes that this type of a quality product has not been taken up (yet) by mountain people.

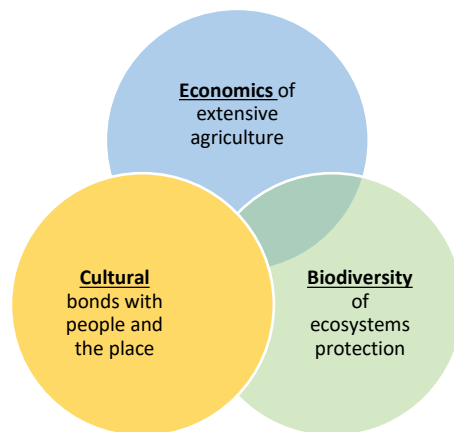
The CAP policy framework is therefore not geared towards supporting the mountain regions of Europe in a direct manner and in terms of definitions, there seems to exist a generalized definition for mountain areas which cannot fit to the requirements of all member states. In this respect, the European Commission, allows member states who wish to focus some of their policy tools on the mountains, to define the term in their Rural Development Programs submitted at the beginning of each seven-year programming period.

1. The importance of agriculture for the mountainous regions

Mountainous agricultural systems occur at the crossroads of three pillars of sustainable agricultural development. These three pillars relate to (a) traditional extensive agricultural practises as a driver for economic growth; (b) biodiversity and environmental protection; (c) cultural and social bonds of the people with the place. This approach is also taken by Santini et al (2013) when discussing the contribution of mountain agricultural and food production to sustainable development – ‘*Mountain agricultural and food products play an important role for each of the three elements of sustainable development (ecosystem services production, economic development, social tie)*’.

The importance of agriculture for the mountainous regions is further examined regarding these three pillars of development, yet one may claim that these are closely interrelated and supportive of each other when analysing the macro implications of mountain agricultural systems. Hence, studying mountainous productive and economic systems is therefore a multidisciplinary task which involves agricultural economics, environmental sciences, and anthropological studies (social and cultural).

Figure 1: Pillars of defining the importance of mountain farming



1.1 The economic value of mountain farming

Espon et al (2012) claim that “*maintaining a primary sector is of comparatively greater importance in mountain areas than lowland areas with agricultural diversification and ‘pluri-activity’ more common in mountain areas. In the mountains, agriculture faces several limitations, related to the existence of permanent natural handicaps, which are not easily tackled with investments. Low temperatures and the limited length of the crop growing period combines with steep slopes with less fertile soils and the need for more complex machinery and more working time. This results in lower labour productivity and lower*



land productivity. Such limitations also imply that farmers have less choice on the productive sectors they can invest in". FAO (2013) notes about the mountainous regions that *'supporting sustainable forms of family farming also promotes food security and a balanced diet and good environmental stewardship. This also recognizes and supports values and traditions that are conducive to securing key ecosystem services that are critical for development and that reach far beyond mountain regions"*.

The waves of urbanisation during the latter part of the 20th century, in most European countries as well as in Cyprus, has left a few, heroic as one may claim families looking after the valuable ecosystems of the mountains. Working in the harsh and most unpredictable climatic conditions, are factors that render the mountainous agricultural holdings uncompetitive in the marketplace, both at the local and the global level. There are several reasons for explaining this and further investigation could prove useful for explaining the differentials in agricultural incomes between lowlands and mountains. At this stage we could explain the differentials by referring to (a) the small and fragmented agriculture holdings acting as a constrain for economies of scale; (b) the steep slopes and rough terrain which increases the cost of production; (c) the aging agricultural population with a weak educational background that acts as a barrier to technological improvements; (d) the extreme climatic conditions taking place in recent times resulting to significant losses in the production potential of the mountains.

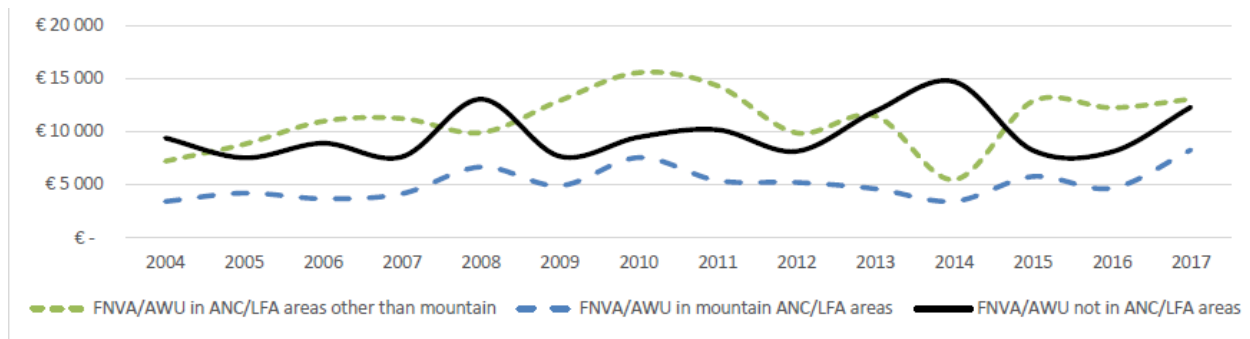
The need for a competitive mountainous agricultural sector is greatly impeded by the size of mountainous agricultural holdings and the remarkably high cost of increasing the available agricultural land due to the mountainous terrain. In general, agricultural holdings are smaller compared to those on lowlands implying reduced capacities for economies of scale. Based on data from the Basic payments of Pillar I, for Cyprus it is estimated that on average, the size of mountain holdings is 2.2 ha as opposed to 4.2 ha for the country average, with 86% of the holdings consisting of less than 3 ha. It is a known fact that the mountains are dominated by the cultivation of fruit trees and vines, crops with a low average yield and a low output/ ha. Hence, the small size invariably implies that most mountainous farms cannot function as full time (business oriented) agricultural holdings.

Poor accessibility increases the transportation costs of food products from mountainous holdings or micro-enterprises thereby weakening further their competitive position in the marketplace.

Looking at the Cyprus reality, there is ample evidence to confirm that agricultural incomes of holdings situated in the mountains are substantially lower than the equivalent ones in the lowlands. The European Commission recently (2019) published the "Analytical factsheet for Cyprus: Nine objectives for a future Common Agricultural Policy for Cyprus" which indicates that the agricultural income in mountainous holdings is half the income in holdings located in non-mountainous regions. This factor when combined with the inadequacy of basic public welfare such as schools, hospitals, public transport and other types of

job opportunities, maintains the flows of young people away from the mountains with the trend of depopulation continuing. For Cyprus, the risk of complete abandonment of agricultural land in the next decades remains high, with no published scenario on the likely ecological and socioeconomic implications of such a development.

Figure 2: Agricultural factor income per worker in areas with natural constraints



Source: DG AGRI-FADN

Many strategies, including the current CAP priorities framework (**Focus Area 6A**: Facilitating diversification, creation and development of small enterprises, as well as job creation) have tried to improve the economic conditions in rural mountainous regions through diversification, a path that effectively aims to divert farmers into the provision of services for the tourism sector. In principle, this policy admits that mountainous agricultural holdings cannot function as business oriented economic entities. Rather, these holdings need to have a multifunctional role, implying that they cannot function within the strict rules of economic theory for agribusiness competitiveness. Caron et al. (2010) support the multifunctional role of mountain agriculture and goes on to suggest that farmers are entitled to adopt to “*socially constructed quality criteria (e.g. concern for the environment, local development) favouring new market niches that may compete with official food product quality signs*”.

The multifunctional role of mountain farms is appropriately defined under the term ‘family farming’ by Davidova S. and Thomson K. (2014) who use several parameters to define the notion of family farming. Among their findings they note that ‘*family farmers are very often part-time farmers*’ and ‘*family farmers and their households are widely diversified and/or pluriactive*’.

FAO (2013) adds into this logic, in an extensive publication, by claiming that “*from a global perspective, mountain farming is family farming. Mountain areas, with their dispersed patches of useable land at different altitudes with different climates and with their often highly fragmented landscapes and narrow limits for mechanization, are most efficiently and effectively managed by family farms*”.



1.2 The ecological value of mountain farming

Mountains host vast areas of forest and other sites of high environmental value, acting as reservoirs of biodiversity. Mountains are the suppliers of freshwater to lowland areas, as well as the providers of scenic landscapes and opportunities for high quality recreation, with associated health and well-being benefits. The topographic and climatic constraints of mountain regions limit opportunities for intensification, therefore create an area of environmental and cultural value. In this context, mountain agricultural holdings carry a much higher obligation to preserve their surrounding ecosystem and practise extensive agricultural practises which effectively make their products ‘more environmentally friendly’ than those produced in lowland regions.

Robinson (2009) listed the positive and negative externalities (side effects) of mountain farming, most of which relate to environmental issues:

Positive	Negative
Biodiversity	
Flood and soil protection	Flooding and erosion/sedimentation
Water quality and supply	Pollution (especially in water)
Carbon sequestration	
Avalanche protection	
Fire protection	Fire
Cultural landscapes	
Outdoor recreation	
Rural communities and cultural heritage	Out-migration to urban poverty; Cost of supporting non-viable mountain communities

However, due to the constraints noted above to farming in mountain areas, ‘*the negative impacts are less likely to occur or occur to a lesser extent than in lowland areas*’ (Santini et al 2013). Factors such as slope, altitude and the harsh climate constrain any potential mechanisation, leading to a continuity of extensive farming practises described as ‘low input, low output agriculture’ by Santini et al 2013.

High Nature Value (HNV) farming and NATURA 2000 sites account for 32.8% and 14.6% of the European mountain area respectively, with 43% of the total area of NATURA 2000 sites in the EU-27 in mountain



areas. Land abandonment and localised intensification in response to declining incomes represent potential threats to HNV habitats (McMorran et al 2015).

The Troodos Geopark which effectively covers 90% of the mountains of Cyprus, holds an area of 629 km² and around 70% of its area is included in the NATURA 2000 network. Furthermore, around 20% of its Utilized Agricultural Area (UAA) is included in areas of the NATURA 2000 network, making agriculture by default an action that must be aligned with sustainable ecosystem practises. These facts make it clear that this is an area, perhaps the most unique in Cyprus, offering infinite natural and environmental wealth that no strategy for growth and rural prosperity can ignore or overlook.

Mountain farming is by default, one of extensive practises which in principle serves the concepts of sustainable resources management. Sound environmental practises such as those of organic production may be more appropriate for the mountains but the current experience for Cyprus does not lead to such a situation. Yet, the ecological value of mountain agriculture becomes even more apparent when utilised agricultural land is abandoned, resulting to soil erosion and an increased risk of fire spreading.

1.3 The societal value of mountain farming

Agriculture and traditional food processing are powerful societal elements which link mountain environments with their human populations through long-established practices. Mountain culture is very much related to agricultural practises and gastronomic events which are in turn related to historical and religious activities. *Family farming communities also are custodians of place identity, spiritual and cultural values, and of site-specific knowledge – a precondition for survival in most mountain areas* (FAO 2013).

Preserving this cultural heritage is an important task for any policy maker, while one needs to admit that the bond between agriculture and the culture of mountain living is extremely strong and one that should not be separated. *The motivation of family farmers thus goes beyond profit maximization, to include social, cultural and ecological motives* (Crowley E. 2013).

Furthermore, the cultural values embedded in any agricultural or food processing activity need to be identified and incorporated in the unique attributes of any good that is produced in the mountains. Indeed, upon designing a policy for promoting quality products of the mountainous regions, one cannot ignore the societal and cultural values which act as key parameters that describe the authenticity of the product.

1.4 Mountain farming in the context of the European agriculture

Mambro A (2015) note that *“Mountain farming represents 18% of all agricultural enterprises in Europe, while utilising 15% of agricultural land and 15% of the agricultural workforce. Due to geographical constraints, productivity is on average 28% lower in mountainous areas than in other disadvantaged areas*





and 40% lower than farming on the plains. At altitude, arable crops such as cereals, and permanent crops such as fruit and olive trees, give way to permanent grassland and animal grazing: 60% of the land is used for pastoral farming’.

At the EU level, the CAP has long recognised the social and environmental worth of mountain agriculture by providing an additional compensation for agricultural holdings operating in such regions through rural development programmes.

At a conference (July 2009) that dealt with the "The Future of Mountain Farming" that was held in Germany, Mrs. Mariann Fischer Boel Member of the European Commission responsible (at the time) for Agriculture and Rural Development, gave a general overview of how CAP is in support of the mountainous areas. Her short presentation is summed up below:

Under the first pillar of the CAP, Heinrich (the mountain farmer) very probably has access to the Single Payment Scheme or the Single Area Payment Scheme. His single payment may not be very high - due his past production patterns and the limited availability of agricultural land in mountain areas. If Heinrich's government is concerned that his single farm payment is not high enough, the government can use "Article 68¹" measures to give him extra support.

Then, of course, there's the second pillar of the CAP – rural development policy. For mountainous areas, a fundamental measure in rural development policy is the Less Favoured Areas measure. Perhaps Heinrich is involved in an agri-environmental scheme for cultivating alpine meadows. Other land management schemes in which he could be involved include schemes for alpine herding, for conserving specific genetic diversity and for farming in Natura 2000 areas (by the way, 43% of these areas are in the mountains).

Moving away from land management: Heinrich could be receiving support to modernise his buildings, invest in equipment, or improve energy efficiency on the farm. He could be receiving aid for using energy and water more efficiently. He might be taking part in a scheme for improving the quality and marketing of his products.

So many other types of support for mountain farmers are possible in our rural development policy that I'll just list them in abbreviated form,

- *support for training and innovation,*
- *for advisory services and farm relief services,*
- *for forestry,*
- *for diversification,*
- *for dealing with natural hazards.*

¹ Reg EC no 73/2009 (no longer in force)



Then, beyond pillars one and two of the CAP, of course mountain farmers have access to the European Union's policy for agricultural product quality – for example, our system of Protected Designations of Origin and Protected Geographical Indications. We need to understand just how many tools are available. But let me be clear: this does not prove that mountain farmers live a problem-free life. It's not enough just to have good tools. Do we have the right box to carry them around in, so that we can take full advantage of them? And even if we do, are they actually being used?

The above quotation summed up the support opportunities available through the CAP 2007-13 in support of mountainous regions. Yet, it also denotes a shortage of tools in the Common Agricultural Policies specifically targeting at the mountains, a finding that applies also to the CAP 2014-20. Apart from the land based, LFA payment, all other measures are horizontally targeted to the agricultural sector/ rural areas irrespective of lowland or highland regions. The task of selectively supporting mountain regions is passed down to the strategies of member states, that can customise these measures and target specifically to the regions of the mountains. In the new programming period, 2021-27, the CAP provides an ever greater autonomy to the member states for designing their CAP interventions, an approach which puts the entire responsibility of supporting mountain areas to the member states rather than the CAP regime at the EU level.

1.5 Defining mountainous regions

A key starting point for any exploration for the roles of agriculture, food production and food marketing in the sustainable development of Europe's mountain regions is to define the term 'mountain'. The definition of mountain areas for policy purposes in the European Union is based on Article 18 (1) of Regulation (EC) No 1257/1999. According to the interpretation of the Regulation, mountainous areas are those characterized by a significant restriction of land use opportunities and a significant increase in the cost of operating it, due to:

- the existence of difficult climatic conditions due to the altitude, thus significantly shortening the growing season,
- the presence of steeper elevations in the greater part of that area, making it impossible to use machinery or require the use of expensive special equipment; or
- the combination of these two factors, if the disadvantage resulting from each of them, taken separately, is less significant, provided that an equivalent disadvantage arises from that combination.

Under Regulation EC1305/2013 (Article 32, Designation of areas facing natural and other specific constraints), eligibility for payments under Article 31 (Payments to areas facing natural or other specific



constraints), requires that mountain areas shall be characterized by a considerable limitation of the possibilities for using the land and by an appreciable increase in production costs due to:

- (a) the existence, because of altitude, of difficult climatic conditions, the effect of which is to substantially shorten the growing season,
- (b) at a lower altitude, the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or a combination of these two factors, where the constraints resulting from each taken separately are less acute but the combination of the two gives rise to an equivalent constraint.

Member states can define mountain areas by taking into consideration the above guidelines and should report their definition in the Rural Development Programs. Cyprus applies specific criteria which clearly identify which communities fall within the terminology of mountain areas. Altitude is calculated based on the agricultural area and not on the basis of the residential area of each community. The DEM (digital elevation model) basis was calculated for each community by the mean altitude and the mean slope of each individual plot reported to the CAP in 2014. Subsequently, the average altitude and mean of each plot were calculated to provide the mean inclination of the whole community. Areas with an average altitude of ≥ 800 meters or an average altitude of 500 meters to ≤ 800 meters with a slope of $\geq 15\%$ are considered mountainous. The list of communities which fall under this definition includes 106 communities covering an area of 9,350 hectares and are listed in the relevant Appendix of the RDP 2014-20².

However, according to a common topographic definition of mountains, many areas not included under Article 18 can also be considered as mountains. Cyprus is already facing serious problems in excluding communities from the category of mountainous which are less than 2 kms away from the defined boundaries and which in principle possess the same socioeconomic profile of the mountainous regions e.g. Evrychou is not rated as mountainous whilst Sina Oros is.

2

[http://www.paa.gov.cy/moa/paa/paa.nsf/All/F6BC6C5062E25774C22580600040A2EE/\\$file/%CE%9F%CF%81%CE%B5%CE%B9%CE%BD%CE%AD%CF%82%20%CE%A0%CE%B5%CF%81%CE%B9%CE%BF%CF%87%CE%AD%CF%82.pdf](http://www.paa.gov.cy/moa/paa/paa.nsf/All/F6BC6C5062E25774C22580600040A2EE/$file/%CE%9F%CF%81%CE%B5%CE%B9%CE%BD%CE%AD%CF%82%20%CE%A0%CE%B5%CF%81%CE%B9%CE%BF%CF%87%CE%AD%CF%82.pdf)



2. CAP policies in support of mountain products under Pillar I

2.1 Basic payments (Single area payment scheme (SAPS) and Greening top-up)

The basic payment is the most important income support scheme for European farmers who are holders of utilized agricultural land (UAA) and are practicing agricultural activities. There are two different types of scheme the basic payment scheme (BPS) and the single area payment scheme (SAPS). BPS are taken up by most EU members while SAPS is a simplified transitional scheme used in In Bulgaria, Czechia, Estonia, Cyprus, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia. The SAPS is a transitional measure stemming from the accession treaties of the specific country.

As opposed to the BPS, in the SAPS there are no payment entitlements. Instead, the support paid is solely based on the eligible hectares declared by farmers and the level is the same for all hectares in the country.

The basic payment is topped-up by other income support measures targeting at specific issues or types of beneficiaries. These include the young farmers' payments, greening payments and additional optional schemes that EU countries can choose to implement.

Our analysis regarding the contribution of basic payments to the mountainous regions is based on the Cypriot system of SAPS topped up by the greening payments. Other schemes of much lesser importance include the young farmers and the coupled support to produce citrus in communities of the green line (between the free and occupied areas of Cyprus).

Based on the Annual Report of the Common Agricultural Payments Policy for 2018, total direct payments for the year amounted to around €45mil., distributed to around 33.000 agricultural holders with a minimum area of 0.3 ha per holding.

The following table provides an analysis of the various schemes and their associated payments for the period 2018. It is apparent that SAPS and Greening receive 98% of the funds for direct payments.

	No of applications	Value paid €	
SAPS	33.149	30.057.440	66,7%
Greening	33.377	14.726.714	31,5%
Coupled support for citrus	821	258.080	0,6%
Young farmers	711	522.895	1,2%
		45.565.129	



Analysis carried out (by the authors) of the SAPS data estimates that around 8% of the holdings are in the mountains (as per the definition of the RDP2014-20). These holdings manage around 4.5% of the total UAA of Cyprus and receive 4.5% of the total payments. SAPS and greening are based on the eligible hectares and do not give any privilege to mountainous or other regions. The average holding size in the mountains is 2.2 ha whereas the whole country averages at 4.2 ha. It is therefore important to note that almost 75% of all holdings located in the mountains receive less than 600€/ holding annually (averages at €320/ha on SAPS and Greening).

2.2 Market measures

“Market measures aim to stabilize agricultural markets and prevent market crises from escalating (market intervention measures), boost demand and help EU agricultural sectors to better adapt to market changes. They are part of the common market organization regulation (CMO), which lays out the framework under which EU agriculture works within the single market”³.

The most important market interventions that can be linked (indirectly) to the mountain regions relate to sector-specific aid schemes which address specific issues in certain EU agricultural markets. The legal basis for the use of public intervention in agricultural markets is EU regulation 1308/2013. For the mountainous regions of Cyprus, one can suggest that the “fruit and vegetables” and the “wine” agricultural markets can be relevant to the mountain primary sector.

2.2.1 The Common Market Organization (CMO) for fruit and vegetables

The CMO for fruit and vegetables provides a bundle of measures in support of the fruit and vegetables sector with the following four broad objectives as recorded on the relevant webpage⁴:

- a more competitive and market-oriented sector
- fewer crisis-related fluctuations in producers’ income
- greater consumption of fruit and vegetables in the EU
- increased use of eco-friendly cultivation and production techniques

None of the measures is directly targeted at the mountainous regions. Under one of the CMO measures, growers are encouraged to join into Producer Organizations (POs), a form of cooperation highly suitable to the mountainous small holders.

³ https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/market-measures/market-measures-explained_en

⁴ <https://ec.europa.eu/agriculture/fruit-and-vegetables/>



2.2.2 The Common Market for vine and wine products

The CAP offers the possibility to any EU wine producing country to offer support through the following measures to their wine sectors⁵:

- promotion in non-EU countries
- informing consumers about the responsible consumption and EU quality schemes
- restructuring and conversion of vineyards including replanting for health or phytosanitary reasons
- green harvesting
- mutual funds
- harvest insurance
- investments in enterprises
- innovation aiming at the development of new products, processes, technologies
- by-product distillation

The yearly allocations are fixed to each EU country over a five-year period and form part of Pillar I of the CAP. For the five-year period 2014-2018, Cyprus has been allocated around €22.2 million of the Union's net financial resources (approximately €4.6 million annually). The programme is being expanded for the five-year period 2019-2023 with approximately the same total resources in the financial envelope of Cyprus.

The Department of Agriculture (Division of Oenology) is the Managing Authority for the Wine sector program of Cyprus and offers the following support measures:

- Measure 1b: Restructuring and conversion of vineyards
- Measure 3b: Investments in the wine sector
- Measure 3a: Promotion of wines in the EU and in third countries
- Measure 3d: Harvesting safety
- Measure 3z: Innovation in the wine sector

The policy instruments targeted at the wine sector are related to one of the key mountainous agricultural sectors. Hence, the Common Market for vine and wine products can be seen, when referring to Cyprus, as a sectoral measure that supports a selective part of the mountainous farming in an indirect manner.

2.2.3 Producer Organizations

Producer Organisations (POs) or Associations of Producer Organisations (APOs) are important players in the food supply chain and one of the most important tools of the CAP for enhancing the role of primary

⁵ https://ec.europa.eu/info/food-farming-fisheries/plants-and-plant-products/plant-products/wine_en



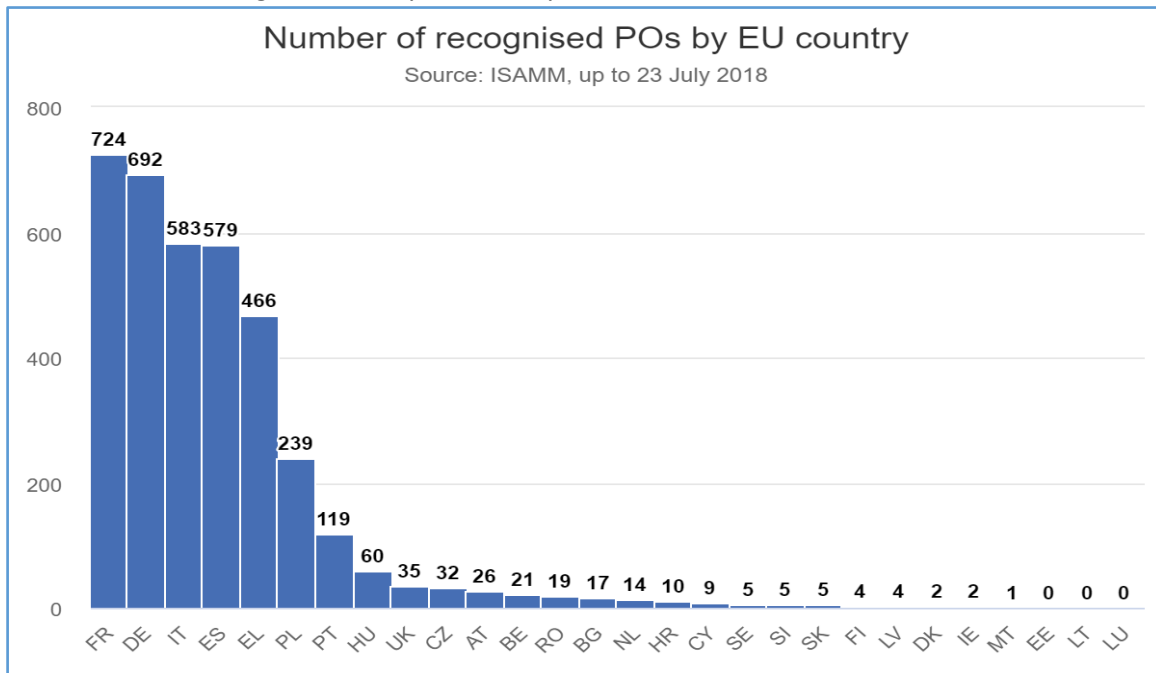
producers in the supply chain. By working together, farmers can reduce transaction costs and collaborate in processing and marketing their products. Gómez-Limón, J.A., Sanchez-Fernandez, G., 2010 has proved that farmers who are members of cooperatives are more likely to be sustainable than farmers working individually. In general, POs can strengthen the collective bargaining power of farmers by:

- concentrating supply
- improving marketing
- providing technical and logistical assistance to their members
- helping with quality management
- transferring knowledge

The EU acknowledges the special role played by POs and, as a result, their establishment can be rewarded with:

- exemptions from EU competition rules for certain activities, such as collective negotiations on behalf of their members, planning of production or for certain supply management measures
- access to EU funding within ‘operational programmes’, for example, to support collective investment in logistics to the benefit of their members

Figure 3: Number of recognized POs by EU country.





Cyprus has incorporated under its legislation (N.164(I)/2002 και N.160(I)/2004) and the relevant implementation acts (Κ.Δ.Π 520/2004 και 317/2007), the creation and support of POs. In the fresh fruit and vegetables sector, the mountainous regions are serviced by one PO, SEDIGEP Troodos. However, the overall organization of the mountain farmers is fragmented with many of them selling their products to individual traders or to local fruit shops. Recent years have seen the gradual growth of a few bigger mountainous agricultural holdings in the fruit sector who have the capacity to work directly with the retail stores.

2.2.4 Interbranch organizations

Farmers, processors and traders in the supply chain can also come together in interbranch organizations (IBOs). Those organizations adopt measures to govern the chain, without themselves being involved in production, processing or trade. IBOs serve as a platform for dialogue, promoting best practices and market transparency along the supply chain.

EU countries may also recognize IBOs, if the IBO is made up of representatives of the production sector (i.e. farmers) and representatives of at least one other part of the agro-food supply chain (such as those operating in processing or the distribution of food products).

Cyprus has opted not to support the creation of IBOs. Furthermore, this type of organization is not suited to the mountain regions since there are very few traders and processors who can add value to an IBO with the local farmers.

2.2.5 Fruit & Vegetable scheme for schools

The scheme is hereby presented in order to highlight the importance of a measure with no direct intervention for the benefit of the mountainous regions, which can be utilised for the benefit of mountainous agriculture.

The legal basis for the implementation of the Scheme is EU Regulation 1308/2013 on the Common Agricultural Market Organizations which provides the possibility of granting Union aid on an annual basis for the implementation of a Scheme on the promotion of the consumption of fruit and vegetables for children attending recognized educational institutions.

The project's annual budget was €90million annually until 2013-14 and has subsequently been raised to €150million with the co-financing rate rising to 75-90%. The plan has targeted the age group of 6-10 years, but each Member State can expand its age target in accordance with its own national planning. The main goals of the scheme are since the beginning of its creation:





- Improving children's nutritional habits, which will be achieved by increasing the consumption of fruit and vegetables versus industrialized products and enhancing the knowledge and experience of children as future family members, in order to maintain EU consumption power for fruits and vegetables in the short- and long-term horizon,
- Contribute to a proper diet for the benefit of the health of EU citizens,
- Increasing and stabilizing the fruit and vegetable markets to indirectly increase producers' incomes and improve their perception of the agricultural profession.

With a scientifically substantiated link between fruit and vegetables and healthy eating, the scheme seeks to develop eating habits for the benefit of children's health and disease reduction.

The School Fruit and Vegetables Promotion scheme for Cyprus can become a useful tool for the benefit of the mountainous production should there is an acknowledged brand/mark to incorporate fruit and vegetables from a mountainous region. All parties, i.e. the Managing Authority of the program (Department of Agriculture), the schools' procurement units and the mountain producers can team up to promote the healthy attributes of mountain products and prioritise the procurement of produce with a mark that certifies the origin of the products and the possible attributes of the products e.g. taste, local, ecologically produced etc. Such a measure could also create a framework within which school staff and children come in support of the mountains for social, cultural and environmental reasons.



3. CAP policies in support of mountain products under Pillar II – Rural Development Policy

3.1 Supporting the Less Favored Areas

This is a policy instrument directly targeted at supporting the mountainous regions as well as other regions with natural handicaps. In areas designated as "less-favoured", agricultural production or activity is more difficult because of natural handicaps, e.g. difficult climatic conditions, steep slopes in mountain areas, or low soil productivity in other less favoured areas (LFA). Due to the handicap to farming there is a significant risk of agricultural land abandonment and thus a possibility of loss of biodiversity, desertification, forest fires and the loss of highly valuable rural landscape. To mitigate these risks, the LFA payment scheme (articles 31 and 32 Reg EC 1305/2013) is an important tool, implemented by all the Member States, despite not being a compulsory measure.

Measure 13 of the RDP 2014-20 addresses support for areas with natural or other handicaps in the form of aid to disadvantaged farmers (mountainous areas, areas with natural handicaps and areas with special handicaps) in order to offset part of the loss arising from agricultural activity in those areas. This allowance will help farmers to continue their activities in order to avoid the abandonment of agriculture in these areas. The beneficiaries of this Measure are natural or legal persons who fulfil the concept of 'active farmer' (for Cyprus this term applies to all holders of agricultural land who cultivate their land) as described in the relevant chapter and are engaged in agricultural activities in holdings located within the boundaries of those areas.

Eligibility conditions require applicants to normally submit one application annually and meet the following criteria:

- to cultivate at least 0.3 hectares of agricultural land in these areas.
- implement the Good Agricultural and Environmental Conditions and the Cross-Compliance Regulatory Requirements and minimum requirements for fertilizers and plant protection substances.
- accept unconditionally and facilitate the controls carried out by the National and EU Institutions.

Under the Cyprus RDP 2014-20 program, this measure receives a budget allocation of €41million (16% of the total program budget), and the mountainous regions are targeted to receive around €10million or 25%). The measure provides a subsidy of €200/ ha as opposed to €100/ha in other LFA – non mountainous regions. Until the end of 2018 mountainous regions have received around 18% of the total budget with almost 8.000 hectares as opposed 81.000 hectares in other LFA areas. Furthermore, around 30% of the mountain areas that have received support are also included in sites of HNV or NATURA 2000.



3.2 Investment Measures

Measure 4.1: ‘Support for investments in agricultural holdings’ aims to support investment in technological improvements for improving productivity and maintaining environmentally sound cultivation practises.

Measure 4.2: Support for investments in processing/marketing and/or development of agricultural products focusses on improving the infrastructure for adding value to the agricultural product through processing.

These measures are utilised by agricultural holders and micro enterprises in the mountains but cannot be termed as broad policy instruments for the mountainous agriculture and the rural economy. Indeed, according to the Interim on-going evaluation report of the RDP 2014-20 (LKN-Filagrotiki 2019), *‘it is observed that the participation of farmers (in Measure 4.1) from the mountainous regions is less than 2%, resulting to the conclusion that the Program has not yet contributed to the economic performance of agricultural holdings in mountainous regions’.*

3.3 Agri-environmental measures targeted at mountain products

The Rural Development Program gives a great emphasis on agri-environmental measures, which are not directly targeted at the mountainous regions but can be utilized by farmers in these regions, provided they undertake specific agri-environmental obligations.

The table below summarises all the agri-environmental measures that can be taken up by farmers in the mountains and the relevant funding made available.

METRO	CODE STATUS	NAME STATUS	Deciduous	Olives	Citrus	Traditional Place	Vineyards	Vegetables	Bee
			€/Hectare						
M10 -Agricultural and climate measures	10.1.1A	Prohibition of the use of chemical herbicides in deciduous trees	€ 500						
M10 -Agricultural and climate measures	10.1.1B	Excluding the use of chemical herbicides in olives		€ 300					
M10 -Agricultural and climate measures	10.1.1Γ	Exclusion of chemical herbicides from citrus fruits			€ 225				
M10 -Agricultural and climate measures	10.1.1Δ	Excluding the use of chemical herbicides in traditional landscape crops				€ 320			
M10 -Agricultural and climate measures	10.1.1E & 10.1.1Z	Exclusion of chemical herbicides and twigs in vineyards					€ 600		
							€ 80		
M10 -Agricultural and climate measures	10.1.6	Protection of Natural Vegetation and Landscape Characteristics for Biodiversity and Erosion Reduction	430	430	430	430	430	430	
M10 -Agricultural and climate measures	10.1.7	Maintenance of existing wood blocks within the parcels	€ 180			€ 180	€ 100		
M10 -Agricultural and climate measures	10.1.8	Agri-environmental obligations for the conservation and sustainable use of traditional vine varieties (In the 2015 notice the Scheme code was 10.1.4)					€ 220		
M10 -Agricultural and climate measures	10.1.10	Bee-keeping management to maintain harmonious coexistence with insect birds							€ 8
M11 - Organic farming	11.1	Conversion from conventional to organic farming	€ 900	€ 900	€ 900	€ 900	€ 900	€ 600	
M11 - Organic farming	11.2	Development of organic farming	€ 900	€ 900	€ 900	€ 900	€ 900	€ 600	
M12 - Aid under Natura 2000 and the Water Framework Directive	12.1.1	Conservation of non-commercial production in Natura 2000 agricultural and forestry areas and coherence areas	€ 160	€ 160	€ 160	€ 160	€ 160	€ 80	
M13 - Aid in areas characterized by natural or other specific handicaps	13	Supporting areas with natural or other disadvantages	€ 200	€ 200	€ 200	€ 200	€ 200	€ 200	

3.4 Other Measures that can indirectly support mountain regions

The measures noted below are designed in a horizontal manner, i.e. they are equally relevant to lowland and mountainous holdings. The measures are tools designed under Pillar II of the CAP 2014-20 for Cyprus and aim to meet a diverse range of needs of farmers and other stakeholders. The managing Authority of the RDP 2014-20 provides, for some of these measures, a policy instrument in support of mountainous regions by rewarding in the selection criteria, holdings located in the mountains.

Measure 1.3: ‘Support for short-term farm and forest management exchange as well as farm and forest visits’, finances actions that enrich knowledge, adding experiences and good practices used on farms in other countries.

Measure 3.2: ‘Support for information and promotion activities of producer groups in the internal market’ is one of the most important measures for the promotion of quality traditional products. Currently, this measure is been used by the product Glyko Triantafylo Agrou PGE, in an effort to promote the product. Promotion is however based on the unique attributes of the product and its link to rosa damascena, without any specific mentioning of its mountainous origin.

Measure 7: ‘Basic services and village renewal in rural areas’ relates to the implementation of public infrastructure projects, for the purpose of preserving and enhancing the natural and cultural wealth of rural areas.

Measure 9: ‘Producer Organisations’ other than those funded through the Common Agricultural Markets of Pillar I. Looking at the situation of the mountains, this measure is currently available for organising the



vine producers or the commandaria vine producers into a P.O. and funds the running expenses of the PO for a period of 5 years.

Measure 16.1: "Support for the establishment of operational groups of the European Innovation Partnership for agricultural productivity and sustainability" aims at improving the innovation process for agricultural holdings and provides support for projects in new innovations

Measure 16.4: "Short Supply Chains and Local Markets" provides incentives for the development and establishment of horizontal and vertical cooperation between different actors in the agri-food sector in order to create local markets and other short supply chains of agricultural products. Its objectives are, to minimize intermediaries and promote direct contact between producers and consumers, which is expected to contribute both to improving the competitiveness of the primary sector producers and to balancing market prices but also maintaining the locality of the products through the creation of local stores and markets.

Measure 19: LEADER Programme through the Troodos Local Action Group (LAG) which funds several actions based on the strategic plan that was composed for the purpose of the Leader programme. A most promising policy tool in support of the mountain farming is the so called 'Cooperation' measure which aims to capitalise on synergies for promoting products and services collectively from the mountains of the Troodos or Pafos regions.



4. The agricultural product quality policy of the EU as a means for driving competitiveness for the mountainous products

4.1 A general approach

The EU has a horizontal policy towards the promotion of quality products within the CAP which does not focus on the mountains, except from the “Mountain Product” quality mark. The quality policy of the EU focuses on,

- Products linked to a geographic origin
- Products linked to environmentally sound production methods i.e. organic
- Mountain products

The latter category of ‘Mountain products’ is a very minor one within the quality product policy of the EU but gives an opportunity to producers of mountain regions who aim to differentiate their products based on their mountainous origins. Martins and Ferreira (2017) note that mountain *‘food products have multiple benefits and unique qualities that cannot be found in other products. Their quality is also strongly marked by the specific environmental and processing conditions of their mountainous regions of production and transformation’*.

However, quality products based on the origin and the organic nature of production can also be utilized for promoting mountainous farming by directly linking the quality mark to the mountainous region. This task would require cooperation among farmers e.g. an association of mountain organic farmers who can promote the organic mark with the sustainability characteristics of the mountain region they grow their crops. Equally important is the promotion of a Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI) which is linked to a mountainous region e.g. Glyko Triantafyllo Agrou PGI or Loukanika Pitsilias (applied for a PGI) by linking product characteristics to the unique climatic conditions and artisan methods of processing practiced in the mountains.

4.2 Mountain products as an optional quality mark

The existence in mountain areas of traditions and know-how relating to agricultural production and food processing offers an opportunity for mountain communities to promote the authenticity of the place through gastronomy tourism or as gourmet (niche market) products. With a view to making mountain products more clearly identifiable on the market, the EU institutions legislated on a common definition of an optional quality term, 'mountain products', in the labelling of agricultural products.



Under EU Regulation 1151/2012 (article 31), the European Commission has adopted the concept of the optional quality term 'mountain product' in order to support products originating from mountainous regions. This scheme was established to facilitate communication with the European market on the value-added of agricultural products made in the difficult conditions of the mountainous areas.

The term is used only to describe products intended for human consumption in accordance with Annex I to the Treaty, in respect of which:

- (a) both feed materials and feed for farm animals come mainly from mountain areas,
- (b) in the case of processed products, processing shall also take place in mountainous areas.

Under the basic regulation for quality products 1151/2012, the legislation requires that feedstuffs and raw materials for products using the term "should come essentially from mountain areas" and in case of processed products, these "should be produced in mountain areas". Regulation 665/2014 further defines the limitations, taking into consideration the reality of producing in mountain regions. For example, the feedstuffs for animals that come from mountain areas should represent at least 50% of the annual animal diet. This share is defined as 60% for ruminants and 25% in the case of pigs (because there is a much lower level of feedstuffs grown in mountain areas).

There are also certain requirements for processing, which allow processing to be undertaken within a 30 km zone outside mountain areas. In order to ensure that facilities currently producing milk and milk products in mountain areas are not encouraged to move away from there, processing of milk outside mountain areas is only possible in existing facilities within the 30 km zone and only if the Member State allows it.

4.2.1 An example of a mountain product

Parmigiano Reggiano is the most important **PDO product made in the mountains**, with over 110 dairies located in the mountains and over 1,200 breeders who every day contribute to strengthen the economy and preserve the uniqueness of the mountain areas of Parma, Reggio Emilia, Modena and Bologna. In order to further support sustainable development in the mountains and to extend guarantees to consumers beyond those of origin, the Parmigiano Reggiano Consortium has launched "Quality Project - Mountain Product". This quality product label means that,



- 100% milk produced in stables in the mountain areas
- more than 60% of the cows' feed is grown in mountain areas



- dairy, and maturation of at least 12 months, in mountain areas
- quality selection at 24 months with the "hammer" evaluation carried out by Consortium experts
- sensorial evaluation (tasting group)

4.2.2 The Cyprus case

Cyprus has not registered or even prepared for registering any Mountain Product under the optional quality scheme. Currently, mountainous products are represented in the product quality portfolio of Cyprus by the PGE product 'Glyko Triantafyllo Agrou' alone. Files are under examination at EU level for three mountainous products made as cured meats (allantika Pitsillias) but the raw material is not mountainous. One more file for Agros Rosewater is under examination at the local level. The mountains are also home to some unique fruit varieties eg apples under the names 'kathista' and 'Iortika' which could further be examined for enriching the quality products and creating the basket of mountainous quality products from Cyprus.

Although organic farming could have been linked to the mountains, thereby providing a quality and environment aspect to mountain farming as a form of branding, this has not been taken up by mountain farmers. Organic production is by far mostly concentrated in the lowlands and any promotional actions take place within the context of organic practices and not as organic mountainous products.

Taking advantage of the quality label for organic farming in order to promote mountainous products is an example of how horizontal policy instruments of the CAP can be turned into strong instruments for the mountains. In a hypothetical scenario, a well-organized mountain organic farming association could have utilized Measure 3.2 for the 'Promotion of quality products' and create a brand around its products by emphasizing the environmentally friendly practices which care for the mountainous ecosystems. Furthermore, the purity of the place and the healthy production practices combine the mountainous origin with environmentally sustainable farming thereby creating a strong brand around a basket of products originating from a specific mountainous region.



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