

Common Agriculture Policy Task and Finish Group

Meeting Venue:
Committee Room 3 - Senedd

Meeting date:
5 October 2011

Meeting time:
10:40

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Naomi Stocks
Committee Clerk
029 2089 8164

Agenda

- 1. Introduction, apologies and substitutions**
- 2. Common Agricultural Policy - Briefing from the Institute for European Environmental Policy** (Pages 1 - 25)
CAP(4)-01-11 paper 1
Kaley Hart, Head of Agriculture and Land Management Programme



Institute for
European
Environmental
Policy

Reform of the CAP post 2013

Kaley Hart, IEEP

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

5 October 2011

Structure of Presentation



- 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



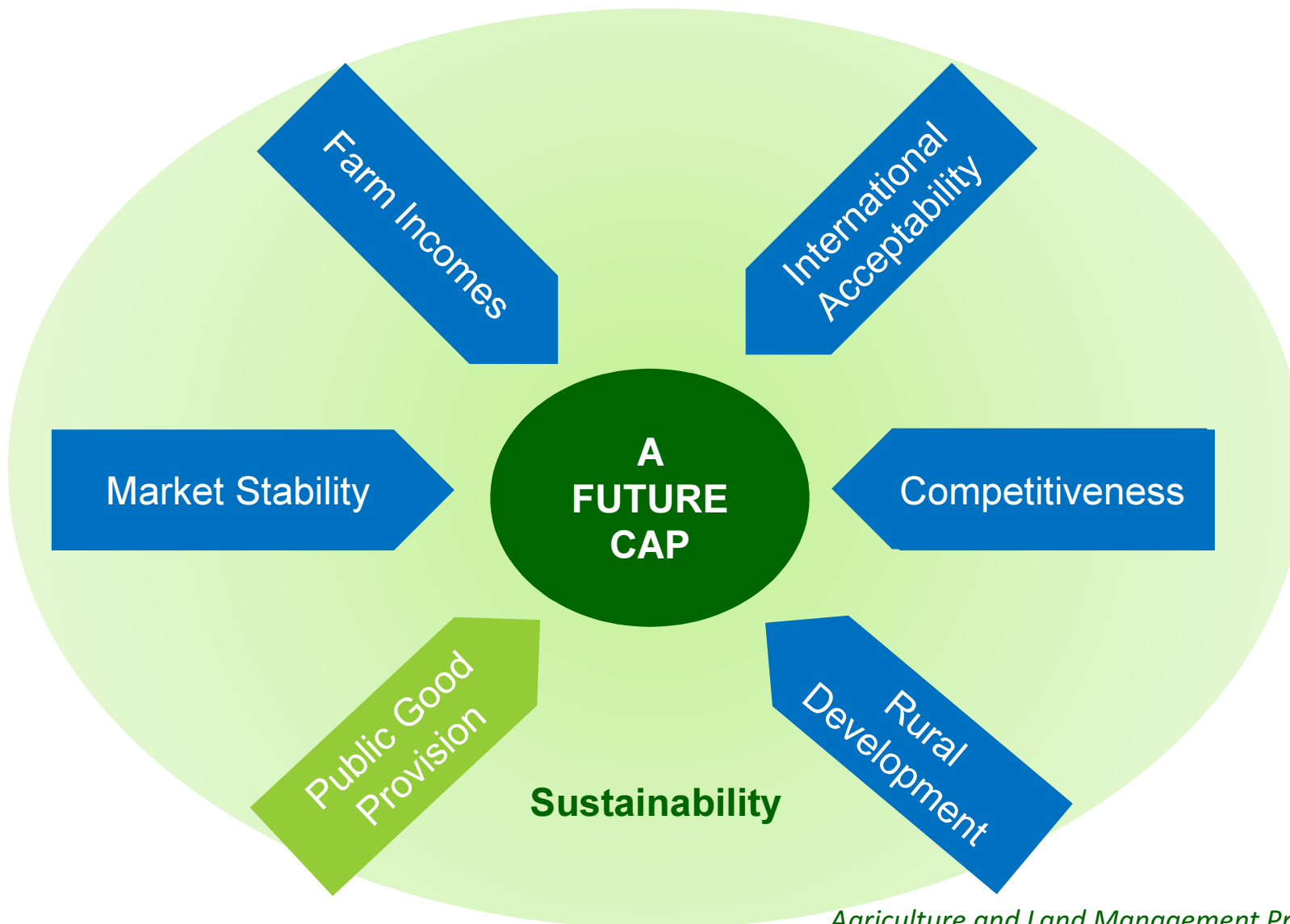
- Budgetary pressures
- Legitimacy of support to farmers
- New Agriculture Commissioner: Dacian Cioloş

Process to date



- 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



- 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

Up to 10%

Small farmers

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 2%

Young farmers



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

Up to 5%

Payments for farmers in areas facing specific natural constraints



5% transfer possible for 9 Member States P2 to P1

30%

Payment for agricultural practices beneficial for climate and the environment

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



- 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



- 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



- 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)



- 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)



- 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



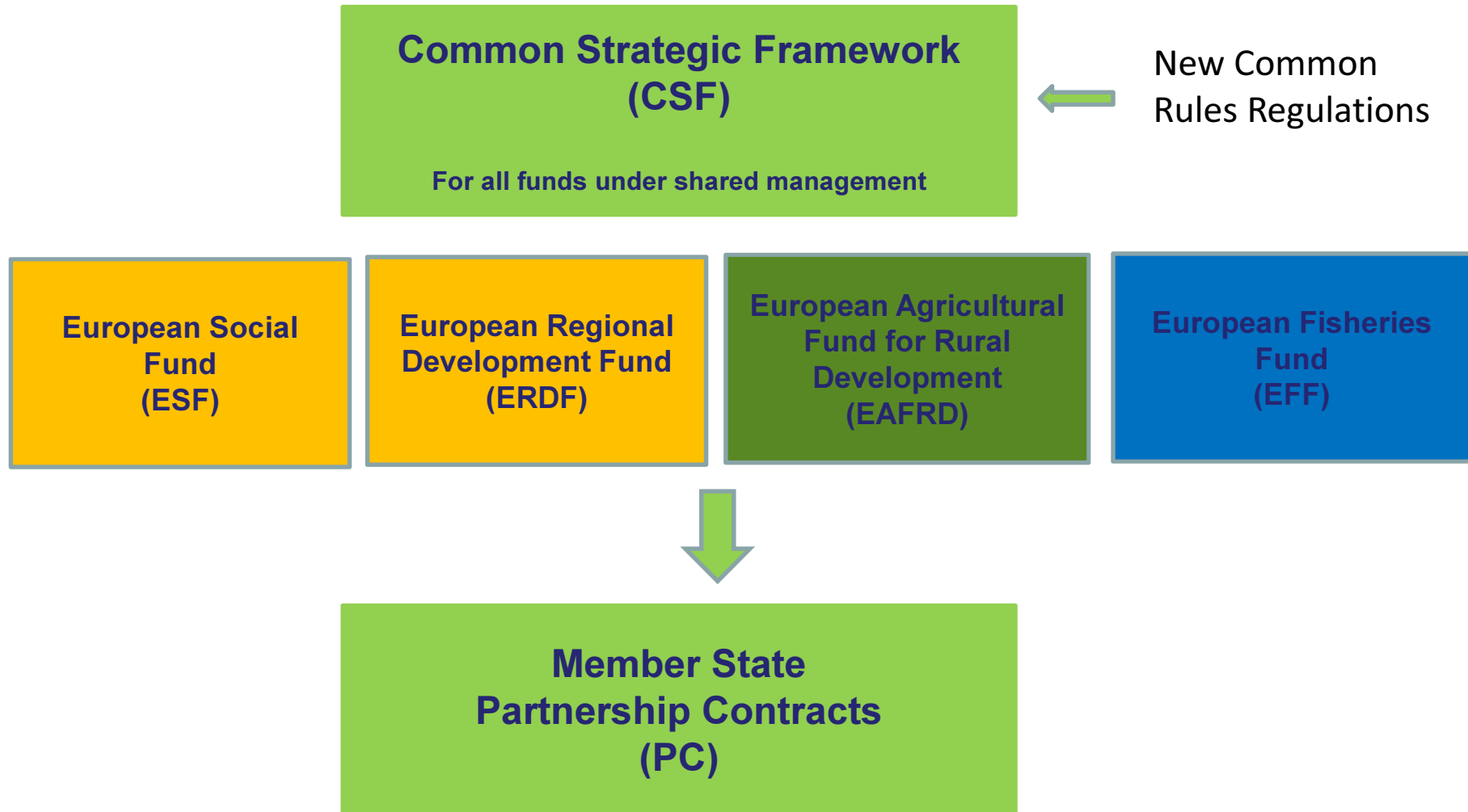
- Requirements have been streamlined
- Some changes to SMRs and GAEC standards
- Two new environmental GAEC standards:
 - Maintenance of soil organic matter level including ban on burning arable stubble
 - Protection of wetland and carbon rich soils including a ban on ploughing
- Intention to include 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)



- 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)



- 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.
-
- **Funded mainly through technical assistance funds, with additional funds from 'capping' receipts**

Reactions at the EU level so far



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



- **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

OR

IEEP's web-site for Publications, News and Newsletter on all
dimensions of EU environmental policy

www.ieep.eu