COMMON AGRICULTURAL POLICY
post-2020

Legislative proposals

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#FutureofCAP
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1. Key elements of the reform
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KEY ELEMENTS OF THE REFORM OF THE COMMON AGRICULTURAL POLICY

1. Rebalancing responsibilities between Brussels and the Member States (more subsidiarity)
2. More targeted, result and performance based support
3. Fairer distribution of direct payments
4. Enhancing environmental and climate ambition
5. Simplifying and modernising the policy
2. Process of the CAP reform
TOWARDS A NEW CAP POST-2020

February – May 2017
Public consultation

July 2017
Public conference "The CAP have your say"

29 November 2017
Commission Communication "The Future of Food and Farming"

2 May 2018
Commission proposals on the EU budget 2021-2027

1 June 2018
Commission legal proposals on the CAP post-2020
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

2018-2019
Debate in the European Parliament and the Council
Approval of regulations and secondary acts
BUDGET 2021-2027

- **Proposal** of the European Commission for the Multiannual Financial Framework (MFF) 2021-2027 adopted on 2/5

- **Very difficult budgetary context:**
  - Brexit gap “12 billion”
  - New challenges (migration; security and defence; etc.)

- **Overall EU: EUR 1 279 billion**
  - 1.114% of GNI EU-27

- **CAP: EUR 365 billion for EU-27**
  - Around 5% cut for CAP
  - In % of EU budget:
    - 2014-2020: 37.6% (EU-28)
    - 2021-2027: 28.5% (EU-27)
### CAP 2021-2027

#### CAP amounts (million € current prices)

<table>
<thead>
<tr>
<th>CAP (Total)</th>
<th>365 006</th>
<th></th>
<th>% of EU budget 2021-2027: 28.5%</th>
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</thead>
<tbody>
<tr>
<td>Pillar 1 (EAGF) of which</td>
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<tr>
<td>direct payments (including POSEI)</td>
<td>286 195</td>
<td>267 485</td>
<td>In general fully EU financed</td>
</tr>
<tr>
<td>market measures</td>
<td>19 870</td>
<td>-1 160</td>
<td>Further convergence of direct payment aid levels between MS</td>
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<tr>
<td>assigned revenue</td>
<td></td>
<td></td>
<td>Less than 4% cut for all market schemes with envelopes (except school schemes and beekeeping)</td>
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<td>Agricultural reserve - at least EUR 400 million, annual rollover starting from 2020 unused crisis reserve</td>
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<td></td>
<td>Assigned revenue - with CAP delivery model, less expected</td>
</tr>
<tr>
<td>Pillar 2 (EAFRD)</td>
<td>78 811</td>
<td></td>
<td>Rebalance financing between EU and MS: lower EU co-financing (similar for other European Structural &amp; Investment funds)</td>
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</table>

#### Possibility of transfers between pillars

- 15% between both funds
- 15% and 2% from 1\textsuperscript{st} to 2\textsuperscript{nd} for resp. environment/climate and young farmers
THE CAP BUDGET IN PERSPECTIVE
(in current prices)

Source: EC-DG AGRI.
Note: Budget figures are actual until budget year 2016, programmed from 2017-2020, and based on the MFF proposal for 2021-2027.
3. Challenges and objectives
CHALLENGES

Farmers' income is still lagging behind salaries in the whole economy

NB: Income indicator=Entrepreneurial income plus compensation of employees by total annual work units.
Source: EAA, ESTAT 2013-2015, EU FADN for number of hours worked
CHALLENGES

Volatile farm income:
every year at least 20% of farmers experience an income loss larger than 30% compared with their average income in the three previous years

Source: DG AGRI
CHALLENGES

Climate-linked loss events are on the rise

Meteorological events:
- Tropical storm
- Extra-tropical storm
- Convective storm
- Local storm

Hydrological events:
- Flood
- Mass water movement

Climatological events:
- Extreme temperature
- Drought
- Forest fires

Source: © 2017 Münchener Rückversicherungs-Gesellschaft, Geo Risks Research, NatCatSERVICE (January 2017)
Projected pressure on the environment due to potential nitrogen surplus in 2030: different impact across the EU

Source: JRC based on the CAPRI model baseline as presented in the DG AGRI 2017 outlook report.
CHALLENGES

Need to offer a perspective to young farmers across the EU
CHALLENGES

Need to rethink the CAP governance

1. Current CAP based on compliance with detailed EU rules…
   - Focus on the enforcement of rules, controls and penalties rather than objectives and results
   - Incentives to all actors to focus on compliance (potential loss of funds, keep a low error rate…)
   - Consequences: tight controls and requests for more precise rules from the Commission

2. Very diverse agricultural and socio-economic conditions across the EU
   - Difficulties to apply the same detailed rules throughout the current EU
   - Different impacts of the same measure in different territories (both environmental and economic)
   - Experience of the last reform: large set of choices and exceptions needed

3. Growing concerns on the effectiveness and efficiency of the policy
   - Due to the limited coordination between the implementation of the two pillars of the CAP
   - Need to strengthen the synergies between policy instruments
   - Growing calls for a more targeted policy design based on needs assessment
OBJECTIVES

General Objectives
- Foster a smart, resilient and diversified agricultural sector ensuring food security;
- Bolster environmental care and climate action and to contribute to the environmental- and climate-related objectives of the Union;
- Strengthen the socio-economic fabric of rural areas

Specific Objectives
- Economic
  - Support viable farm income and resilience across the Union to enhance food security
  - Enhance market orientation and increase competitiveness, including greater focus on research, technology and digitalisation
  - Improve the farmers’ position in the value chain
- Environment & Climate
  - Contribute to climate change mitigation and adaptation, as well as sustainable energy
  - Foster sustainable development and efficient management of natural resources e.g. water/soil/air
  - Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes
- Social
  - Attract young farmers and facilitate business development in rural areas;
  - Promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
  - Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare

Cross-Cutting Objectives
- Sustainability
  - Further improve sustainable development of farming, food and rural areas
- Simplification
  - Ensure simplification and performance of CAP support
- Modernisation
  - Foster and share knowledge, innovation, digitalisation in agriculture and rural areas and encourage uptake

Commission political priorities
Sustainable Development Goals
Paris climate agreement

Art. 39 TFEU

Sustainable Development Goals
Paris climate agreement

Art. 39 TFEU
OBJECTIVES

- Increase competitiveness
- Rebalance power in food chain
- Ensure fair income
- Climate change action
- Knowledge & innovation
- Environmental care
- Protect food & health quality
- Preserve landscapes & biodiversity
- Support generational renewal
- Vibrant rural areas
4. CAP proposals
REBALANCING RESPONSIBILITIES

**EU Specific objectives**

**Indicators**

**Broad types of interventions**

**Identification of needs in MS’s CAP Plan**

**Tailor CAP interventions to their needs**

**Implementation / Progress towards targets**

**MEMBER STATES**

**EU**
**Overview of the New Direct Payments**

**Reduction of all direct payments**
Above EUR 60,000 and capping at 100,000

**To DP (primarily for redistributive income support for sustainability) and/or to RD**

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**Conditionality rules**
Enhanced with regard to environment and climate

**Coupled support**
- Wide range of sectors (new: non-food products with potential to replace fossil material in the bio-economy)
- Up to 10% (+2% for protein crops) of DP envelope, to be decided by MS

**Complementary income support for young farmers**
- Additional payment per hectare
- For young farmers who are newly set up for the 1st time

**Complementary redistributive income support for sustainability**
- Additional amount per hectare
- Not exceeding national average
- From bigger to smaller and medium-sized farms

**Basic Income support for sustainability (BISS)**
- Possibility for uniform rate per eligible hectare or differentiation by groups of territories facing similar socio-economic or agronomic conditions
- Minimum requirements (min. farm size)

**Eco-schemes**
- For practices beneficial to environment and climate
- Requirements and amount per hectare to be determined by MS

**Round-sum payment for small farmers**
- Round sum payment to be determined by MS
- Replacing all DPs
- Optional for farmers

**Definitions (specified by MS):** Genuine farmers, young farmers, agricultural activity, eligible hectare, agricultural area (arable land, permanent crops, permanent grassland)
A FAIRER DISTRIBUTION BETWEEN MEMBER STATES

For all Member States with DP below 90% of the EU-27 average, the gap between their current level and 90% of that average will be closed by 50% over 6 years

Convergence of direct payments (2027)

EUR 2.4 billion over 2021-2027
**A COMMON FRAMEWORK FOR MARKETS**

**CMO instruments remain largely unchanged**
(safety net composed of public intervention and private storage aid and exceptional measures, but also marketing standards, rules on farmers’ cooperation, etc.)

<table>
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<tr>
<th>Points for More Effectiveness and Simplification</th>
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<tr>
<td>• Integration of sectoral interventions in the CAP plan Regulation (for fruit and vegetables, wine, olive oil, hops and apiculture)</td>
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<td>• Extension of the possibility to initiate sectorial interventions to other agricultural sectors</td>
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<td>• Amendments to rules on geographical indications to make them more attractive and easier to manage</td>
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<td>• Adjustment of allocations following the MFF proposal</td>
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<td>• Delete a number of obsolete provisions</td>
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8 broad EU interventions to be tailored and defined by Member States (replacing around 70 measures and sub-measures)

- Area-specific disadvantages resulting from certain mandatory requirements
- Natural or other area-specific constraints
- Environmental, climate and other management commitments
- Investments
- Cooperation
- Risk management tools
- Installation of young farmers and rural business start-up
- Knowledge exchange and information

**RURAL DEVELOPMENT**

**KEY FEATURES**

Minimum budget ring-fencing of total EAFRD contribution:

- 30% for interventions addressing the three environmental/climate objectives
- 5% for LEADER

Possibility of using financial instruments (incl. working capital), also in combination with grants

Digitisation strategy, YF strategy, Risk Management Strategy to be included in the CAP plan
Covers all management commitments beyond mandatory baseline (AECM, Organic Farming, Forestry, Animal Welfare, Genetic Resources)

ANC payments: based on 2020 designations

Compensation payments for Natura 2000 & WFD
For all relevant types of investments not on negative list – support rate up to 75%

MS shall grant support - lump-sum limited to the maximum € 100 000 € (may be combined with FIs)
Must be linked to agriculture, forestry or farm household income

Mandatory in CAP plan. Covers insurances and mutual funds
Covers wide range of interventions linked to knowledge provision, exchange and advice

Covers all types of intervention with a co-operation component – global approach

• LEADER
• EIP
• Short supply chain
• Producer Organisations
• Quality schemes
• Land mobility schemes
• Smart Villages
**ENVIRONMENT/CLIMATE: HIGHER AMBITION**

- **CAP specific objectives**: 3 out of 9 concern the environment/climate
- "Whole CAP" approach: conditionality details + environment-relevant Pillar I and Pillar II interventions all planned together in CAP plans
- The **new conditionality** will combine and improve aspects of *cross-compliance and greening*
- **Links to non-CAP legislation on environment and climate**: CAP plans to take account of analysis, objectives and targets from list of other legislation
- "No backsliding": legal obligation on MS to raise ambition on environment and climate compared to current period
- **Ring-fencing / ‘climate tracking’**:  
  - MS to spend at least 30% of EAFRD budget on interventions *directly targeted* at environment and climate change (ANC payments no longer included)  
  - 40% of total CAP spending (EAGF + EAFRD) to be *relevant* to climate change (primary & secondary relevance)
- **Better toolbox**: new tools, improvements to existing tools
NEW ENHANCED CONDITIONALITY

Environment and climate
- Birds and Habitats Directives
- Water Framework Directive
- Nitrates Directive

Public, animal and plant health
- Animal Identification & Registration
- Pesticides authorisation Regulation
- Directive on the sustainable use of pesticides
- Hormones ban Directive
- General Food Law
- Notification of diseases

Animal welfare
- Directives for the protection of:
  - Calves
  - Pigs
  - Animals kept for farming purposes

Farm advisory services
- Conditionality
- EU legislation on biodiversity, water, air and use of pesticides
- Antimicrobial resistance
- Risk management
- Innovation support

DIRECT PAYMENTS
- Basic income support for sustainability
- Complementary redistributive income support for sustainability
- Complementary income support for young farmers
- Voluntary scheme for the climate and the environment
- Coupled income support

RURAL DEVELOPMENT
- Payments for environment, climate and other management commitments
- Payments for natural constraints
- Payments for area-specific disadvantages
THE NEW GREEN ARCHITECTURE

**Current architecture**

- **Farm advisory services**
- **Knowledge transfer**
- **Innovation**
- **Cooperation**

**Level of requirement**

- **Climate/Env. measures in Pillar II** (AECM, Forestry measures, investment measures...)
- **Greening** (3 detailed obligations on crop diversification, permanent grassland and EFA)
- **Cross-compliance** (on Climate/Env, 7 GAEC standards (water, soil, carbon stock, landscape) and requirements from Nitrates Directive and Natura 2000 Directives)

**New architecture**

- **Eco-schemes in Pillar I**
- **Climate/Env. Measures in Pillar II** (AECM, Forestry measures, investment measures...)
- **New, enhanced conditionality** (on Climate/Env, 14 practices built upon EU minima (climate change, water, soil, biodiversity and landscape) and requirements from Nitrates Directive, Water Framework Directive and Natura 2000 Directives)

**Mandatory for farmers**

- Farm advisory services
- Knowledge transfer
- Innovation
- Cooperation

**Voluntary for farmers**

- Climate/Env. measures in Pillar II
- Greening
- Cross-compliance

**Mandatory for farmers**

- New, enhanced conditionality
REPLYING TO SOCIETAL DEMANDS

- Specific objective concerning **food and health**, including safe, nutritious and sustainable food, food waste, as well as **animal welfare**.

- New objective for the operational programmes of F&V POs: "**increasing consumption**", with a top-up

- **EU school F&V and milk scheme** is kept

- **Enhanced conditionality** (covering also food safety, animal and plant health and animal welfare) and **FAS scope** (e.g. practices preventing the development of anti-microbial resistance).

- Payments for commitments **beyond the minimum requirements** available for fertiliser and plant protection products use, animal welfare, health and biosecurity; organic farming, participation in EU quality schemes, FAS.
CAP STRATEGIC PLAN: WHAT’S IN?

- 1 single CAP plan per MS for both CAP pillars
- Content
  - an assessment of needs
  - an intervention strategy (obligation to cover specifically: environmental architecture, young farmers sectoral programmes and risk management)
  - direct payments, sectoral and rural development interventions specified in the strategy
  - target and financial plans
  - governance and coordination system
  - elements that ensure modernisation of the CAP
  - elements related to simplification and reduced administrative burden for final beneficiaries
CAP STRATEGIC PLAN: WHO/HOW/WHEN?

- **Participation**
  - Elements of the CAP Plan are possible at regional level but Member States need to ensure overall coherence and consistency
  - Preparation of CAP Plan: Need to involve relevant public authorities, economic and social partners and relevant bodies representing civil society and where relevant bodies responsible for promoting social inclusion, fundamental rights, gender equality and non-discrimination. The competent authorities for the environment and climate are to be effectively involved in the preparation of the environmental and climate aspects of the plan.

- **Approval**
  - Possibility to ask for the approval of a partial plan
  - Criteria: Completeness, Consistency, Coherence with general principles of Union law
  - 8 month assessment period (stop the clock mechanism)

- **Amendment**
  - Justification
  - 3 month assessment period
  - One amendment per calendar year
FOCUS ON PERFORMANCE

Multi-annual approach for the whole CAP

COMMON OBJECTIVES      INDICATORS      TYPES OF INTERVENTIONS

Assurance
Annual Performance Clearance
Linking expenditure to output

Common Output Indicators
Expenditure without outputs will not be eligible

Monitoring
Annual Performance Review
Checking progress towards targets

Common Result Indicators
Actions to be taken if lack of progress towards targets
If actions not in place or not effective, payments may be suspended

Policy performance
Interim Evaluation
Assessing performance towards objectives

Common Impact Indicators

European Commission
5. Simplification and modernisation
A SIMPLER CAP

NEW OPPORTUNITIES

- EU focus on results and performance of the policy
- Simplification and reduction of administrative burden
  - stems from requirement of the CAP Strategic Plan
- Design of a plan adapted to local needs
- Streamline schemes in both pillars
- Potential for a lighter compliance framework

FOR BENEFICIARIES

- No detailed EU rules on individual beneficiaries
- Use of technologies for faster, slimmer and more automatic fulfilment of administrative procedures
- Access to improved farm advice and assistance in applying for support

FOR ADMINISTRATIONS

- Less prescription from EU requirements
- Streamlining of reporting requirements
- Stability in governance bodies (Paying Agencies, Certification Bodies) and systems (IACS, LPIS)
A MORE MODERN CAP

**KNOWLEDGE AND INNOVATION**

- CAP Strategic Plans to foster knowledge, innovation and digitalisation in agriculture and rural areas
- Strategic Plans to include strategy on Agricultural Knowledge and Innovation Systems (AKIS) to enhance interaction between advisors, researchers, rural networks, etc
- €10bn from the Horizon Europe programme supporting research and innovation in food, agriculture, rural development and the bio-economy

**FARM ADVISORY SERVICES INTEGRATED UNDER AKIS**

- Farm advice to be integrated within the AKIS
- Scope: requirements and management commitments in the CAP plan (incl. conditionality), financial instruments and business plans in CAP Plans, innovation support for preparing and implementing EIP operational groups and development of digital technologies

**DIGITAL TRANSITION IN AGRICULTURE**

- CAP Strategic Plans to foresee a strategy for the development of digital technologies in agriculture and rural areas
- MS encouraged to use big data and new technologies for controls and monitoring ("area monitoring system", GSA, pre-fill of applications…)
- Encouraging the digitisation of rural life, on farms (through precision farming techniques) and in the wider communities
6. What’s next?
A TENTATIVE OUTLOOK

2018 - 2019

- Debate in the European Parliament and in the Council on the CAP proposals

Spring 2019

- Possible agreement of the next MFF 2021-2027 by the Heads of States and Governments

Spring 2019

- Possible adoption of the next CAP 2021-2027 by the co-legislators

May 2019

- Elections of the European Parliament

- Preparation of the CAP implementation

2021

- Possible entry into force
THANK YOU!

Further information is available at:

IT’S ABOUT THE FUTURE OF EUROPE

Let’s talk

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