The CAP towards 2020
Political agreement

DG Agriculture and Rural Development
European Commission
Outline

1. Process of the CAP reform
2. Policy challenges and objectives
3. CAP decisions in detail
4. What is next?
1. Process of the CAP reform
Where are we with the CAP reform process?

12 April – 11 June 2010
Public debate (EU citizens and organisations)

18 November 2010
Commission Communication « The CAP towards 2020 »

12 October 2011
Commission legal proposals on the CAP

2011-2013
Discussions in the European Parliament and the Council

26 June 2013
Political Agreement on the CAP reform between European Parliament, Council and Commission

2013
Finalisation of the legislative phase

2014
Approval of Delegated and Implementing Acts
**How will the CAP be financed?**

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<tbody>
<tr>
<td></td>
<td></td>
<td>in billion €</td>
<td>in %</td>
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<tr>
<td><strong>Heading 2</strong></td>
<td>373.179</td>
<td>386.472</td>
<td>-13.293</td>
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<tr>
<td><strong>CAP (Total)</strong></td>
<td>362.787</td>
<td>375.018</td>
<td>-12.231</td>
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<td><strong>Pillar 1</strong></td>
<td>277.851</td>
<td>283.051</td>
<td>-5.200</td>
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<td><strong>Pillar 2</strong></td>
<td>84.936</td>
<td>91.967</td>
<td>-7.031</td>
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<td><strong>Crises reserve</strong></td>
<td>2.800</td>
<td>3.500</td>
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<tr>
<td><strong>Pillar 1 &amp; crises reserve</strong></td>
<td>277.851</td>
<td>286.551</td>
<td>-8.700</td>
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<td><strong>% share of CAP in MFF</strong></td>
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<td><strong>CAP (excluding crises reserve)</strong></td>
<td>37.8%</td>
<td>36.3%</td>
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15% from 1st to 2nd (without co-financing)  
Possibility of transfers between pillars  
15% from 2nd to 1st (+10% for some MS)
The path of CAP expenditure 1980-2020 (in current prices)

Source: DG Agriculture and Rural Development

2013 = Budget (in commitments); 2014-2020 = in commitments
2014 = after transfers from P1 to P2 (before flexibility and capping)
2. Policy challenges and objectives
What are the challenges for agriculture

Economic challenges
- Food security
- Slowdown in productivity growth
- Price/income volatility
- Economic crisis

Environmental challenges
- GHG emissions
- Soil depletion
- Water/air quality
- Habitats and biodiversity

Territorial challenges
- Vitality of rural areas
- Diversity of EU agriculture
Recent trends in commodity prices

(World Bank MUV-deflated indices, 2005 = 100)

Source: World Bank. Note: 2013 figures are forecasts as of September 2013.
Climate change – Possible impacts on EU agriculture

▲ Floods risk
▲ Hotter and drier summers
▲ Sea levels
▲ Risk crop pests, diseases
▲ Crop, forage yields
▼ Animal health, welfare

▼ Water availability
▲ Risk drought, heat spells
▲ Risk soil erosion
▼ Growing season, crop yields
▼ Optimal crop areas

★ Summer rainfall
▲ Winter storms, floods
▲ Length growing season, yields
▲ Suitable farmland
▲ Pests, diseases risks

★ Winter rainfall
▼ Summer rainfall
▲ Risk drought, water stress
▲ Soil erosion risk
▲ Yields, range of crops

Source: DG Agriculture and Rural Development, based on EEA reports, JRC and MS academic studies.
Importance of primary sector in employment
... and how will the future CAP address them

Challenges
- Economic
- Environmental
- Territorial

Policy objectives
- Viable food production
- Sustainable management of natural resources and climate action
- Balanced territorial development

Reform objectives
- Enhanced competitiveness
- Improved sustainability
- Greater effectiveness
Key guiding principles of the new CAP

Change in policy paradigm
- Recognition of the joint delivery of private and public goods
- The provision of public goods will be supported by both pillars (with notably the introduction a green direct payment)

More efficient and integrated structure of support
- Maintenance of the existing structure of policy instruments, with minor adjustment
- Implementation of the current policy instruments of PI and PII in a more targeted, integrated, complementary and efficient manner

Greater flexibility in meeting CAP objectives
- Acknowledgement of the wide diversity and production conditions in the EU through greater flexibility in implementation modalities of policy instruments
- Within a well-defined regulatory and budgetary framework to ensure a level-playing field and meet Common objectives through Common instruments
What CAP instruments to meet the reform objectives?

**Enhanced competitiveness**
- Improved economic tools to address market developments
- Crises management: safeguard clause, crisis reserve / risk management toolkit
- Improved position of farmers in the food supply chain (PO, APO, IBO)
- Research, innovation and knowledge transfer and an improved Farm Advisory System

**Improved sustainability**
- New ‘green’ payment in Pillar I
- Enhanced and more efficient cross compliance
- Two environmental priorities for rural development and minimum spending
- Research, innovation and knowledge transfer and an improved Farm Advisory System

**Greater effectiveness**
- Redesign of direct payment architecture with better targeting
- Common strategic framework for EU funds – partnership contract
- Redistribution of direct payments across and within Member States
- Redistribution of rural development envelopes

**Greater integration of PI and PII instruments**

**Greater flexibility in implementation to meet specific needs/conditions**
3. CAP decisions in detail
New design of direct payments (1)

In 2015, EU farmers would have access to:

**Compulsory schemes (all MS):**
- Basic payment scheme
- ‘Green’ payment*
- Young farmers scheme

**Voluntary schemes (MS choice):**
- Coupled support
- Support in natural constraint areas
- Redistributive payment

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

All payments subject to cross compliance

*All farmers will have access to the Farm Advisory System*

**A simplified scheme** for small farmers *(voluntary for MS)*
New design of direct payments (2)

Capping voluntary for the MS
Degressivity of 5% over 150 000 €

**Coupled support**
- Wide range of sectors
- Up to 8% (or to 13% depending on past level) of DP envelope, +2% for protein crops

**Natural constraint support**
- For areas with natural constraints – or part of them
- Up to 5% of the DP envelope

**Young Farmer Scheme**
- Up to 2% of DP envelope
- < 40 years commencing activity
- +25% (/payment entitlements)
- For 5 years

**“Green” Payment**
- Crop diversification
- Permanent grassland
- Ecological focus area
- 30% of the DP envelope
- Thresholds & exemptions
- Equivalence

**Basic Payment Scheme**
- New BPS entitlements in 2015
- SAPS extended until 2020 (EU-10)
- Internal convergence / derogation with external convergence model to reach more similar levels per ha (min. 60% of average within a region/country by 2019)
- Voluntary redistributive payment (+max. 65% on max. 30 ha or national average size; max. 30% of DP envelope)
- Definition of 'active farmer'

**Small Farmer Scheme**
- Simplification of claims and controls
- Lump sum payment to be determined by MS under conditions [500 to 1250 €]
- Entrance in 2015
- Up to 10% of the DP envelope
The green direct payment

30% of the direct payment envelope for applying three basic practices:

- **Maintaining permanent grassland**
  - ban on ploughing in designated areas
  - national/regional ratio with 5% flexibility

- **Crop diversification**
  - at least 2 crops when the arable land of a holding exceeds 10 hectares
  - at least 3 crops when the arable land of a holding exceeds 30 hectares
  - the main crop may cover at most 75% of arable land, and the two main crops a maximum of 95% of the arable area

- **Maintaining an “ecological focus area”** of at least 5% of the arable area of the holding
  - only applicable for farms with more than 15 hectares arable land.
  - figure to rise to 7% after a Commission report in 2017 & a legislative proposal
  - EFAs may include: field margins, buffer strips, fallow land, landscape features, afforested area, terraces, areas with catch crops, green cover and nitrogen fixing crops, short rotation coppices, agro-forestry, strips of land along forest edges

**Equivalence:** MS can decide that, instead of applying these three practices, a farmer can undertake practices which are considered equivalent (e.g. crop rotation instead of crop diversification).
**CAP instruments to meet the objectives of competitiveness**

### Market orientation/ Safety net

- **Market orientation:**
  - End of quotas (sugar, milk) and vine planting rights (new system of authorisation)
  - End of certain aid schemes (SMP, silk worms)

- **Enhanced safety net:**
  - Improved flexibility
  - Beef intervention raised to 85% of the reference price
  - Automatic tendering for dairy above fixed quantities (butter increased to 50k t, period + 1 month); PSA for flax fibre, SMP and cheese with PDO/PGI

- **Strengthened crisis management:**
  - Safeguard clause
  - Crisis reserve
  - Temporary exemption for recognised POs/IBOs from competition rules

### Producer Cooperation

- Extension of PO/IBO model to all sectors
- Extension of delivery contracts for all sectors (voluntary for MS, except sugar)
- Collective negotiation of supply contracts allowed for certain arable crops, beef and olive oil producers
- Extension of supply regulation by recognised POs/IBOs to ham with PDO/PGI
- Continuation sugar sector agreements post-quota
- Extension of rules allowed for milk POs/IBOs

### Risk Management Tools

- New risk management toolkit in the second pillar:
  - **Crop, animal and plant insurance** (Financial contributions to insurance contracts covering farmer's losses caused by certain crisis events, e.g. adverse climatic effects)
  - **Mutual funds** (a scheme accredited by the MS whereby affiliated farmers can insure themselves in order to obtain compensation payments when a crisis occurs)
  - **Income stabilisation tool** (same mechanism as the mutual fund but the cause of a decline of the farmer's income is not relevant)

- Complementarity with other rural development measures
The new framework of the EU's rural development policy
Coordination and complementarity with ESI Funds

European Level

Common Provisions Regulation for ESI Funds
- Covering the EAFRD, ERDF, ESF, CF, EMFF
- Reflecting EU2020 through 11 common thematic objectives to be addressed by key actions for each of the funds

National Level

Partnership Agreement
National document outlining the intended use of the funds in the pursuit of EU2020 objectives

National or Regional Level

Rural Development Programme(s)
- (Other funds' operational programmes)
6 Union priorities for rural development

1. Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas

2. Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forests

3. Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture

4. Restoring, preserving and enhancing ecosystems related to agriculture and forestry

5. Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors

6. Promoting social inclusion, poverty reduction and economic development in rural areas

[Percentage values: 30% for Priority 5, 5% for Priority 6]
Rural development programmes

Programming at national or regional level with

- Setting quantified targets at programme level linked to the 6 priorities and the 3 cross cutting objectives (Innovation, Climate Change and Environment)
- Using streamlined tool-kit of measures to be combined in relevant packages to address priorities and achieve targets
- Possibility of thematic sub-programmes (e.g. young farmers, small farms, mountain areas, short supply chains, woman in rural areas, climate change mitigation & biodiversity, ...)

Financing

- Allocation of national envelopes in line with the decision made by the European Council and integrated in the RD basic act as part of the overall CAP reform agreement
- Co-financing (different rates from 53% up to 95% for certain measures / regions even up to 100% for measures financed with funds transferred from the 1st pillar)
- 30% of rural development funding has to be spent on certain measures beneficial for the environment and the fight against climate change

Common Monitoring and Evaluation System (+ performance framework)
Rural development measures

17 measures plus LEADER, covering notably:

- **Knowledge transfer**, information actions and advisory services
- **Quality product** schemes, including promotion and information campaigns
- **Investments** in physical assets, with higher aid intensity for young farmers, collective and integrated investments - possibilities for irrigation under certain conditions
- **Farm and business development** with extended support for small farmers, young farmers and small businesses
- **Forest** area development and improvement
- Support for setting up of **producer groups** in all EU Member States
- **Agri-environment-climate payments** and **organic** farming: more flexibility and reinforced support for joint actions
- Significantly reinforced **co-operation** measure including pilot projects, short supply chain, local promotion
- New **risk management** toolkit
- "**LEADER approach**" strengthened across EU funds
4. What is next?
### Tentative calendar for the NEW CAP at EU level

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<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>26 June 2013</td>
<td>Political agreement on a new direction for the CAP</td>
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<td>17 December 2013</td>
<td>Adoption of the legal basic acts</td>
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<tr>
<td>20 December 2013</td>
<td>Publication of the legal basic acts</td>
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<tr>
<td>First Semester 2014</td>
<td>Adoption of the Delegated acts</td>
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<tr>
<td>First Semester 2014</td>
<td>Publication of the Delegated acts and Implementing acts</td>
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<td>1 January 2015</td>
<td><strong>Full entry into force of the new CAP</strong></td>
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Next steps

Finalisation of the legislative stage
- Approval of delegated & implementing acts

Direct Payments
- Implementation at national/regional level of the new direct payments architecture

Rural Development
- Approval of the Partnership Agreements and Rural Development Programmes
For further information

Campaign on the new CAP “Taking care of our roots”
http://ec.europa.eu/agriculture/cap-for-our-roots/index_en.htm

Basic regulations of the new CAP
http://ec.europa.eu/agriculture/newsroom/155_en.htm

Legal proposals

Impact assessment
Thank you
ANNEX
Redistribution of Direct Payments

Closing one third of the gap between current level and 90% of the EU average and all MS reaching minimum level of aid by 2020

Source: DG Agriculture and Rural Development.
The new greening architecture of the CAP

Agricultural area (eligible for direct payments)

Cumulative environmental benefits

Cross compliance

Greening

Rural development

Implementation mechanism

Voluntary with compensation for cost incurred and income forgone

Mandatory with financial support (decoupled “green” payment per hectare)

Regulatory (Statutory Management Requirements and Good Agricultural Environmental Conditions)

European Commission

Farm Advisory System

European Innovation Partnership

Agricultural Research
Allocation of Rural Development 2014-2020

billion € (in current prices)

Source: DG Agriculture and Rural Development.
## Strategic programming

1. **Knowledge transfer and Innovation**
   - (a) innovation, cooperation, and the development of the knowledge base;
   - (b) links between agriculture, food production and forestry and research and innovation;
   - (c) lifelong learning and vocational training.

2. **Farm viability, competitiveness, innovative farm technologies, sustainable forest management**
   - (a) economic performance of all farms and farm restructuring and modernisation, notably to increase market participation/orientation and diversification;
   - (b) facilitating entry of adequately skilled farmers and generational renewal.

3. **Food chain organisation, incl. processing/marketing, animal welfare and risk management**
   - (a) integration of primary producers into the agri-food chain: quality schemes, adding value, promotion in local markets and short supply circuits, producer groups/organisations;
   - (b) farm risk prevention and management.

4. **Restoring, preserving and enhancing ecosystems**
   - (a) biodiversity, including in Natura 2000 areas, areas facing natural or other specific constraints and high nature value farming, and the state of European landscapes;
   - (b) water management, including fertiliser and pesticide management;
   - (c) prevention of soil erosion and soil management.

5. **Resource efficiency and shift towards a low carbon and climate resilient economy**
   - (a) efficiency in water use
   - (b) efficiency in energy use
   - (c) renewable sources of energy, by products, wastes and non-food raw material for the bio-economy
   - (d) reduction of greenhouse gas and ammonia emissions
   - (e) carbon conservation and sequestration

6. **Social inclusion, poverty reduction and economic development in rural areas**
   - (a) diversification, creation and development of small enterprises and job creation
   - (b) local development in rural areas
   - (c) information and communication technologies (ICT) in rural areas