The redefinition of Europe's Less Favoured Areas

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The Redefinition of Europe's Less Favoured Areas

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1. Introduction

Establishing support for farming in less-favoured areas in 1975 marked a major change in the nature of the Common Agricultural Policy (CAP) by introducing regional categories. It also represented the initiation of direct annual payments to farmers, an approach which was to expand greatly in the 1990s and thereafter. Over a long period it had remained the only significant structural measure of agricultural policy with a territorial dimension. Only recent policy reforms changed this situation: commodity market support was gradually decreased and, on the other hand, the environmental implications of policy measures were increasingly emphasised. Discussions on the interrelations of the Less-Favoured Areas (LFA) scheme with Agri-Environmental Measures (AEM) and other elements of the Rural Development Programmes (RDP) have been intensified as the political and financial weight of the programmes gained in importance. However, up to now these two types of CAP measures account for the greatest share of the programmes funds and have most impact for LFAs across the European Union. This paper will focus on the objectives and relevance of the LFA support scheme, its application in the EU and the main elements of the debate for the redefinition of LFA support.

From the very beginning, LFA policy was conceived as a structural policy aimed at the prevention of land abandonment, to preserve the farming population in these areas and maintain cultural landscapes. In this regard, the instrument was one of the first measures to address environmentally beneficial farming systems, and thus reveals high coincidence with High Nature Value (HNV) farming systems.

The three types of LFA, mountain areas, other LFAs and areas affected by specific handicaps take account of the range of geographical differences in the production difficulties of EU agriculture. The increased focus on environmental aims resulted in a discussion of the 'intermediate' areas, the category of other LFAs. It has been proposed that the socio-economic criterion in determining these areas should be dropped, but the aim to maintain land management in marginal areas would be kept. Meanwhile, the decision on the redefinition of the LFAs has been postponed. Nevertheless the issue will keep a central role in policy discussions of the future Rural Development Programmes.

2. The LFA support schemes

Objectives of LFA policy

The dominant objective for LFA policy is to maintain farm management in less-favoured areas based on environmental principles and provision of other functions beyond food production. The aim is sustainable resource management which includes particularly preservation of soil, water and air quality, maintenance of the cultural landscape, a high degree of biodiversity and protection from natural hazards. As the EU regulation provided a flexible framework to take account of the specificities of production difficulties, the implementation in the different Member countries and regions focus on various priorities. Usually the following aims are formulated by these programmes:

- Maintenance of agricultural land use and the associated rural community through the development of the rural environment;
- Contribution to the settlement and land use management systems under difficult production conditions; and
- Remuneration of the public goods produced by farms in less-favoured areas.

Some recent studies on policy application and spatial impact (e.g. Crabtree et al. 2003, Swales et al. 2004, Shucksmith et al. 2005) confirm that the framework of LFA is adapted primarily at national level to different priorities reflecting the specific policy objectives. This are particularly oriented at:

- the general objective of maintaining farming in the LFAs, thereby combating land abandonment trends and marginalisation trends;
- compensating income differences between LFA & non LFA agricultural production;
- maintaining population density in areas threatened by a population decline;
- preserving rural livelihoods;
- constituting an element of income support; and
- contributing to specific functions provided by farming in LFAs, e.g. for other sectors, like tourism, environmental performance, like biodiversity and impact on landscape characteristics, like in the arctic space.

The current discussion on the reorientation of LFA argues for a concentration on the production difficulties and raising policy effectiveness. However, the position of member states is very mixed since simultaneously the inclusion of the spatial dimension into the CAP and a more pronounced interrelation with social and territorial cohesion is requested. More details on the debate will be provided later in the paper.

Delimitation of areas

The areas eligible for LFA support have been classified by national authorities according to the EU framework regulations. Due to the high variation in climate and production situations between the different European regions (North/South) thresholds applied vary considerably between the MS, and even regions. The categories and the criteria for the demarcation of the less-favoured areas have been defined in EEC Directive 75/268 (Art. 3, para 3-5), later in Regulation 950/97 (art. 23-25) and then integrated into Regulation 1257/1999 (Art. 13-21). A large number of implementing Directives comprise the current classification of the LFA of each Member State into the three types:

– *Mountain areas* where altitude and slopes reduce the growing season and the scope for mechanisation. High latitude regions in Finland have been included into this category. These areas make up about 17% of the total UAA.

– *'other' LFAs* which are marked by poor soil conditions (low agricultural productivity), low agricultural income levels and low population densities or depopulation tendencies. These areas account for 36% of the UAA.

– *LFAs with 'specific handicaps'* which are restricted to small areas with specific handicaps relating to the environment, landscape development or coastal areas and islands where agricultural activity should be preserved in order to maintain the countryside. Member States can classify up to 10% of their total area under this category. About 3% of UAA are classified under this type.

The great interest for the scheme has induced a gradual extension of the area eligible as LFA. The distribution of the three types of LFAs in the various EU-member states can be seen from Table 1 as well as Figure 1 and 2. Main features to be recognized are the particularly high share of mountain areas in some Member States (Austria, Greece, Slovenia and Finland) and the predominance of simple LFAs in others (Luxembourg, Latvia, Cyprus, Portugal, Ireland, Germany, United Kingdom and Spain).

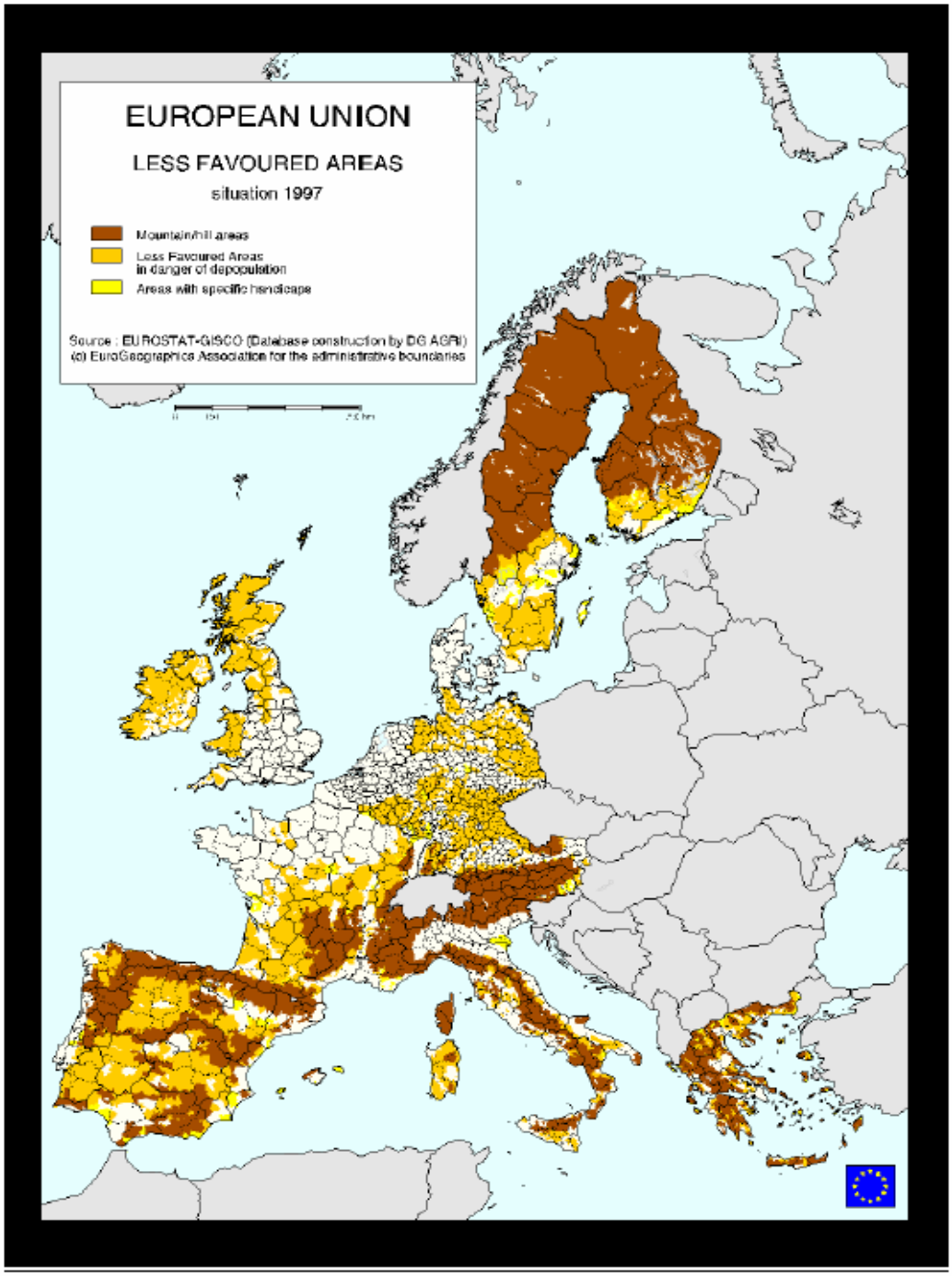
Table 1: Agricultural area classified as LFA (in % of total UAA)

EU-member states	1975	1991	2005	Mountain areas 2005
Belgium	19.8	21.9	20.4	-
Denmark	-	-	1.1	-
Germany	28.7	53.6	49.6	1.9
Greece	-	78.3	82.6	56.4
Spain	-	67.5	81.3	31.8
France	33.1	45.1	44.1	14.4
Ireland	51.2	71.4	52.8	-
Italy	37.7	51.9	50.9	31.0
Luxembourg	100.0	99.0	100.0	-
Netherlands	-	2.4	11.1	-
Austria	-	-	75.3	59.0
Portugal	-	75.6	86.6	26.7
Finland	-	-	100.0	52.2
Sweden	-	-	52.1	11.2
UK	36.0	52.6	47.1	-
Cyprus	-	-	90.4	9.0
Czech Republic	-	-	50.3	14.6
Estonia	-	-	39.8	-
Hungary	-	-	n.a.	n.a.
Poland	-	-	52.4	1.2
Slovenia	-	-	73.9	55.1
Lithuania	-	-	43.7	-
Latvia	-	-	72.7	-
Slovakia	-	-	50.3	20.0
Malta	-	-	100.0	-
EU (10/12/25)	32.9	55.1	56.5	16.9*

* no data for Hungary available

Source: CEC (1997, p.54), Council of the European Union (2005b, p.8)

Figure 1: The three types of Less Favoured Areas (1997)

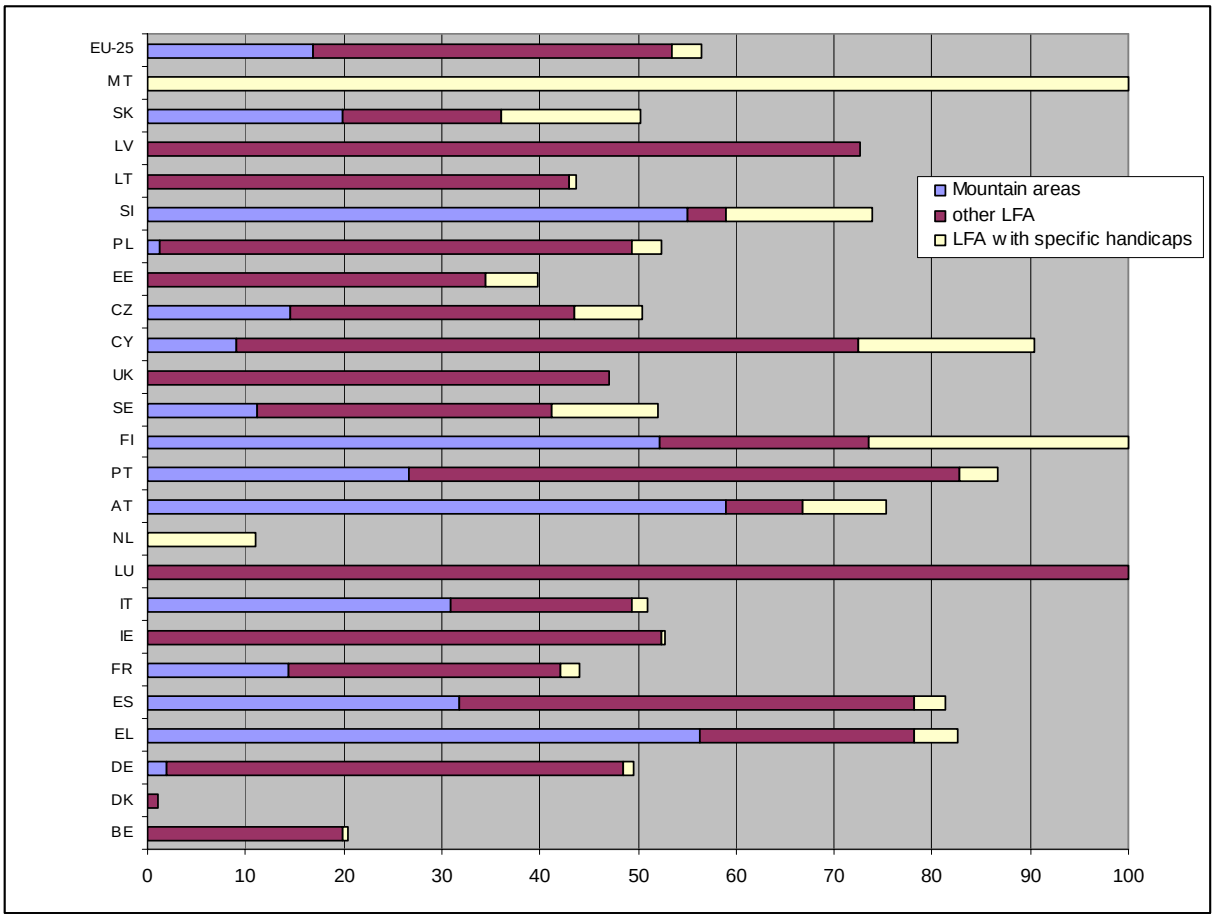


Source: CEC 2004, annex, map 3

This has led to the assessment that in some cases specific problems of overgrazing might occur and differences of income levels between (simple) LFAs and non-LFAs tend to decrease. Nevertheless, in general, we can discern,

- high coincidence of LFAs with High Nature Value (HNV) farming systems, low intensity farm management, and nature protection areas as well.
- LFA scheme often coincides with extensive farming and small-scale farming structures under threat of marginalisation, however in some cases farming is also oriented in towards intensification;
- This leads to the situation that low intensive farming systems are under threat from both sides – abandonment and intensification.

Figure 2: LFA as a proportion of total UAA per Member State (2005)



Source: EC 2005b, p.8 (data for Hungary missing)

The proportion of major agricultural land use categories (Table 2) and some key variables of LFA derived from the farm structure survey (Table 3) can be seen from the following tables. In comparison to the UAA the proportion of permanent grassland and wooded area is particularly high. The low production potential is underscored by the low share of the Standard Gross Margin (SGM) in LFA. The additional variables on the situation per holding underpin the small agricultural structure for the mountain areas.

Table 2: Contribution of LFA to EU agriculture
(2003, in % of total EU-15)

	Mountain areas	Other LFA (incl. specific handicaps)
UAA	17.8	38.2
Arable land	10.4	33.0
Fallow land	12.5	43.8
Permanent grassland	28.4	48.4
Permanent crops	27.4	33.8
Wooded area	60.0	34.9
Share of SGM	11.8	24.1
SGM per ha (EU-15=100, Index)	66	69

Source: Eurostat, own calculation

Table 3: Key indicators of LFA

	Mountain areas	Other LFA (incl. specific handicaps)	Not LFA	Total (EU-15)
No. of holdings	1 840 180	1 802 890	3 126 110	6 769 180
Average SGM per holding (ESU)	8.1	16.9	26.0	18.7
Average UAA per holding (ha)	12.3	24.6	19.1	18.7
Average livestock per holding (LSU)	7.5	19.7	21.9	17.4

Source: EC 2003, farm structure survey 1999/2000

LFA support

Up to now the maximum level of compensation was the same for all types of LFAs. Nevertheless there is considerable variation in the level of LFA subsidies between different countries and regions (Dax and Hellegers 2003, Court of Auditors 2003), reflecting the priorities of the MS, criteria and approach used. Albeit a considerable divergence of average payments per hectare and holding (Table 5) can be seen between LFA supports of MS, a stronger reference to the level of production difficulties has been looked for. The report of the Court of Auditors (2003) also mentioned the weakly developed differentiation of payments.

There is also a strong regional dimension to the application and use of LFA support: Given the (historical) focus of resources in southern MS on modernisation schemes and improvement of processing and marketing structures there has been less potential to develop LFA in these regions. Moreover, small structures of farms in the south often largely limit eligibility of holdings: In several countries, particularly the two countries with more than 50% of all LFA holdings, Italy and Spain, about half of all holdings are below the eligibility thresholds of 3, respectively 2 ha. On the other hand, there is some, but a much smaller impact through modulation or limitation of payments or farm size (ha) eligible for payment in some countries.

This leads to the situation that, although the co-financing rates show considerably higher levels for Southern European countries the up-take of compensatory allowances has been particularly weak there. Whereas in total a considerable number of more than 1 million farm holdings benefits from the scheme which represents a proportion of those holdings in eligible areas of 45% (CEC 1997, p. 55) the participation of holdings varies from between 84% to 99% in most northern member states to 9% in Italy.

The range of differentiation between low input farming systems and intensive upgrading farming (e.g. livestock numbers) is quite large between the MS. Also many new Member States have prepared their classification systems and strongly focus on LFA support. On average the proportion of LFA support in the rural development programmes is higher for the new MS (about 26%) than for EU-15 (about 19%; Figure 4).

The wide range of indicators used and the different approaches applied, both lead to disparities in treatment and application, and difficulties for comparison of the scheme. For example, a horizontal-geographic approach (e.g. Finland, France, Sweden) shows a lower degree of internal differentiation than a more vertical one (e.g. Austria, Germany, based on individual farm structure situation). The particular differentiation for mountain farms in Austria, with a refined, detailed scoring system is the example which refers to production difficulties experienced by mountain farms most directly.

The Commission addressed some of these concerns in its July 2004 proposal for the 2007-2013 rural development programme (EC 2004), aiming at a review of the classification of the intermediate areas and to lower the maximum payment of the LFA other than mountain areas to 150 €/ha.

Table 4: overview of LFA payments (EU-15)

	1976	1991	2001-2003*
No. of beneficiary holdings	339,735	1,147,600	990,842
Compensatory allowances:			
Total (mio ECU/Euro)	269	1,060	2,364
per holding (Euro)	785	923	2,386

* average of payments in years 2001 to 2003

Source: EC, DG Agriculture, rural development monitoring data system CAP-IDIM

Table 5: LFA expenditure, 2001-2003

Member State	number of holdings supported	number of hectares receiving CA	Amount of public expenditure committed ('000 EUR)		Average payment (EUR)	
	total	(1,000 ha)	total	of which EAGGF	per holding	per ha
Belgique/België	1.832	3	644	322	352	215
Danmark	609	24	1.363	567	2.238	57
Deutschland	147.365	4.481	314.655	115.986	2.135	70
Elláda	115.672	1.929	107.685	36.660	931	56
España	117.185	7.395	132.731	53.481	1.133	18
France	109.597	4.427	436.421	221.450	3.982	99
Ireland	98.767	2.614	234.900	117.450	2.378	90
Italia	45.437	782	74.887	33.600	1.648	96
Luxembourg	1.728	116	15.382	3.845	8.903	133
Nederland	917	9	802	200	875	92
Österreich	106.399	1.535	253.814	88.424	2.385	165
Portugal	103.363	753	62.997	48.269	609	84
Suomi/Finland	71.210	2.180	423.415	130.498	5.946	194
Sverige 1)	21.056	368	66.776	25.046	3.094	121
United Kingdom	50.927	5.411	260.667	42.095	5.118	48
TOTAL	990.842	32.025	2.364.450	909.331	2.386	74

1) only data for 2001 and 2002 available

Source: EC, DG Agriculture, rural development monitoring data system CAP-IDIM

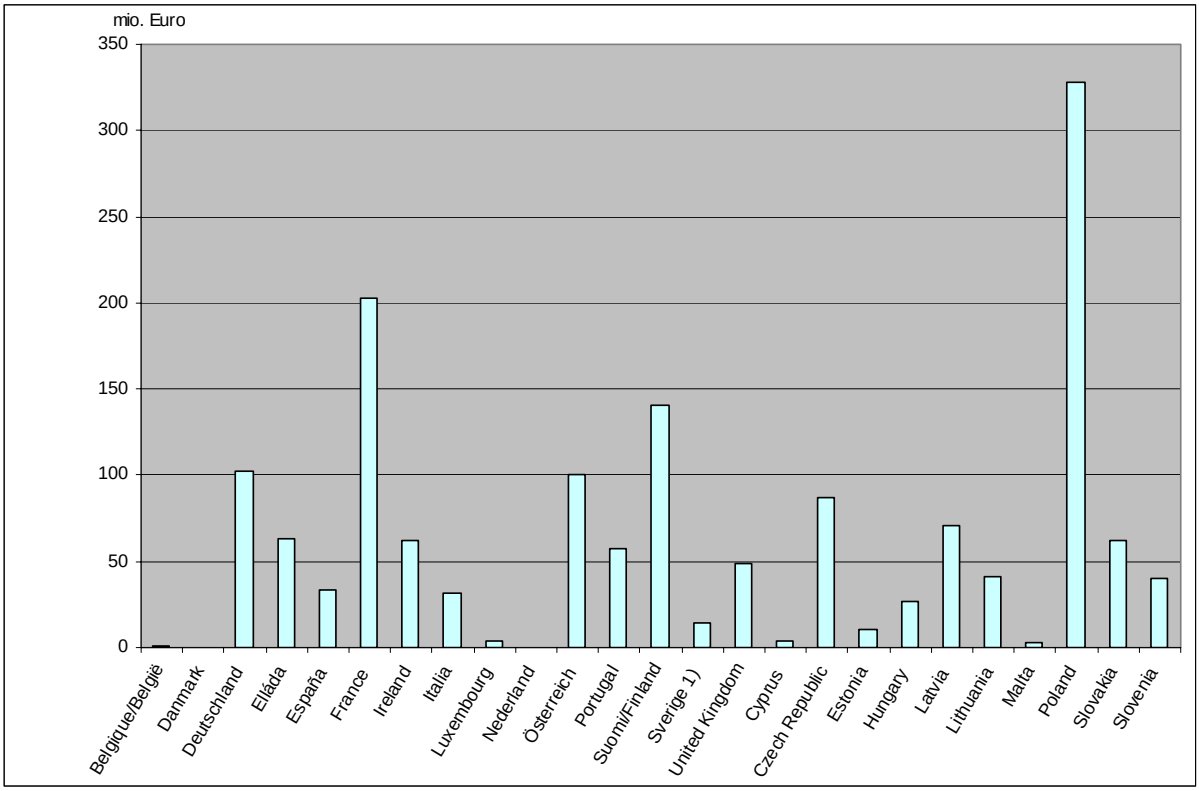
The different priorities identified by Member States and the great variety of policy implementation, including modulation of payments etc. lead to considerable differences in the uptake which are not to be explained by structural differences alone. Factors of importance, among others, include:

– Although the average payment per beneficiary holding showed a high variation between Member States in the 1990s, the divergence even increased and it ranges now between 600 and 9,000 Euros. The range for the average payments per supported area is similarly

high, comprising support levels of 20 to 200 €/ha (Table 5). In the regions most concerned LFA support achieves up to 40% of farm income (Crabtree et al. 2003, p. 54).

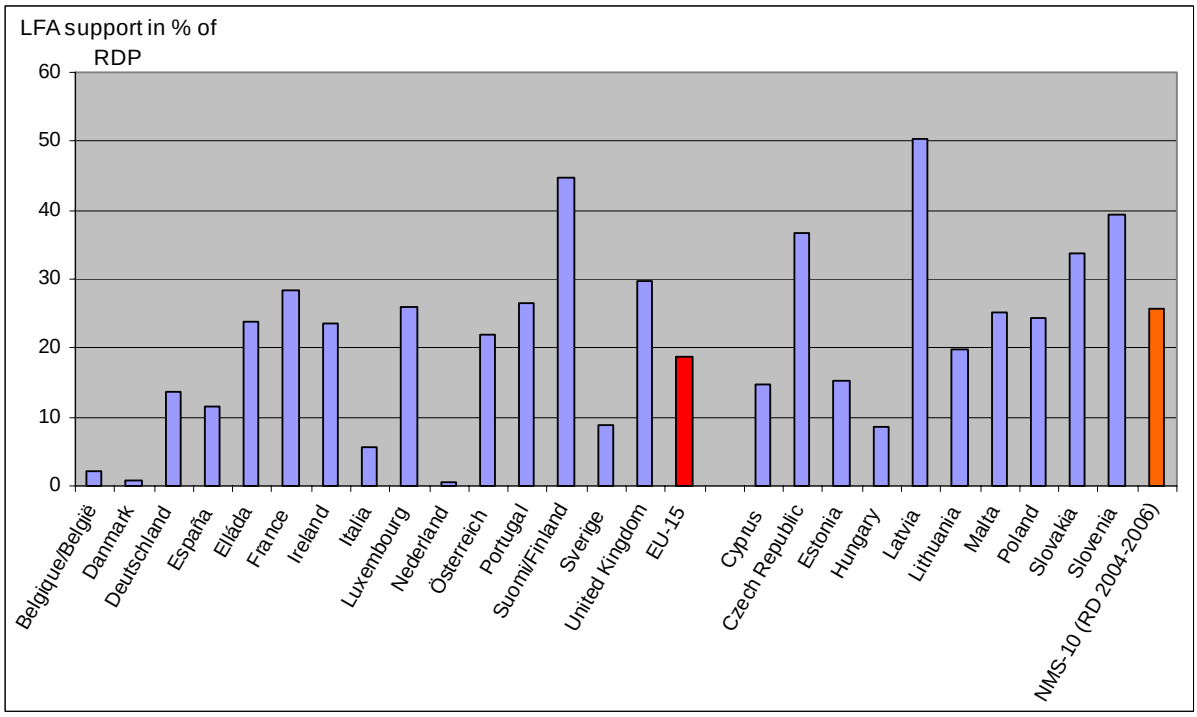
- The same diversity in the uptake of the payments does not only affect the level of payments per beneficiary holding but also the proportion of beneficiaries with regard to all holdings in eligible areas. This proportion varies from about 10% in Italy to nearly a total coverage of farmers in some northern member states (Ireland, Netherlands, United Kingdom).
- The implementation of the scheme by Member States and regions greatly affect the uptake and budget spent for the measure: Whereas some countries do not modulate the payment according to the size of the holding, in others provisions exist to differentiate grants according to type of production, number of productive units, stocking rate, maximum payments or revenue of the farmer.

Figure 3: programmed EAGGF support for LFA
(2000-2006; indicative budget in mio. Euro p.a.)



Source: EC, RD programmes

Figure 4: Proportion of LFA support in RD programmes (contribution EAGGF)



Source: EC, RD programmes

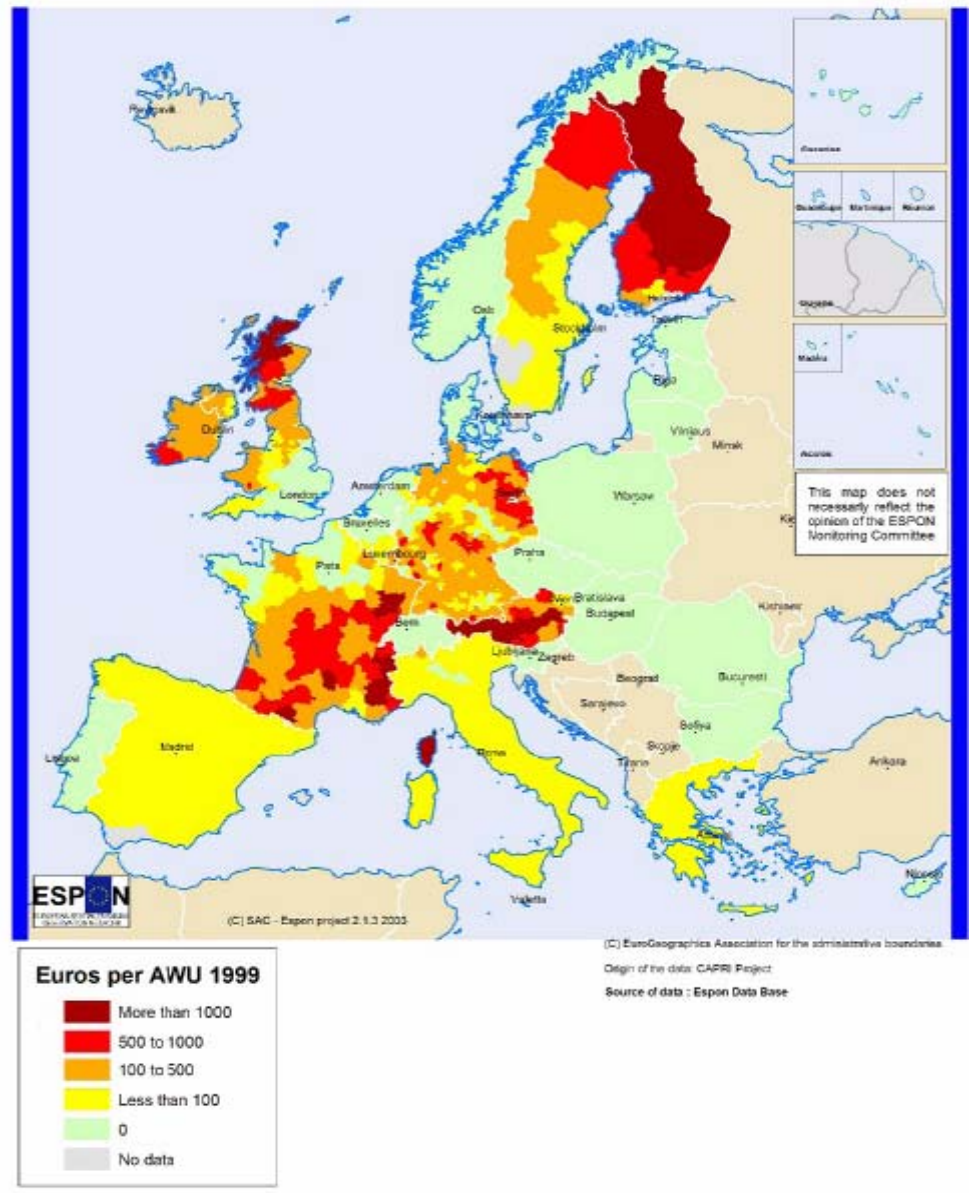
Spatial distribution and impacts

The already mentioned differences in national application of the scheme also appear from the analysis of the spatial distribution of the measure. Higher compensation amounts are applied in more prosperous regions, with much less use in regions addressed by cohesion objectives, largely because of national differences in uptake (Map 6). Hence, correlation analysis found no statistically significant relationship between levels of LFA support and indicators of economic cohesion, although the signs of the coefficients were as expected (Shucksmith et al. 2005, p.69f.). This implies that LFA support seems only weakly related to the indicators of social and economic cohesion.

The second pillar includes a relatively small proportion of total CAP funds, but the decoupling process has opened agricultural policies to overall rural development and could facilitate turning some of the natural handicaps of mountains and other LFA into advantages: for instance, cultural heritage, landscape, high-quality products, diversification (Nordregio 2004). As the maintenance of agricultural land use in these areas is more important than production, a number of other policy instruments are relevant in supporting these aims, including:

- agri-environmental programmes
- other RD-measures (investment, setting-up premiums etc.)
- market premiums and compensatory allowances (CAP-regime)
- other systems of transfers to rural areas.

Figure 5: LFA support per Agricultural Work Unit (AWU), 1999



Source: Shucksmith et al. 2005, p.72

The multitude of other instruments may exercise an effect in both directions: positive as supplement and reinforcing activities or adverse effects (trade-off of objectives): We experience counter-productive side effect of the CAP premiums and compensation allowances, including incentives for production. Sectoral/commodity instruments are not able to cope appropriately with the needs of LFA: mainstream CAP support is therefore, in general, not oriented to extensive farming systems. Low agricultural incomes and less developed regional economies in LFAs go often hand in hand, underscoring the need for cross-sectoral approaches. The effectiveness of the scheme suffers from a lack of co-ordination with other systems of transfers to rural areas.

When looking at impacts of the scheme, one has to deal in first place with the environment, income and spatial dimensions. Initially, the environmental value or problems were not the prime focus of LFA policy, but the criteria for designating LFAs were intended to reflect the degree of disadvantage for agricultural production (Beaufoy et al. 1994). Nevertheless there is

a great deal of overlap of LFAs with regions of High Nature Value farming systems. The overall *environmental impacts* tend to be relatively minor in the short term, with no stringent, conclusive evidence about the impact of LFA on the environment. Despite increased evaluation concern in recent years the contextual interpretation is still prevailing (Dax and Hellegers 2000). The assessment has to include a complex set of situations since farms within the LFA vary greatly in their conservation performance. Low-intensity farming systems are dominant in LFAs, but not automatically accompanied by environmentally friendly farming methods (Beaufoy et al. 1994). The LFA scheme even may encourage extension of farming into fragile areas and valued habits and provide incentives to maximize livestock numbers on a holding (overgrazing). There are also growing signs of problems arising from a decline in farming in mountain areas and reductions in grazing levels leading to undergrazing in some areas (Swales et al. 2004). However, the environmental impact may be assumed to be substantive in the long-term, e.g. through the maintenance of farming structures and land use, underpinned by analysis on regional trends of mountain farming over the 1980s and 1990s (Baldock et al. 1996, Dax and Hovorka 2004).

LFA scheme provides a substantial contribution to *farm income*. According to the differences in application described above, this effect varies considerably. Case studies and the evaluation reports have shown that it attains a significant level of more than 10% in many regions, including Austria with 19%, France 1-15% (for simple LFAs) and 22-38% (for mountain regions), and Finland 42% (Crabtree et al. 2003, p.54, Bazin 2003). Despite this great variation between different regions within the community LFA support contributes significantly to the income of low intensity farming in many areas. One has to take account also of additional payments to LFA farmers and the potential for diversification and off-farm work in assessing income trends. In some countries with high priority for LFA measures (e.g. Austria, France) compensatory allowances have been increased considerably over recent years. This has helped to decrease the income gap between mountain farmers and non-LFA farmers in some situations (Dax 2004). However, in other MS (Portugal, Spain, Greece and Italy) it still has only a modest contribution to the income of farm households.

LFA schemes thus are one of the major instruments to impact on farm management development in these areas. Together with other measures, they have achieved in a rising number of regions an important role in maintaining multifunctional cultural landscapes and turned out as en effective policy instrument against land abandonment, if substantive funds are provided. Their contribution to rural amenity provisions is particularly appreciated in mountain areas (OECD 1998).

It is often argued that *out-migration* and land abandonment would have been higher without support schemes like LFA. The impact on amenity provision and landscape development has an effect on the overall regional economic activities, and particularly in areas with high tourist potential are highly relevant for regional performance (Dax 2004). The survey study on the European mountain areas (Nordregio 2004) reveals that different processes of demographic change are taking place; the general trend the depopulation in mountain areas is higher than in lowlands. Yet in north and central Europe there is a stable or even positive population development, whereas in Eastern Europe depopulation is widespread (Nordregio 2004, p.V). However, due to the very extensive policy arena relevant to regional population development and initial analysis of policy impacts, it can be concluded that the direct impact of agricultural policies on these trends seems to be limited.

3. Changes in the policy framework

As the analysis of the take-up of the scheme suggests, interest in the instrument has increased gradually over time. With the rising discussion of negative external effects during the 1990s and the demand for the integration of environmental concerns into CAP, the main change of Reg. 1257/99 in comparison with Reg. 950/97 has been the move from headage to area-based payments. This shift in the base of the support was required in order to cut off the link with production and to avoid incentives to raise production. Moreover, since Agenda 2000 compensatory allowances for farms with particularly severe production difficulties could be granted higher than the maximum amount provided that the average of all compensatory allowances granted does not exceed the maximum amount. Land used for cattle, sheep, goats and dairying is generally eligible; in most countries payments on cropped land are restricted or reduced. In Mediterranean countries, where cropping is widespread in the LFAs, some or all of the cropped area is typically eligible for payments. In many countries, allowance rates have been increased under Reg. 1257/99 to ensure that there are few losers from the change to an area-based system (Crabtree et al. 2003). The increases also compensate for any additional costs associated with good farming practice.

With the need to take more account of the interaction with other CAP and other European policies measures, the LFA scheme was assessed against an extended policy framework. In particular, the role of LFA for the new member states, the linkages to the debate on High Nature Value farming systems and the assessment of the policy performance (Mid Term Review reports, and report of the Court of Auditors 2003) had a significant influence.

Redefinition of the scheme

The integration of 10 new member states and the need for defining a considerable portion of the UAA of these countries as LFA, together with critique, as formulated by the Court of Auditors report, resulted in considerations to review and redefine (parts of) the LFA scheme. The Commission's July 2004 proposal included a differentiation in the maximum ceiling of payments: payments in mountain areas would be allowed up to 250 €/ha, for all other areas a maximum level of 150 €/ha was proposed. In particular, the wide range of divergent indicators used for delimitation of 'intermediate' LFA and the need to relate support levels more directly to production difficulties, called for a reassessment of this type of areas. As the intermediate areas constitute the largest group of LFAs a territorial concentration would also be welcome.

Hence, for the intermediate areas a shift to criteria relating only to natural conditions was proposed, which do not tend to change over time. The socio-economic criteria which among other criteria were applied from the mid 1970s to designate the intermediate areas should be dropped.

The proposed regulation therefore asked in the redefinition of intermediate areas that they *"must be affected by significant natural handicap, notably a low soil productivity or poor climate conditions and where maintaining extensive farming activity is important for the management of the land."*

The EU Commission tried to address the three main types of land use in intermediate LFA, arable land, permanent grass and permanent crops, by using standardised proxy indicators for all member states (Council of the European Union 2005a). These included low average yields (for poor natural conditions of arable land), the portion of permanent pastures and meadows (as an indication of low soil productivity and/or poor climate conditions), low stocking densities (for forage area) and planting density (for the extensive character of permanent crops). Data provided by the member states on Nuts-V level (municipality level) for

calculating the effect of applying these indicators revealed that the proportion of land classed as intermediate LFA would fall by 12-15% (Council of the European Union 2005b). However, this aggregate Union figure would conceal major disparities in the effects for individual member states: Some would experience significant reductions (in particular Germany, France, but also Poland and Czech Republic), while others would have considerable increases. Moreover, the new methodology would lead to a major shake-up in the existing situation, with areas losing their LFA status and new areas becoming LFA. Member states largely opposed therefore the methodology, arguing "that the proposed agronomic indicators were indirect, easily influenced by man-made factors and too far removed from the natural criteria mentioned in the Regulation. They were therefore not suitable for measuring soil fertility or climatic conditions as such." Moreover, giving up the socio-economic component was not at all uncontested, as the danger of increased depopulation of rural areas is seen as a rising concern for the CAP.

It was acknowledged by the Commission that the methodology of using these proxy indicators for the natural handicaps is not appropriate to serve as a harmonised Community-wide system of indicators. However, it might be seen as a starting point to realise the overall impact of redefining LFA and prepare discussion of the review in the member states.

In the adoption of the rural development framework of June 2005 (Council of the European Union 2005c) the respective proposals for LFA redefinition have therefore been dropped and LFA reform postponed to 2010. It is now foreseen that the Commission will present a report and proposals concerning the future payment system and designation of LFAs for a Council decision in 2008.

4. Conclusions

The discussion on the redefinition of the LFA has obviously been driven by observations on unintended effects of the scheme: Both overgrazing and undergrazing trends point to location specific problems and raise substantial public interest, even if they might occur just within limited areas. In general, considerable parts of LFA are farmed at lower intensity levels than the average and the overlap with HNV areas is quite high. However, there is also rising concern for a differentiation of payments, which seeks to address production difficulties of farmers more objectively.

The extension of the reform time-framework to 2010 will provide some opportunity to investigate the effects of the scheme within the MS in more detail, and to prepare adjustment strategies. Most countries would tend to start from experiences of actual programmes and concentrate to preserve positive external effects for the future scheme. Given the threat the current CAP reform will pose on the scale and nature of the impacts of LFA farming over the coming years, the main rationale for continued public support for LFAs will have to be communicated very clearly: to ensure the provision of public goods that would otherwise be under provided or disappear. The following general issues arising from analysis of LFA application could be of specific relevance in this process:

- The spatial differences of European agriculture are reflected in the application of the LFA compensatory allowances scheme. In contrast to what one would expect from a compensation measure the application of the scheme is largely correlated to the degree of farm net value added, i.e. higher CA are applied in more prosperous countries, and in "poorer" countries just a low level of CA is achieved. A major reason for the spatial distribution of funds is the reference level which is set at the national level, and not at the European level which implies that differences between Member States remain unchanged.

- The extension of the LFA area since its initiation in 1975 reflects the continuing debate on defining the border of LFAs, and gives rise to further discussion on the criteria of delimitation and internal differentiation. The review process of the intermediate areas will address this issue. As the extension has been partly accompanied by an increase of overall grants, the support level per unit did not reduce.
- The recent changes of the LFA scheme, to an area basis, did not only have an impact on the farm management itself but also on farm incomes. In several countries the changes were cushioned by an increase of CA funds and/or a transition period.
- The existence of High Nature Value (HNV) farming systems in many of these areas points to the beneficial role of LFA payments for nature conservation and biodiversity, especially now that these payments are decoupled from livestock numbers. However, these farming patterns are highly threatened by impending marginalisation processes which are particularly relevant for peripheral situations, including regions of the new Member States.
- It would be therefore particularly important to take account of needs for internal differentiation and to carefully adjust the reformed systems so as to avoid negative effects for livestock management in LFAs. The future of livestock production would be a core element to preserve essential elements of the public good provision linked to these activities of LFA farming.
- Given the delays in the implementation of the category of areas with environmental prescriptions (Natura 2000 areas) it will be crucial for the future of the LFA support to continue and deepen the debate about the impact of all types of LFAs for the achievement of environmental objectives and, particularly, the preservation of natural resources.
- In contrast to the proposed disappearance of the socio-economic category of LFA a policy concept that should be broader than just a set of conservation instruments is supported by many countries and regions (Louloudis et al. 2004). The linkages to other policies supporting the social and economic functioning of these areas should be actively sought to improve policy effectiveness (e.g. with regard to management of fragile landscapes, and the aim of coping with land abandonment and marginalisation processes).
- In conceiving the environmental sensitivity of mountain and other LFAs not only as a handicap to agricultural production but also as a rural development asset, it seems appropriate to address rural amenities too. Targeting of support must not be limited to LFA payments and AEM schemes, but be extended to the set of measures of agricultural, forestry and general rural development.

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