



Institute for  
European  
Environmental  
Policy

## **Reform of the CAP post 2013**

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**Briefing to the National Assembly for Wales' Environment  
and Sustainability Committee: CAP Task and Finish Group**

**5 October 2011**

# Structure of Presentation

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- Context of the Reform
- Key proposals
  - Pillar 1 – Direct payments and cross-compliance
  - Pillar 2 – Rural Development
  - What are the main changes
- Current debate in Brussels
- Timescale for negotiations / Next steps

# Reform Context

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- Budgetary pressures
- Legitimacy of support to farmers
- New Agriculture Commissioner: Dacian Cioloş

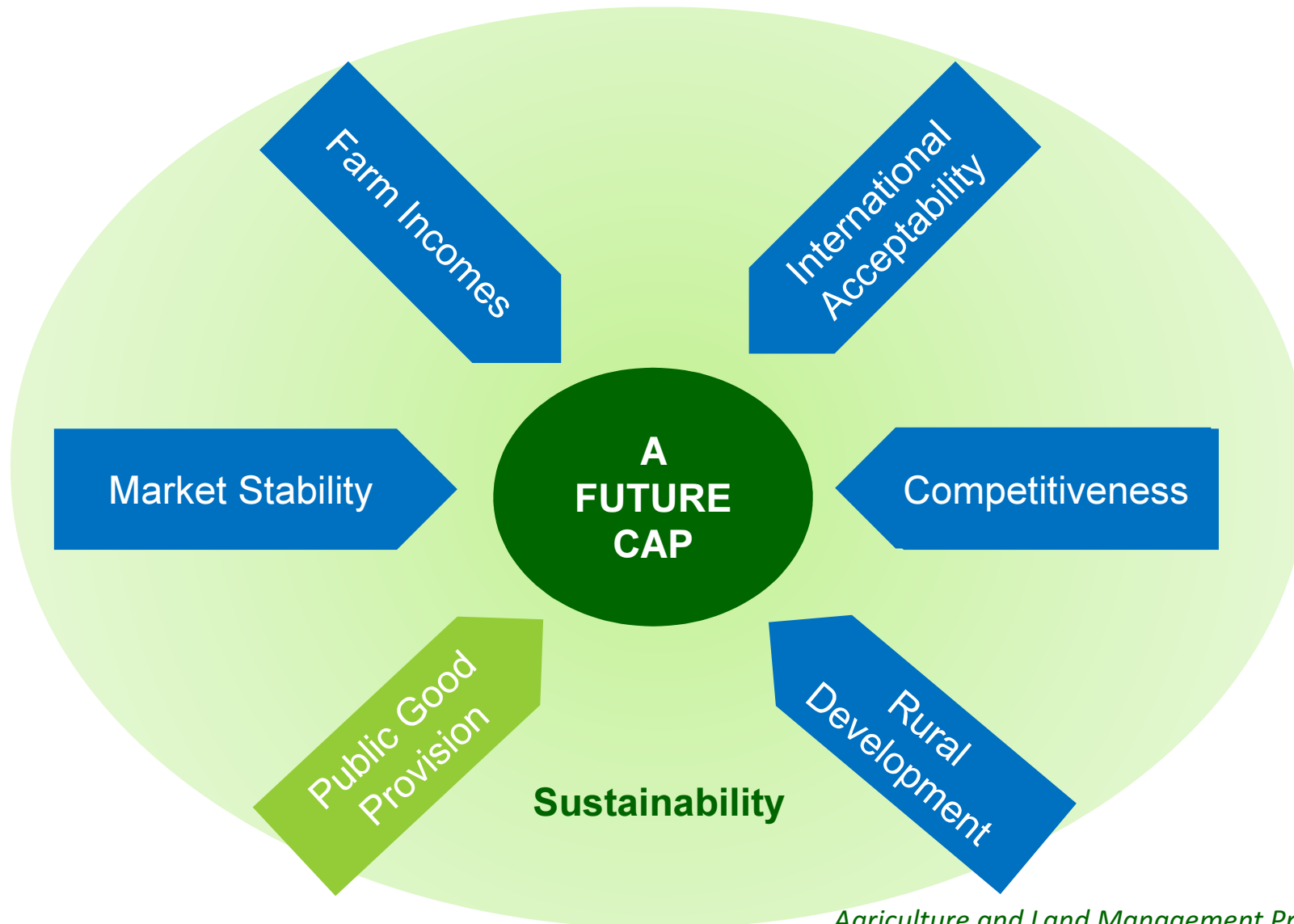
# Process to date

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- Last Significant Reforms:
  - Pillar 1: 2003 ‘Mid-Term Review’
  - Pillar 2: 2005 and the introduction of the EAFRD
  - CAP Health Check: 2008
- Stakeholder Conference – June 2010
- Commission Communication– November 2010  
*[‘The CAP towards 2020: Meeting the Food, natural resource and territorial challenges of the future’ COM\(2010\) 672 final](#)*
- Stakeholder consultation to inform the Impact Assessment
- Legislative proposals drafted and Impact Assessment carried out
- Inter Service Consultation – early September 2011
- Launch of legislative proposals expected: 12 October 2011

# What do we want from an agricultural policy?



# Proposed budget



- Commission Communication – June 2011  
['A Budget for Europe 2020' COM 2011 \(500\) final](#)
- Set out an indicative budget for the CAP for 2014-2020:
  - Pillar 1 – €317.2 billion
  - Pillar 2 – €101.2 billion

Ability to move funds between two pillars
- Complemented by €17.1 billion made up of:

Research and Innovation	€5.1 billion
Food safety	€2.5 billion
Food support for most deprived persons	€2.8 billion
Reserve for crises in the agricultural sector	€3.9 billion
European Globalization Fund	up to €2.8 billion
- Proposed UK budget
  - Pillar 1 national ceiling – €3,663 million in 2019 [€3,624 million in 2014]
  - Pillar 2 – unknown – to be calculated based on objective criteria and 'past performance'

## Four basic legal instruments – as before

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- Rules for **direct payment schemes** for farmers under the common agricultural policy
- Support for **rural development** by the European Agricultural Fund for Rural Development (EAFRD)
- Regulation on the financing, management and monitoring of the common agricultural policy – so-called **Horizontal Regulation**
- Regulation establishing a common organisation of the markets in agricultural products (**Single CMO regulation**)

### **TO NOTE:**

**All detail on the likely content of the legislative package is based on leaked legislative texts from September 2011 and therefore subject to change**

# New Structures for both Pillars



% national ceiling

## Pillar 1

## Pillar 2

Up to 5% - higher rates possible

**Coupled support**

**Common Strategic Framework**

5% transfer possible for all Member States P1 to P2

**Three core objectives:**

1. Competitiveness of Agriculture
2. Sustainable Management of Natural Resources
3. Balanced territorial development of rural areas

Up to 10%

**Small farmers**



Up to 2%

**Young farmers**

Up to 5%

**Payments for farmers in areas facing specific natural constraints**



**6 Union priorities:**

1. Knowledge Transfer
2. Enhancing Competitiveness
3. Food chain organisation and risk management
4. Preserving and enhancing ecosystems
5. Resource Efficiency & transition to a low carbon economy
6. Realising the jobs potential and development of rural areas

30%

**Payment for agricultural practices beneficial for climate and the environment**

5% transfer possible for 9 Member States P2 to P1

48 – 69%

**Basic Payment Scheme**

**European Innovation Partnership for Agricultural Productivity and sustainability**

**Cross Compliance**

Statutory Management Requirements (SMR)  
Standards of Good Agricultural and Environmental Condition (GAEC)

**Common Monitoring and Evaluation Framework**





# PILLAR 1

## Direct Payments Cross Compliance

# Pillar 1 – Common Rules for all Direct Payments



- Active farmers – annual receipts from farming must exceed 5% of ‘total receipts obtained from all economic activities, excluding public subsidies resulting from the implementation of the CAP’
- Payments of less than €100 or eligible land area of less than one ha to be excluded
- Capping for payments exceeding €150,000
  - 20% 150 K to 200K
  - 40% 200K to 250K
  - 70% 250K to 300K
  - 100% 300K +
- Rules must be put in place to prevent producers artificially creating conditions to avoid capping ceilings by splitting or transferring holdings
- Capping receipts to be used in Pillar 2 for ‘innovation’

# Pillar 1 – Basic Payment Scheme

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- Move away from historic reference for payments – period of transition
- By 2019 all payment entitlements in a Member State or region should have a uniform value
- Historic factors may be partially taken into account in calculating the value of payment entitlements in Year 1 of operation of the BPS
- BPS may be applied at the regional level
- ‘Regions’ should be defined according to ‘objective and non-discriminatory criteria such as their agronomic and economic characteristics and their regional agricultural potential or their institutional or administrative structure’

## 'Greening' Measures (30%) - compulsory



All farmers receiving the BPS are obliged to carry out the following measures on their land:

- **Crop Diversification:** on arable land > 3 hectares, at least 3 crops must be cultivated – none shall cover less than 5% of area and main one must not exceed 70%
- **Permanent Grassland:** holding level requirement to maintain as permanent grassland the area of the holding declared as such in a particular claim year (currently 2014 in draft texts). In exceptional circumstances a decrease of 5% would be permitted.
- **Ecological Focus Area:** at least 7% of eligible area (excluding permanent grassland) must be managed as an EFA. Proposed management includes: fallow land, buffer strips, landscape features, land afforested through Pillar 2 funding.
- 30% budget – area payment
- Organic farmers automatically received top up payment
- Farmers in Natura 2000 areas must comply with requirements unless these are not in keeping with the management requirements on their site

## Areas with natural constraints – optional

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- Option for Member States to use up to 5% of the national ceiling to provide additional payments to farmers within ‘areas with natural constraints’.
- Annual payments
- To promote the sustainable development of agriculture in areas with specific natural constraints
- Payment does not replace support provided through Pillar 2

# Young farmers – compulsory

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- Up to 2% of budget to be used to provide an additional payment to young farmers for a period of 5 years
- Young farmer = < 40 years old
- Supporting young farmers seen to be ‘essential for the competitiveness of the European agricultural sector’

# Small Farmer Scheme (compulsory)

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- Up to 10% budget to be used to fund Small Farmer Scheme
- Optional for farmers to join
- Lump sum payment (replacing all direct payments) of between €500 and €1,000
- No requirement to adhere to greening options or cross compliance.

# Voluntary Coupled Support (Optional)

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- Optional 5% of budget may be used - but up to 10% in certain conditions
- Over 10% may be used in exceptional circumstances and for specific reasons – requires permission from the Commission
- Targeted at specific farming sectors
- Granted only to sectors or to regions where ‘specific types of farmer or specific agricultural sectors undergo certain difficulties and are particularly important for economic and/or social reasons’.
- Only granted ‘to the extent necessary to create an incentive to maintain current levels of production in the region concerned’



# Cross Compliance

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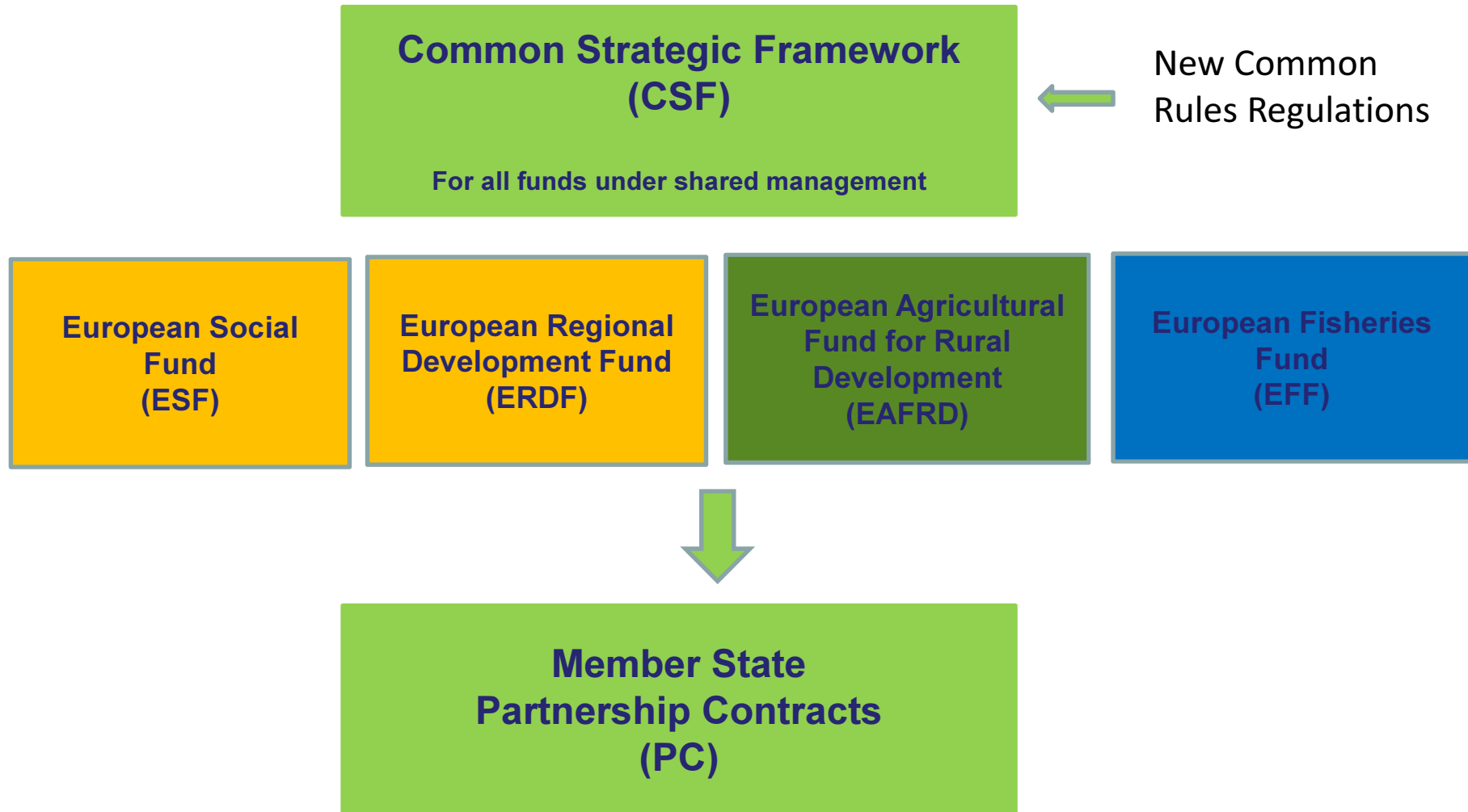
- Requirements have been streamlined
- Some changes to SMRs and GAEC standards
- Two new environmental GAEC standards:
  - Maintenance of soil organic matter level including ban on burning arable stubble
  - Protection of wetland and carbon rich soils including a ban on ploughing
- Intention to include requirements of Water Framework Directive and Directive on the Sustainable Use of Pesticides when the requirements on farmers come into force



## **PILLAR 2**

# **Common Strategic Framework Rural Development European Innovation Partnership**

# Common Strategic Framework



# Rural Development (1)

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- Structure changed – removal of Axes
- 6 objectives against which measures used must be justified:
  1. Knowledge transfer
  2. Enhancing competitiveness
  3. Food chain organisation and risk management
  4. Preserving and enhancing ecosystems
  5. Resource efficiency and transition to a low carbon economy
  6. Realising the jobs potential and development of rural areas

## Rural Development (2)

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- Most measures from current EAFRD remain - repackaged into fewer measures
- Agri-Environment measures remains compulsory
- Organic farming separated out into new measure
- Other new measures of note:
  - Measures for the setting up of producer groups
  - Risk management measures
- No earmarking of funding for specific purposes as currently (i.e. no minimum spend for specific measures)
- Allocation of funds between Member States to be undertaken based on 'objective criteria' and 'past performance'

# European Innovation Partnership for agricultural productivity and sustainability



This will:

- promote a resource efficient, productive and low emission agricultural sector, working in harmony with the essential natural resources on which farming depends;
- help deliver a steady supply of food, feed and biomaterials, both existing and new ones;
- improve processes to preserve the environment, adapt to climate change and mitigate it;
- build bridges between cutting-edge research knowledge and technology and farmers, businesses and advisory services.

By

- creating added value by better linking research and farming practice and encouraging the wider use of available innovation measures;
  - promoting the faster and wider transposition of innovative solutions into practice; and
  - informing the scientific community about the research needs of farming practice.
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- **Funded mainly through technical assistance funds, with additional funds from 'capping' receipts**

# Reactions at the EU level so far

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NB: Legislative texts are still not in the public domain

- Reactions from the Inter-Service Consultation: negative opinions from a number of DGs. Negative opinions from DG ENV and DG CLIMA
- Member State positions not yet openly stated, but initial positioning taking place
- European Parliament – Dess report most recent public position. Will produce a further report based on the formal legislative proposals – rapporteur as yet undecided – Chair of Committee?
- Environmental NGOs – extremely critical of degree to which proposals will constitute ‘greenwash’ or real ‘greening’ of the CAP
- Farm Lobby – concerned that some of the proposals are anti-competitive

# Next Steps

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- **Oct – Dec 2011**
  - Publication of proposed legislative texts - expected 12 October
  - First political debate on CAP reform Agriculture Council – 20 & 21 October
  - More detailed debate on direct payments Agriculture Council 14 & 15 November
  - Detailed debate on Rural Development Agriculture Council 15 & 16 December
- **Spring/Summer 2012**
  - Co-decision process involving European Parliament, Commission and Council
  - Implementing legislation/Delegated Acts developed in parallel with negotiations on the new regulations
- **December 2012**– final decision on EU budget
- **Spring 2013** – decision on CAP regulations made
- **Spring/Summer 2013** (although preparation will need to start earlier)
  - Member States to develop Partnership Contracts for approval by European Commission
  - Member States to develop Rural Development Programmes for 2014-2020
  - Member States to work out practicalities for implementing new Pillar 1 requirements





**Thank you for your attention**

For further information on the future CAP debate visit  
[www.cap2020.ieep.eu](http://www.cap2020.ieep.eu)

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