

**CAP Reform - A Comparison of Current Situation, MTR Communication (July 2002), Legal Proposals (January 2003) and Council compromise (June 2003)**

**SINGLE FARM PAYMENT**

	<b>Status quo</b>	<b>Communication (July 2002)</b>	<b>Draft legal texts (January 2003)</b>	<b>Council compromise (July 2003)</b>
<b>Scope</b>	<ul style="list-style-type: none"> <li>· Various arable premia linked to the production of specific crops.</li> <li>· Partial decoupling only due to the alignment of the cereals and oilseeds payments and animal premia linked to the requirement of producing beef or milk</li> </ul>	<p>Single decoupled farm income payment covering:</p> <ul style="list-style-type: none"> <li>- cereals, oilseeds, protein crops, flax, hemp, linseed (base aid of 66 €/t)</li> <li>- durum wheat supplement (reduced to 250 €/t),</li> <li>- starch potatoes,</li> <li>- grain legumes,</li> <li>- rice (102 €/t),</li> <li>- dried fodder (new)</li> <li>- beef,</li> <li>- sheep,</li> <li>- milk from 2004/05.</li> </ul> <p>The following payments are not included:</p> <ul style="list-style-type: none"> <li>- durum wheat quality premium,</li> <li>- protein crop supplement (55.57 €/t),</li> <li>- crop-specific payments for rice (75 €/t),</li> <li>- flax, hemp (processors)</li> <li>- potato starch (processors)</li> <li>- dried fodder (processors, 33 €/t, transitional)</li> </ul> <p>Fruit and vegetables are excluded</p>	<p>The proposed measure is retained with the following adjustments:</p> <ul style="list-style-type: none"> <li>- Milk payments made as from 2004 (2005 budget year)</li> <li>- 50% of the starch potato aid is decoupled</li> <li>- Aid for seeds is included</li> <li>- Certain regionalised aids are included (ultra-peripheric regions, Aegean Sea, Finnish/Swedish COP drying supplement)</li> </ul> <p>Total amounts of aid, conditions and MS ceilings are annexed to the base regulation</p> <p>Only perennial crops are excluded, fruit and vegetables on arable land are no longer excluded</p>	<p>Single decoupled farm income payment from 2005 onwards covering:</p> <ul style="list-style-type: none"> <li>- cereals, oilseeds, protein crops, flax, hemp, linseed</li> <li>- durum wheat supplement,</li> <li>- starch potatoes (40%)</li> <li>- grain legumes</li> <li>- rice (102 EUR/t)</li> <li>- seeds</li> <li>- dried fodder (new)</li> <li>- beef and veal</li> <li>- sheep and goats</li> <li>- milk (from 2006/07)</li> </ul> <p>Member States (MS) can postpone application, if justified, until 2007. For possible derogations see below.</p> <p>Eligible land must not be used for growing fruit and vegetables or table potatoes.</p>
<b>Establishment of rights</b>		<p>The single farm payment may be divided into entitlement rights to a payment attached to eligible land.</p>	<p>Measures for the establishment of rights. Definition of land generating rights and land eligible for the decoupled payment. Treatment of rights not linked to the land (certain animal premia)</p> <p>National reserve in case of force majeure and new entrant farmers</p> <p>Rules for control (IACS)</p>	<p>Farmers receive payment entitlements based on historic reference amounts. Entitlement triggers payment only, if accompanied by eligible hectare of land. Eligible is any type of agr. land except when used for growing permanent crops.</p> <p>National reserve for hardship cases, problems of transition and new entrant farmers</p> <p>Rules for control (IACS)</p>
<b>Ref. period</b>		Not specified	2000, 2001, 2002	2000, 2001, 2002
<b>Transfer of rights</b>		The transfer of entitlement rights will occur in parallel to the transfer of land	Transfer of entitlement rights with or without land	Transfer of entitlement rights with or without land. Unused entitlements after 3 years will be allocated to the national reserve.

	<b>Status quo</b>	<b>Communication (July 2002)</b>	<b>Draft legal texts (January 2003)</b>	<b>Council compromise (July 2003)</b>
<b>Options - Regionalisation</b>		Member States (MS) may modulate the level of aid within certain limits	Fixing of ceilings per Member State. Possible decoupling at regional level (common principles) and granting an average decoupled payment for crops not currently receiving direct payments	MS may define regions within which transfer of premia is limited.  Regionalised application of single farm payment scheme, MS may <ul style="list-style-type: none"> <li>- allocate uniform payment entitlements by taking into account all eligible hectares</li> <li>- vary payments between grassland and arable land (as identified on 31.12.2002)</li> <li>- make different sectors contributing at different degrees to the redistributed amount</li> <li>- recalculate regional per-unit value (phasing-in)</li> <li>- redistribute between regions, if regional envelopes have been defined</li> <li>- advance decoupling of milk premium</li> </ul> MS with less than 3 mio. ha of eligible land can be considered as one region.
<b>Options - Derogations</b>				Optional derogations may be applied by MS at national or regional level <ul style="list-style-type: none"> <li>- 25% of hectare payments or, alternatively up to 40% of the supplementary durum wheat aid</li> <li>- 50% of sheep and goat premia</li> <li>- 100% of suckler cow premium and up to 40% of slaughter premium, or instead, 100% of the slaughter premium or 75% of the special male premium.</li> </ul> MS may also <ul style="list-style-type: none"> <li>- grant 10% of national ceiling as sector-specific payment in order to promote farm activities important for enhancing environment or improving quality and marketing of agricultural products</li> <li>- decide not to integrate drying aid and/or seeds into the single farm payment</li> <li>- exclude direct payments in outermost regions and Aegean Islands from single farm payment</li> </ul>

<b>Set-aside</b>	For arable crops, 10 % set aside, exempting farmers producing less than annually 92 t of cereals (calculated with the reference yields)	Maintenance of individual historical set-aside obligation (based on the 10 % set-aside requirement) but now on a long-term (10 years), non-rotational basis.  Abolition of the non-food regime on set-aside land.	No change except exemption for: - Non-rotational set-aside condition if rotational gives environmental benefit.  Obligation is linked to the corresponding land	Farmers receive set-aside payment entitlements based on historical set-aside obligations which can be activated only by an eligible hectare put into set-aside. Organic producers are exempted from set-aside obligation.  Rotation and growing of non-food crops on set-aside land is still possible.  Set-aside areas must cover at least 0.1 ha and be at least 10 m wide (5 m to accepted for environmental reasons).  Further set-aside obligation may be applied in case of market needs.
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## OTHER HORIZONTAL MEASURES

	<b>Status quo</b>	<b>Communication (July 2002)</b>	<b>Draft legal texts (January 2003)</b>	<b>Council compromise (July 2003)</b>
<b>Cross-Compliance</b>	Optional use of reductions of direct payments for enforcing statutory environmental legislation and so-called specific environmental requirements	Compulsory cross-compliance (whole farm approach) Direct payments for respect of statutory legal standards (environment, food safety, and animal welfare) and keeping land in good agricultural condition.	Partial or entire reduction of direct payments in case of non-respect of: - Obligations arising from about 40 legislative acts applying directly at the farm level (minimal list + others at the request of MS) - Good farming practices (common framework) - Maintaining permanent pasture	Reduction of direct payments (in addition to general sanctions) in case of non-respect of: - Obligations arising from 18 statutory EU standards in the field of environment, food safety, animal health and welfare - requirements to maintain land in good agricultural and environmental condition  Control carried out on the basis of IACS, flexibility for MS in control rates, working document on indicators foreseen
<b>Modulation</b>	· Optional reduction of direct payments up to 20%  · Unspent money remains in Member State to be spent on accompanying measures	· Dynamic modulation of 3 % per year up to a total reduction of 20 %;  · 5.000 € franchise for each farm exempted from cut. Member States may further exempt 3.000 € for each labour unit above two  · Capping at 300.000 € per farm, with savings kept in the MS concerned  · Savings shifted to EU Rural Development budget (any measure). Distribution key based on agricultural area, farm employment and prosperity	· Modulation applied as from 2006-2012. Fixing of annual rates of reduction from 1% in 2006 to 19% in 2012  · No more capping at 300.000 €  · Increasing part of modulation (from 1% in 2006 to 6% in 2012) transferred to EU Rural Development budget (distribution key). The rest is to finance new CAP reforms.	· Modulation will start with a rate of 3% in 2005, 4% in 2006 and stay at 5% from 2007 onwards.  · Franchise of 5000 €, no further differentiation in reduction rates. · Modulation will not be applied to Outermost Regions and the Aegaen Islands.  · Modulation money to be used for rural development from 2006 onwards. · Allocation according to objective criteria, MS will receive at least 80% of its contribution to modulation.
<b>Financial Discipline</b>			Introduction of a progressive and differentiated rate of aid reduction. Apply franchise up to 5000 €, between 5.000-50.000 € apply an intermediate rate and above 50.000 € a full rate of reduction	To be applied through the following mechanism from 2007 onwards: direct payments to be reduced when forecasts indicate (with a safety margin of 300 mio.€) an overshoot of budget ceiling for heading 1a mechanism will respect franchise of 5000€, further franchises possible.
<b>Farm Advisory System</b>	The establishment (not the operation) of certification systems is an option under the Rural Development package	· Farm audits compulsory for all farms receiving more than 5.000 €  · Audits will account for all relevant material flows and on-farm processes.  · Financial support covering 80% of costs for farmers is eligible under Rural Development	· Obligatory participation in farm audit for farms receiving more than 15.000 € in direct payments or having an annual turnover greater than 100.000 €. · Recognition of the advisory vocation of the system (now named Farm Advisory System)  · No change compared to July	· Setting-up of farm advisory system compulsory for MS from 2007, voluntary until 2006. · participation voluntary for farmers · Commission report by 2010; may propose compulsory participation.  · Financial support covering 80% of costs for farmers is eligible under Rural Development

**RURAL DEVELOPMENT (in addition to the simplification of certain current measures)**

	<b>Status quo</b>	<b>Communication (July 2002)</b>	<b>Draft legal texts (January 2003)</b>	<b>Council compromise (July 2003)</b>
<b>Food Quality</b>	Investment aid in favour of food quality including the establishment of certification systems eligible under rural development plans  Promotion of certain commodities subject to two horizontal regimes: one for internal promotion, one for external promotion.	Establish a food quality chapter as a new "accompanying measure" including:  - Encouragement to farmers to participate in quality assurance and certification schemes  - support for producer groups for promotion in the context of quality assurance, geographical indication and organic farming  Target first pillar measures only to external promotion	No change. Establishment of ceilings:  - Quality measures: maximum farmer participation of 1.500 €/year for 5 years  - Promotion: public support up to 70% of eligible costs  The choice of implementation or not is left to Member States and/or regions  No change compared to July	No change. Establishment of ceilings:  - Quality measures: maximum farmer participation of 1.500 €/year for 5 years  - Promotion: public support up to 70% of eligible costs  The choice of implementation or not is left to Member States and/or regions  No change compared to July
<b>Animal Welfare</b>	Only regulatory measures (DG SANCO)	New animal welfare measure alongside and in the same logic as agri-environment measures (covering cost incurred and income forgone due to commitments beyond legal standards)	No change compared to July  Establishment of maximum of 500 €/livestock unit	New animal welfare measure alongside and in the same logic as agri-environment measures (covering cost incurred and income forgone due to commitments beyond legal standards)  Establishment of maximum of 500 €/livestock unit
<b>Agri-Environment</b>	Current aid intensity  - 75 % in Objective 1 areas - 50 % in others;	Raise the aid-intensity for agri-environmental measures:  - 85 % in Objective 1 areas - 60 % in others	No increase in rate of Community co-financing	Reinforcing agri-environmental measures by shifting funds to the second pillar and by increasing Community support to 85% in obj. 1 areas and to 60% in other areas (rates represent now upper limit, no application of fixed rates anymore).
<b>Meeting Standards</b>	No incentive measure in place	Support for farm audits – flat-rate payments to farmers to cover costs of audits  Temporary and degressive aid (maximum of 200 €/ha) to farmers to help them to implement statutory standards when EU rules have not been transposed into national legislation  Not applicable where standards have already been transposed into national legislation	Public aid up to 80% of cost to farmers for first participation in the system, to a maximum of 1.500 €.  Maximum of 10.000 €/farm	Public aid up to 80% of cost to farmers for first participation in the system, to a maximum of 1.500 €.  Maximum of 10.000 €/farm
<b>Young farmers</b>				higher setting-up aid and higher aid intensity for investment
<b>Forests</b>				Investment in state owned forests may be supported for ecological reason. Annual premia will also be applicable for private tenants.

## ARABLE CROPS

	Status quo	Communication (July 2002)	Draft legal texts (January 2003)	Council compromise (July 2003)
<b>Cereals</b>	<ul style="list-style-type: none"> <li>Intervention price at 101,31 €/t</li> <li>Direct payments of 63 €/t multiplied with the reference yield</li> <li>Monthly increments (7 steps each adding 0,93 €/t to intervention price)</li> </ul>	<ul style="list-style-type: none"> <li>Final intervention price cut of 5 % (from the 20 % proposed in Agenda 2000), down to 95,35 €/t</li> <li>Increase direct payment to 66 €/t, decoupled.</li> <li>Abolition of monthly increments</li> </ul>	<ul style="list-style-type: none"> <li>No change compared to July (consolidated cereals CMO)</li> <li>Suppression of the production refunds for starch from cereals and potatoes</li> </ul>	<ul style="list-style-type: none"> <li>No cut in intervention price</li> <li>No increase in direct payment</li> <li>Cut of monthly increments by 50%</li> </ul>
<b>Rye</b>	Rye intervention at the general cereals level	Abolition of rye intervention	No change compared to July	Abolition of rye intervention and introduction of a transitional measure: MS with share in total EU rye production of more than 50% will receive at least 90% of the modulation money generated in this MS. In such case, at least 10% of mod. money must be spent in rye-producing regions. MS may also use optional derogation from principle of full decoupling.
<b>Durum Wheat</b>	Specific supplementary payment: <ul style="list-style-type: none"> <li>344.5 €/ha in "traditional" areas</li> <li>138.9 €/ha in areas where the production is "well-established" within the limit of the Maximum Guaranteed Areas (MGA)</li> </ul> Supplements depending on the use of certified seed	Decoupling and reduction, over three years, of supplements to: <ul style="list-style-type: none"> <li>zero in "well-established areas".</li> <li>250 €/ha in "traditional areas"</li> </ul> Introduction of quality top-up premium of 15 €/t, depending on minimal quality criteria, requiring a contract	No change compared to July  Premium of 40 €/ha in "traditional areas", within the MGA limit, provided certain quantities of seed are used from varieties selected for their quality for semola and pasta production	Decoupling from 2005 onwards and reduction of supplements <ul style="list-style-type: none"> <li>in "well-established areas" to 93 €/ha in 2004, 46 €/ha in 2005 and zero afterwards</li> <li>in "traditional areas" to 313€/ha in 2004, 291 €/ha in 2005, 285€/ha from 2006 onwards</li> </ul> From 2004/05 introduction of special premium of 40 €/t, depending on certain criteria
<b>Oilseeds</b>	Alignment of the area payment for oilseeds and cereals	No specific measures. Decoupling, increase payment to 66 €/t	No change compared to July	Decoupling, no increase in direct payment
<b>Protein crops</b>	Specific supplementary payment of 9,5 €/t times the reference yield	New stand-alone supplement of 55,57 €/ha (9,5 €/t times the average reference yields of regions where protein crops are grown)	No change compared to July  Maximum Guaranteed Area of 1.4 mio ha	Specific supplementary payment of 9,5 €/t will be maintained and converted into crop specific area payment of 55,57 €/ha Maximum Guaranteed Area of 1.4 mio. ha
<b>Rice</b>	<ul style="list-style-type: none"> <li>Intervention price at 298,35 €/t (paddy rice)</li> <li>Direct payment of 52,65 €/t multiplied with the reference yield and paid per hectare, within Maximum Guaranteed Areas (MGA)</li> </ul>	<ul style="list-style-type: none"> <li>50 % cut in intervention price to 150 €/t, triggering private storage. Below 120 €/t, specific safety mechanism.</li> <li>Compensation payments of 177 €/t of which 75 €/t granted as a crop-specific payment (blue box).</li> <li>Reduce national MGAs to 1999-2001 average or the current MGA, whichever is the lower.</li> </ul>	No change compared to July	<ul style="list-style-type: none"> <li>50 % cut in intervention price to 150 €/t, triggering intervention of limited quantity of max. 75000 t.</li> <li>Compensation payments of 177 €/t of which 75 €/t granted as a crop-specific payment (blue box).</li> <li>Reduce national MGAs to 1999-2001 average or the current MGA, whichever is the lower.</li> <li>Mandate for the Commission to negotiate tariff quotas for rice imports (article XXVIII)</li> </ul>

	<b>Status quo</b>	<b>Communication (July 2002)</b>	<b>Draft legal texts (January 2003)</b>	<b>Council compromise (July 2003)</b>
<b>Starch potatoes</b>	Measures for producers: · Minimum price of 178.31 €/t · Payment of 110.54 €/t	Decoupling	· Payment to producers 50% coupled, 50% decoupled · Suppression of the minimum price for starch potatoes and refunds for starch production	· Payment to producers 60% coupled, 40% to be integrated in single farm payment. · Production refunds and minimum price for starch potatoes maintained.
<b>Energy crops</b>	Non-food regime on set-aside land (contract with processor required)	· 45 €/ha for energy crops (contract with processor required). · MGA of 1.5 Mio ha allocated by MS	· No change compared to July · EU-15 MGA -no allocation Member State	· 45 €/ha for energy crops (contract with processor required). · MGA of 1.5 Mio ha, no allocation by MS · growing on set-aside land possible but no energy crop premium in this case
<b>Drying Aids</b>	Supplementary payment for cereals, oilseeds, linseed, flax and hemp of 19 €/ha			Increase supplementary payment from 19 €/ha to 24 €/ha.
<b>Dried Fodder</b>	Direct payments: · 68.83 €/t for dehydrated fodder · 38,64 €/t for sun dried fodder	Shared (50/50) support through: · decoupled income payment for farmers (envelope of 160 Mio €) · single Maximum Guaranteed Quantity · industry aid of 33 €/t	No change except for clarification: · farmer aid given according to deliveries and national guaranteed quantities (NGQ) · industry aid kept for 4 years, degressed · abolition of 5% franchise	Support for dried fodder will be redistributed between growers and processing industry: · Direct support to growers will be integrated into single farm payment. National ceilings will apply. · Processing aid of 33€/t for dehydrated fodder and sun-dried fodder. · Commission report and proposals if appropriate by 30 September 2008.
<b>Nuts</b>	· Multi-annual quality/marketing improvement plans, operated by producer groups · Specific measures repealed in 1996 but possible to keep plans running until they expire (10 years), the last plans expiring in 2006/07. · No specific support measures afterwards.	· Flat-rate payment of 100 €/ha with MS top-up option up to 109 €/ha. · MGA of 800.000 ha. · Areas under active improvement plans not eligible to the new support	No change compared to July	· Flat-rate payment of 120,75 €/ha with MS top-up option up by 120,75 €/ha. · MGA of 800.000 ha.

## ANIMAL PRODUCTS

	Status quo	Communication (July 2002)	Draft legal texts (January 2003)	Council compromise (July 2003)
<b>Beef</b>	<ul style="list-style-type: none"> <li>· Basic price at 2224 €/t with private storage possible at 103 % of this price. Safety net intervention level of 1560 €/t;</li> <li>· Headage payments: 150 € for steers (two payments), 210 € for bulls/year and 200 €/year for suckler cows.</li> <li>· Slaughter premium of 80 € (bulls, steers, cows) and 50 € (calves)</li> <li>· Eligibility criteria: up to 1,8 LU/ha (from 01.01.03, currently 1,9 LU), head limit of 90 (with derogation)</li> <li>· Extensification premium: 100 € per premium (stocking density 1,4 LU/ha)</li> <li>· Other options for MS: 80 € per premium for a stocking density below 1.4 LU/ha and 40 € for 1.4 to 1.8 LU/ha</li> <li>· National envelope (budget)</li> </ul>	<ul style="list-style-type: none"> <li>· No specific measure foreseen, however major implications of decoupling</li> <li>· Reduction of incentives towards intensive beef production (decoupling);</li> <li>· Reinforced cross-compliance conditions including land management conditions;</li> <li>· Strengthening of quality and support for environmentally friendly beef production through the 2nd pillar;</li> <li>· Granting export subsidies for live animal only on the basis of justified requests and in line with animal welfare requirements.</li> </ul>	<p>No change compared to July</p> <p>Land dedicated to permanent pasture on 31/12/2002 must be maintained in that state (in relation to good farming practice)</p> <p>No change compared to July</p>	<p>Adaptations for calculation of Annex VII:</p> <ul style="list-style-type: none"> <li>· number of suckler cow premia for Austria is increased by 50 000 animals, regional ceiling for special premium shall be reduced accordingly.</li> <li>· number of suckler cow premia in Portugal shall be increased to 416 539 animals in the context of a conversion programme</li> <li>· percentage of heifers which can receive suckler cow premium is increased from 20% to 40%</li> <li>· number of slaughter premia for Italy is increased up to 1 892 201 animals.</li> <li>· Calves are defined as bovine animals of an age of more than 1 month and less than 8 months and a maximum carcass weight to be defined.</li> </ul>

<p><b>Dairy</b></p>	<ul style="list-style-type: none"> <li>· Quota-regime valid until 2008</li> <li>· Stepwise reduction of intervention price by 15% from 2005/6 onwards</li> <li>· Cow premium rising from 8,62 €/t to 25,86 €/t of quota from 2005/6 onwards incl. additional payment ("top-up premium and/or area payment)</li> <li>· Global increase of quota by 2,39 % (first increase for ES, IT, EL and IRL in 1999-2001 and other MS from 2005-2007)</li> </ul>	<p>Four options, encompassing:</p> <p>(a) the continuation of the Agenda 2000 measures until 2015.</p> <p>(b) Agenda 2000 approach with a further price cut (-15% for butter and -5% for SMP) and increase of quota (+3%);</p> <p>(c) Introduction of a two-tier quota regime;</p> <p>(d) Elimination of quotas with a cut of intervention by 25 %.</p>	<ul style="list-style-type: none"> <li>· Quotas maintained to 2014/15</li> <li>· Advance by one year Agenda 2000 (= price cut of 15%, compensated by direct payments, extra quota) with an asymmetric price cut of: <ul style="list-style-type: none"> <li>- 3.5%/year for SMP</li> <li>- 7%/year for butter</li> </ul> </li> <li>· In addition, continue these price reductions in 2007 and 2008, with a 1% increase in quotas and corresponding increase in payments</li> <li>· Direct payments to be decoupled from the outset (2004)</li> <li>· Ceiling to butter intervention: above 30.000 t buying-in by tender</li> </ul>	<ul style="list-style-type: none"> <li>· Quotas maintained to 2014/15</li> <li>· Agenda 2000 decision (= price cut of 15%, compensated by direct payments, extra quota) will be replaced by asymmetric price cuts: <ul style="list-style-type: none"> <li>- butter: 7% in 2004, 7% in 2005, 7% in 2006 and 4% in 2007</li> <li>- SMP: 5 % in 2004, 5 % in 2005 and 5 % in 2006.</li> </ul> </li> <li>· Compensation payments, including national envelope, will become on average 11.81€/t in 2004, 23.65 €/t in 2005, and 35.5 €/t from 2006 onwards.</li> <li>· The pending quota increase for 11 MS will be postponed from 2005 to 2006, additional quota is allocated to Greece (120 000 t), Portugal (Azores) will obtain further exemption from the levy for 73 000 t in 2003/04 reduced stepwise to 50 000 t, to become permanent additional quota from 2005/06 onwards.</li> <li>· Ceiling to butter intervention: 70 000 t in 2004 to be reduced in annual steps of 10 000t to arrive at 30 000 t from 2008 onwards.</li> <li>· Intervention will only be open between 1 March and 31 August.</li> </ul>
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**OTHER PROVISIONS**

<i>Risk management</i>				Commission will present a report before the end of 2004
<i>Olive Oil, Tobacco, Cotton</i>				Declaration of Commission on provision of long-term policy perspective for these sectors in line with the present budgetary envelope and the new framework for ag. expenditure.