The CAP towards 2020
Legal proposals

DG Agriculture and Rural Development
European Commission
Outline

1. Process of the CAP reform

2. Policy challenges and objectives

3. CAP proposals in detail

4. What’s next?
### Where are we with the CAP reform process?

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>12 April – 11 June 2010</td>
<td>Public debate (EU citizens and organisations)</td>
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<tr>
<td>19-20 July 2010</td>
<td>Public conference</td>
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<tr>
<td><strong>18 November 2010</strong></td>
<td><strong>Commission Communication ‘The CAP towards 2020’</strong></td>
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<tr>
<td>23 November 2010 – 25 January 2011</td>
<td>Consultation on Impact assessment (stakeholders)</td>
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<tr>
<td><strong>29 June 2011</strong></td>
<td><strong>Commission proposals on the EU budget 2014-2020</strong></td>
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<tr>
<td><strong>12 October 2011</strong></td>
<td><strong>Commission legal proposals on the CAP</strong></td>
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<tr>
<td></td>
<td><strong>The legal proposals are accompanied by an impact assessment that evaluates alternative scenarios for the evolution of the policy on the basis of extensive quantitative and qualitative analysis</strong></td>
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<tr>
<td>2011-2013</td>
<td><strong>Debate in the European Parliament and the Council</strong></td>
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<td></td>
<td><strong>Approval of Regulations and implementing acts</strong></td>
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</tbody>
</table>
How will the CAP be financed?

- Commission proposals on Multi-Annual Financial Framework for 2014-2020 to maintain CAP spending at 2013 levels in nominal terms

<table>
<thead>
<tr>
<th>in billion EUR</th>
<th>Current prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Pillar I - Direct payments and market-related expenditure</td>
<td>317.2</td>
</tr>
<tr>
<td>- Pillar II - Rural development</td>
<td>101.2</td>
</tr>
<tr>
<td>Total Pillar I and II</td>
<td>418.4</td>
</tr>
<tr>
<td>- Food safety</td>
<td>2.5</td>
</tr>
<tr>
<td>- Most deprived persons</td>
<td>2.8</td>
</tr>
<tr>
<td>- Reserve for crises in the agricultural sector</td>
<td>3.9</td>
</tr>
<tr>
<td>- European Globalisation Fund</td>
<td>Up to 2.8</td>
</tr>
<tr>
<td>- Research and innovation on food security, the bio-economy and sustainable agriculture</td>
<td>5.1</td>
</tr>
<tr>
<td>Total additional amounts</td>
<td>Up to 17.1</td>
</tr>
<tr>
<td>Total proposed amounts for the period 2014-2020</td>
<td>Up to 435.5</td>
</tr>
</tbody>
</table>

The path of CAP expenditure 1980-2020 (in current prices)

Source: DG Agriculture and Rural Development

Notes:
2011 = Budget; 2012 = Draft Budget;
2013 = EAGF subceiling for direct payments and market-related expenditure + pillar 2 in commitments.
Rural development for 2013 includes UK voluntary modulation and Article 136 “unspent amounts”. As these cease to exist end 2013, the corresponding amounts are put back to direct aids as from 2014.
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What are the challenges for agriculture...

Commission Communication ‘The CAP towards 2020’

Challenges

• Economic challenges
  – Food security
  – Price variability
  – 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 nominal price indices, 2000=100)

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, floods
▼ Summer 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

Baseline Indicators
(Objective 8)
Importance of Primary
Sector in Employment

Share of Employment
in Primary Sector (Branches A-B)
(% of Total Employment)

- Red ≤ 2%
- Orange 2 - 4%
- Yellow 4 - 8%
- Green 8 - 20%
- Blue > 20%

EU-27 Average: 5.7%

Source: EUROSTAT; Economic Accounts
for 11-2997
Year: 2005
Calculations: DG AGRI - L3
© EuroGeographics for the administrative boundaries

European Commission
Agriculture and
Rural Development
... and how will the CAP address them?

Commission Communication ‘The CAP towards 2020’

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

Europe 2020

Simplification
What CAP instruments to meet the reform objectives?

**Enhanced competitiveness**
- Improved economic tools to address market developments
- Crises reserve / Risk management toolkit
- Improved position of farmers in the food supply chain
- Research, innovation and knowledge transfer and an improved Farm Advisory System

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

**Greater effectiveness**
- Redesign of direct payments
- Common strategic framework for EU funds
- Redistribution of direct payments across and within Member States
- Allocation of rural development envelopes
- Simplification of the policy

Pillar I
- Flexibility

Pillar II
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New design of direct payments (1)

• In 2014, 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

*All payments subject to cross compliance*

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

OR

**A simplified scheme for small farmers** *(compulsory for MS, choice for farmer)*

*Payment for agricultural practices beneficial to climate change and the environment*
New design of direct payments (2)

**Cross compliance – Streamlined – Climate change**
- **Coupled support**
  - Wide range of sectors
  - Up to 5% or 10% of DP envelope, to be decided by MS

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

- **Young Farmer Scheme**
  - Up to 2% of DP envelope
  - < 40 years
  - For 5 years
  - Commencing activity

- **‘Green’ Payment**
  - Crop diversification
  - Permanent grassland
  - Ecological focus area
  - 30% of the DP envelope

- **Basic Payment Scheme**
  - National or regional flat rate per eligible hectare
  - Regions and criteria to be chosen by MS
  - New entitlements in 2014
  - Definition of agricultural activity
  - Definition of active farmer

- **Small Farmer Scheme**
  - Simplification of claims and controls
  - Lump sum payment to be determined by MS under conditions
  - Entrance in 2014
  - Up to 10% of the DP envelope

Dgressivity and Capping (all layers except Green Payment)
Redistribution of DP - Closing one third of the gap between current level and 90% of EU average by 2020

* Calculated on the basis of all direct aids on the basis of Council Regulation (EC) No 73/2009, after modulation and phasing-in, except POSEI/SAI and cotton and potentially eligible area 2009

** Calculated on the basis of Annex II to DP proposal for claim year 2019 (budget year 2020) and potentially eligible area (PEA) 2009

Source: European Commission - DG Agriculture and Rural Development
Improved instruments to address market developments (sCMO)

**Sustainable consumption - School Fruit and Milk Scheme**
- Increased funding
- New measures available for EU co-funding

**Encouraging common action – better position in the food supply chain**
- Facilitated recognition of: Producer Organisations (PO), Associations of POs, Interbranch Organisations
- More clarity as regards competition rules
- Link to Rural Development funds (start-up and co-operation measures)

**Continued market orientation**
- End of certain aid schemes (Skimmed Milk Powder, hops and silkworms)
- End of production limits (sugar)

**Enhanced safety-net**
- Exceptional measures – more flexibility and greater coherence
- Public intervention/private storage simplified, more responsive to crises
- “Crises reserve”

- Link to the consumer
- Common responses to economic and environmental challenges
- Competitiveness of individual agricultural producers
Rural development in a new framework (1)

Europe 2020 strategy

Common Strategic Framework (CSF)
- covering the EAFRD, ERDF, ESF, Cohesion Fund and EMFF, and reflecting EU2020 through common thematic objectives to be addressed by key actions for each of the funds

Partnership Contract
- national document outlining the intended use of the funds in the pursuit of EU2020 objectives

Rural development policy: EAFRD

Other CSF funds
(ERDF, ESF, Cohesion Fund the EMFF)

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

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

Enhancing competitiveness of all types of agriculture and farm viability

Promoting food chain organisation and risk management in agriculture

Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry

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

Promoting social inclusion, poverty reduction and economic development in rural areas
Rural development in a new framework (2)

- **Single framework for multiannual EU funds - simplification and harmonisation of rules**
  - Common Strategic Framework and Partnership Contract
  - Performance review based on milestones and *ex ante* conditionalities

- **Reinforced strategic approach: Member States responsible for**
  - Translating EU2020 and rural development priorities into action…
  - …by taking into account specific needs at local/regional/national level

- **Programming at national or regional level with**
  - Setting quantified targets at programme level linked to priorities
  - Using streamlined tool-kit of measures to be combined in relevant packages to address priorities and achieve targets
  - Possibility of thematic sub-programmes

- **Financing**
  - Allocation of national envelopes to be based on objective criteria and current allocation
  - Co-financing

- **Common Monitoring and Evaluation System**

- **European Innovation Partnership ‘Agricultural productivity and sustainability’**
Rural development in a new framework (3)

Key measures

• Knowledge transfer, information actions and advisory services

• Investments in physical assets:
  – higher support rates for young farmers, collective investments and integrated projects

• Farm and business development
  – extended support for small farmers, young farmers and small businesses

• 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

• European Innovation Partnership and Prize for innovative, local cooperation
An overarching objective: Simplification

Examples

• Policy instruments
  – A simple and specific scheme for small farmers (around 30% of beneficiaries)
  – Greening as simple as possible, includes only measures that have an environmental impact AND are manageable / controllable without major extra cost;

• Payments
  – Only one Paying Agency for all CAP measures in a MS/Region
  – A range of approaches to reimbursing payments by beneficiaries on the basis of simplified costs (II Pillar);

• Controls
  – MS with properly functioning control systems and low error rates may be authorised to reduce the number of controls
  – Cross-compliance: reduction and better streamlining of the obligations (13 SMRs instead of 18 and 8 GAEC instead of 15), follow-up checks to minor infringements repealed; farmers using certification systems less likely to be controlled.
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What’s next?

The Commission presents today a set of proposals designed to make the CAP a more effective policy for a more competitive and sustainable agriculture and vibrant rural areas.

The discussion is now launched with the other institutions with the aim of having the CAP reform in place as from 1st January 2014.
The future CAP at a glance

**Enhanced competitiveness**
- Innovation, knowledge transfer, risk management, cooperation in the food supply chain

**Improved sustainability**
- Green payment, enhanced cross compliance, resource efficiency, research and innovation

**Greater effectiveness**
- Improved targeting, redistribution, Common Strategic Framework, simplification
For further information

- The CAP after 2013

- Commission Communication ‘The CAP towards 2020’

- Impact assessment

- Legal proposals