

# CAP Towards 2020

November 2011



Department of  
**Agriculture,  
Food and the Marine**

An Roinn  
**Talmhaíochta,  
Bia agus Mara**

# This presentation

- Context
- Main issues
  - Amount and distribution of funds
  - Policy issues for direct payments, rural development and market supports
- Next steps

# Context

- New multi-annual financial framework (MFF) 2014 to 2020
- EU2020 strategy – smart, sustainable and inclusive growth
- Economic recovery in Ireland and EU
- Political debate on role and value of the CAP
- Policy considerations
  - Food security, climate change, price volatility, power of producers
- Co-decision of EU 27 Governments and European Parliament

# EU financial context

- Agriculture: 40% of EU budget or 0.5% of EU GDP
- Irish receipts from EU (2009) €1,810m, of which
  - €1,319m from EAGF
  - €346m from EAFRD

# CAP funding proposals

- CAP spending maintained in nominal terms at 2013 levels
- Irish view is that this is a reasonable starting point for negotiations

# MFF proposals on support for European agriculture

- **Nominal freeze** of CAP amounts at 2013 level
- **Additional amounts** available for agriculture
  - in other Headings of MFF, and
  - outside MFF

*in billion EUR*

*2011 prices*

*Current prices*

	<i>2011 prices</i>	<i>Current prices</i>
<b>Heading 2 of MFF</b>		
- Pillar I - Direct payments and market-related expenditure	281.8	317.2
- Pillar II - Rural development	89.9	101.2
<b>Total CAP</b>	<b>371.7</b>	<b>418.4</b>
<b>Other Headings of MFF</b>		
- Heading 1: Most deprived persons	2.5	2.8
- Heading 1: Research and innovation on food security, bio-economy and sustainable agriculture	4.5	5.1
- Heading 3: Food safety	2.2	2.5
<b>Outside MFF</b>		
- Reserve for crises in the agricultural sector	3.5	3.9
- European Globalisation Fund	Up to 2.5	Up to 2.8
<b>Total additional amounts</b>	<b>Up to 15.2</b>	<b>Up to 17.1</b>
<b>Total amounts for 2014-2020</b>	<b>Up to 386.9</b>	<b>Up to 435.5</b>

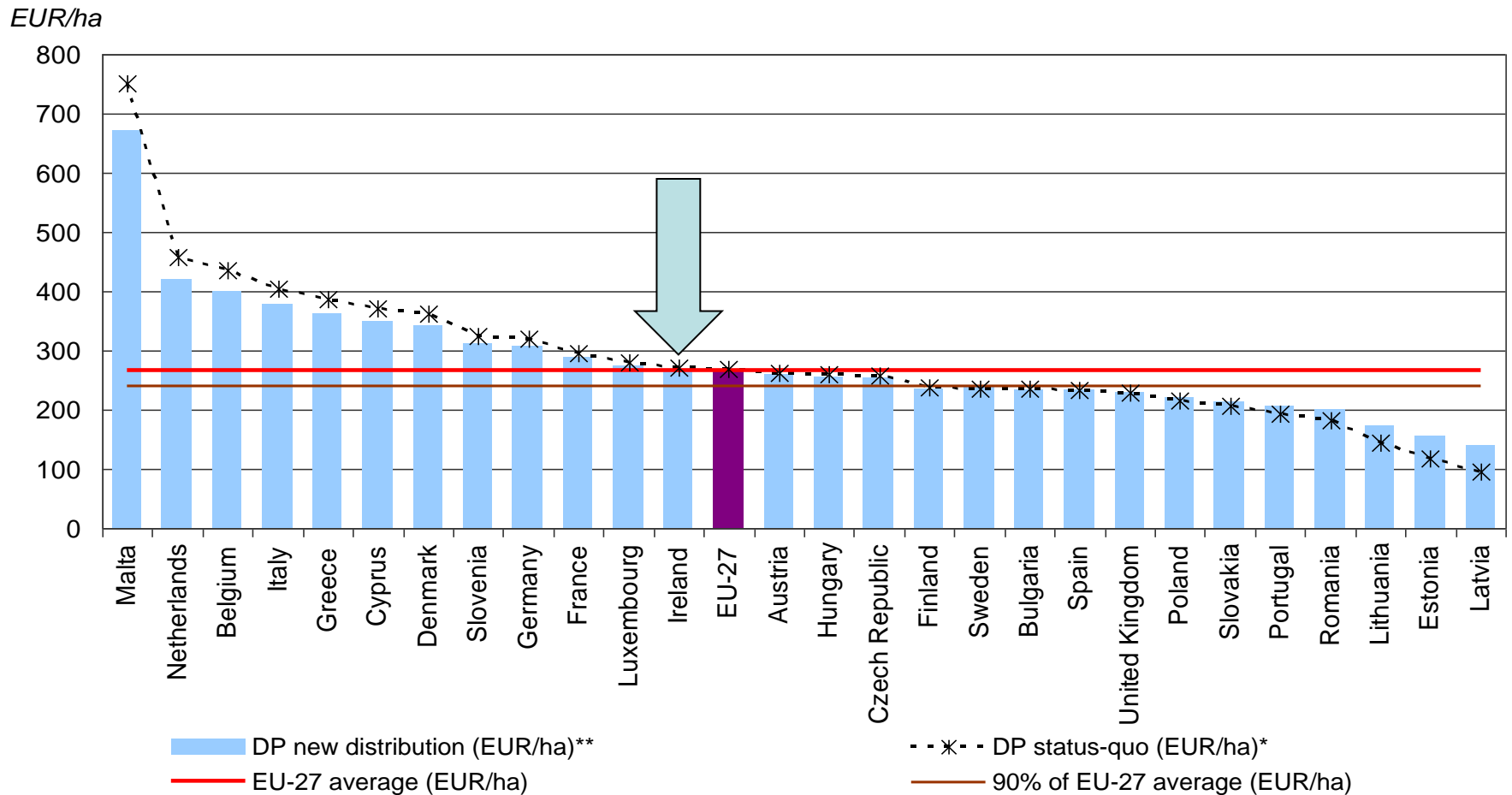
# EU 27 ratio of receipts to contributions

<b>Net beneficiaries</b>	<b>Ratio</b>	<b>Approx balance</b>	<b>Ratio</b>	<b>Net contributors</b>	<b>Ratio</b>
<b>Lithuania</b>	<b>4.36</b>	<b>Denmark</b>	<b>1.04</b>	<b>Belgium</b>	<b>0.31</b>
<b>Bulgaria</b>	<b>3.51</b>	<b>France</b>	<b>1.09</b>	<b>Netherlands</b>	<b>0.43</b>
<b>Latvia</b>	<b>3.51</b>	<b>Austria</b>	<b>1.11</b>	<b>Luxembourg</b>	<b>0.48</b>
<b>Hungary</b>	<b>3.21</b>	<b>Finland</b>	<b>1.15</b>	<b>UK</b>	<b>0.58</b>
<b>Estonia</b>	<b>2.72</b>	<b>Slovenia</b>	<b>1.16</b>	<b>Germany</b>	<b>0.63</b>
<b>Greece</b>	<b>2.72</b>			<b>Sweden</b>	<b>0.71</b>
<b>Romania</b>	<b>2.71</b>			<b>Malta</b>	<b>0.78</b>
<b>Ireland</b>	<b>2.65</b>			<b>Italy</b>	<b>0.81</b>
<b>Slovakia</b>	<b>2.26</b>			<b>Cyprus</b>	<b>0.85</b>
<b>Poland</b>	<b>2.18</b>				
<b>Czech</b>	<b>1.53</b>				
<b>Spain</b>	<b>1.50</b>				
<b>Portugal</b>	<b>1.47</b>				

# Proposed distribution of CAP funds between Member States

- Pillar 1 – Direct payments
  - Pragmatic approach based on average payments per hectare of eligible area
  - Brings those MS below 90% 1/3 of the way to 90%
  - Funded by proportional reductions on those over 100%

# 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

# Ireland's net ceiling

- Ireland's net ceiling for direct payments set at €1.236 billion annually from 2017
- Reduction of 1.5% on current national envelope
- Details of calculations still being examined

# Distribution of rural development funds between Member States

- Commission approach based on combination of objective criteria and past performance
- No specific figures yet proposed – but some figures in impact analysis

## Which Objective Criteria?

Ireland's share of Rural Development Funds, rural area, agricultural area and rural population

	Ireland	EU27	Ireland %
Rural development funds 2007-2013 (€m)	2494.54	96244.174	2.59%
Direct Payments eligible are (ha)	4637967	158427453	2.93%
Predominantly rural (PR) area (ha)	6750.5	240988	2.80%
Population in PR area (persons)	3040331	119365355	2.55%

Irish view is that our current share of CAP funds is fair. But others can point to other “objective criteria”:

Irish Share of:

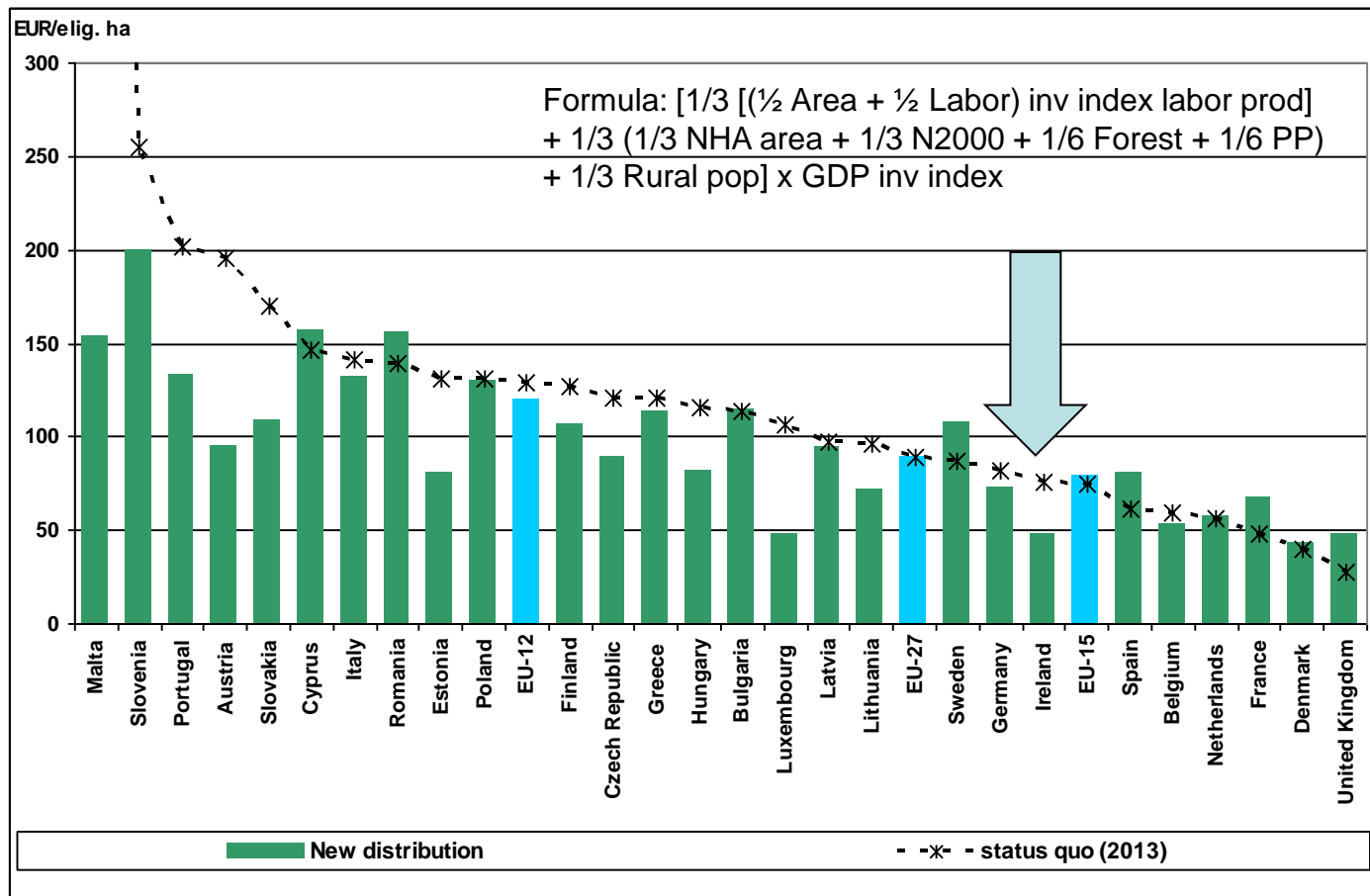
- Direct payment funds – 2.9%
- Rural dev. funds – 2.6%

Compared to:

- Utilised Ag. area – 2.4%
- Ag output (GVA) – 1.05%
- Ag labour (AWU) – 1.29%
- Rural and intermediate area – 1.73%

# Pillar 2 redistribution

## Example: use of objective criteria

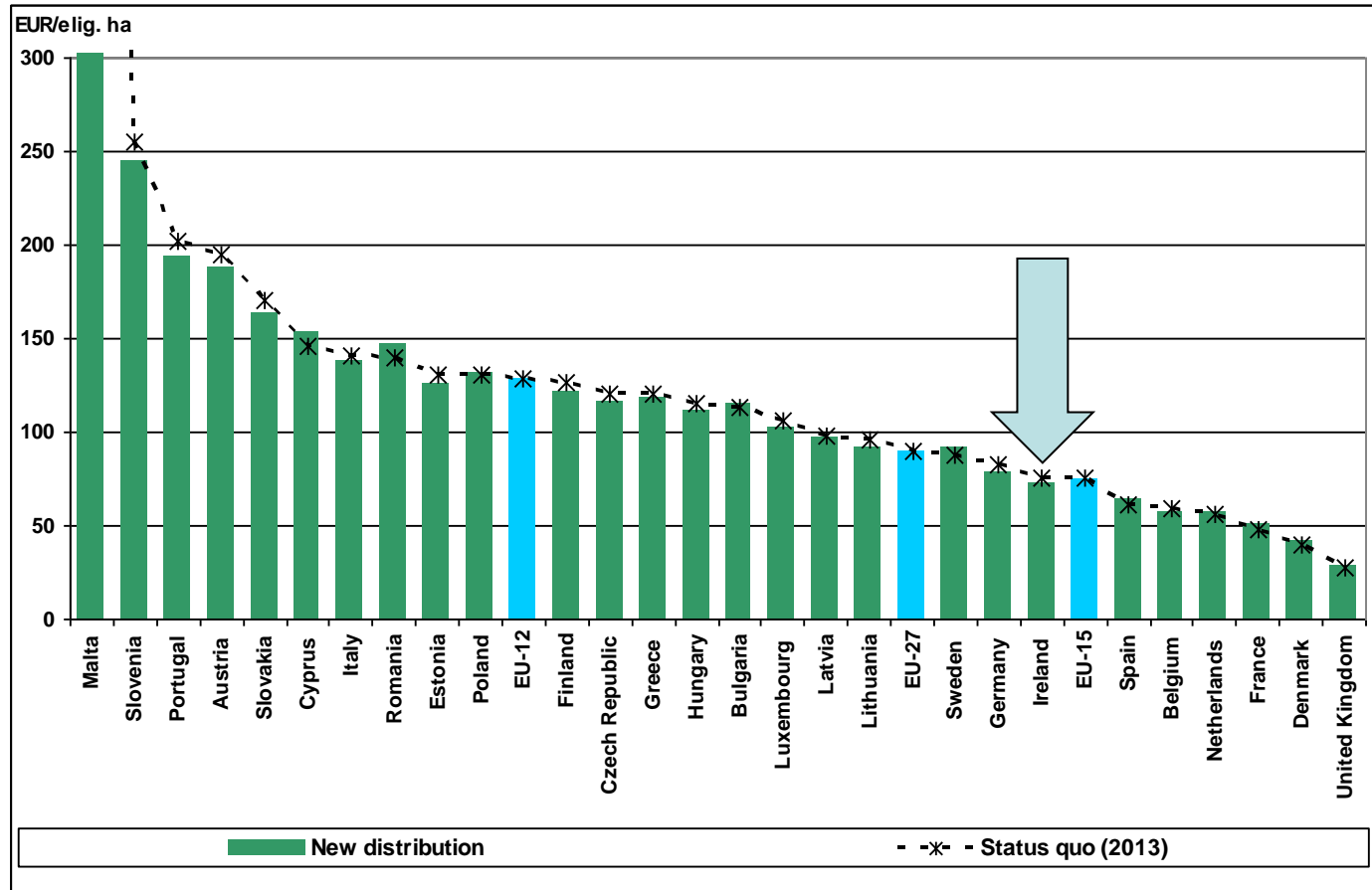


Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

Note: This distribution key doesn't take into account the transfers made through the market reforms in the tobacco, cotton and wine sectors

# Pillar 2 re-distribution

Example: Use of objective criteria within 90-110% range and current distribution

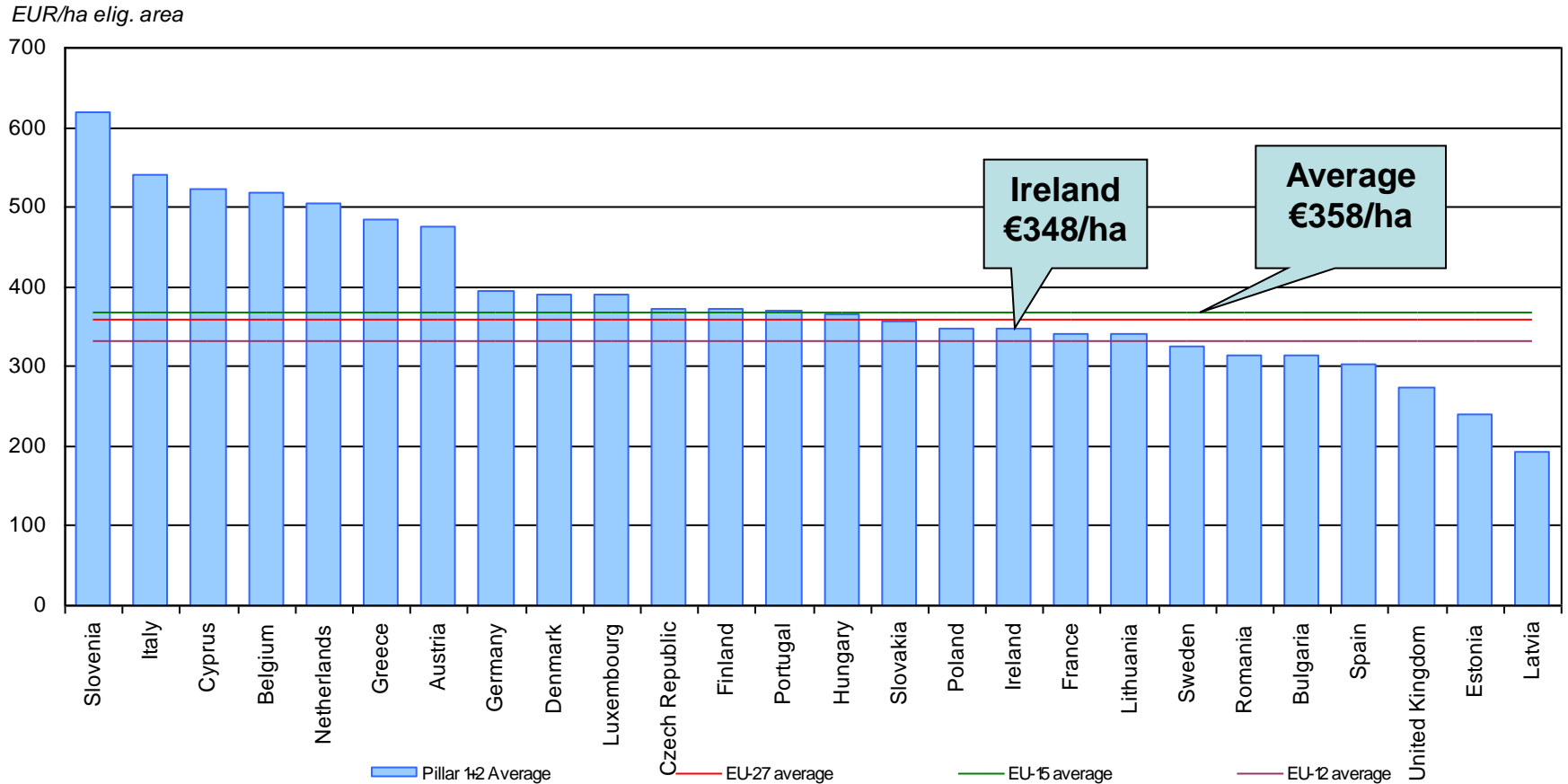


Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

# Irish view on redistribution of CAP funds between Member States

- Use pragmatic approach for distribution of pillar 1 and pillar 2 funds combined, based on average payments per hectare of eligible area
- Ireland receives below average payments per hectare for pillar 1 and 2 combined so no justification for any loss
- Difficult to agree to direct payments allocation until we see specific proposals for pillar 2

Looking at Pillar 1 + Pillar 2 together shows much lower differences between Member States than P1 alone: This would be a better basis for any redistribution, using the pragmatic approach.



# Proposed structure of direct payments

- Progressive movement to uniform national or regional payment rates per hectare by 2019
- Entitlements based on eligible hectares declared in 2014 by active farmers with at least one entitlement in 2011
- National ceiling divided between
  - Compulsory: Basic scheme, green payment (30%), young farmer (up to 2%)
  - Optional: Areas of natural constraint, coupled payments (up to 5% each)
  - Compulsory for MS, optional for farmer: small farmer scheme (up to 10%)

A national flat-rate payment would lead to very large transfers between farmers: 76,412 farmers would get payment increases averaging 86%, while 56,683 would lose average of 33%.

<b>National</b>	<b>Number gaining</b>	<b>Total gain in payments (€)</b>	<b>Average gain (€)</b>	<b>Number losing</b>	<b>Total loss in payments (€)</b>	<b>Average loss (€)</b>
All regions	76,412	€301,914,749	€3,951	56,683	- €301,911,030	- 5,326

A two region (NUTS 2) flat rate model based would also lead to very large transfers between farmers : 74,897 farmers would get payment increases averaging 81%, while 58,198 would lose average of 33%.

In the BMW region, 39,592 farmers would get payment increases averaging 101%, while 31,274 would lose average of 36%

Region	Number gaining	Total gain in payments (€)	Average gain (€)	Number losing	Total loss in payments (€)	Average loss
BMW	39,592	€134,056,901	€3,385.96	31,274	- €134,056,986	- €4,286.53
SAE	35,305	€160,642,883	€4,550.15	26,924	- €160,642,875	- €5,966.53
Total	74,897	€294,699,784	€3,934.73	58,198	- €294,699,861	- €5,063.75

A set of 8 regional flat rates (NUTS 3) would also lead to very large transfers between farmers: 74,445 farmers would get payment increases averaging 75%, while 58,650 would lose average of 33%.

NUTS 3 Regions	Numbers gaining	Total gain in payment	Avg. Gain	Numbers losing	Total loss in payment	Avg. Loss
Border	15,993	€50,601,618.87	€3,163.99	11,820	-€50,601,643.67	-€4,281.02
Midlands	7,381	€26,567,657.74	€3,599.47	4,557	-€26,567,665.97	-€5,830.08
West	15,542	€51,790,470.98	€3,332.29	15,573	-€51,790,504.71	-€3,325.66
Dublin	355	€1,865,072.59	€5,253.73	312	-€1,865,072.67	-€5,977.80
Mid-East	4,775	€24,028,462.31	€5,032.14	3,514	-€24,028,448.75	-€6,837.92
Mid-West	9,346	€31,763,538.97	€3,398.62	6,207	-€31,763,520.60	-€5,117.37
South-East	9,114	€40,186,715.36	€4,409.34	6,666	-€40,186,731.66	-€6,028.61
South-West	11,939	€58,847,589.00	€4,929.02	10,001	-€58,847,564.78	-€5,884.17
	74,445	€285,651,125.83		58,650	-€285,651,152.82	

# Distribution of SFP payments per hectare

Per Hectare payment	No of farmers
€1,000 or Greater	812
from €900 to less than €1,000	383
from €800 to less than €900	783
from €700 to less than €800	1,401
from €600 to less than €700	2,961
from €500 to less than €600	6,568
from €400 to less than €500	14,965
from €300 to less than €400	28,504
from €250 to less than €300	15,641
from €200 to less than €250	15,253
from €150 to less than €200	13,928
from €100 to less than €150	11,924
from €50 to less than €100	9,590
from €20 to less than €50	3,874
Less than €20	1,851
	128,438

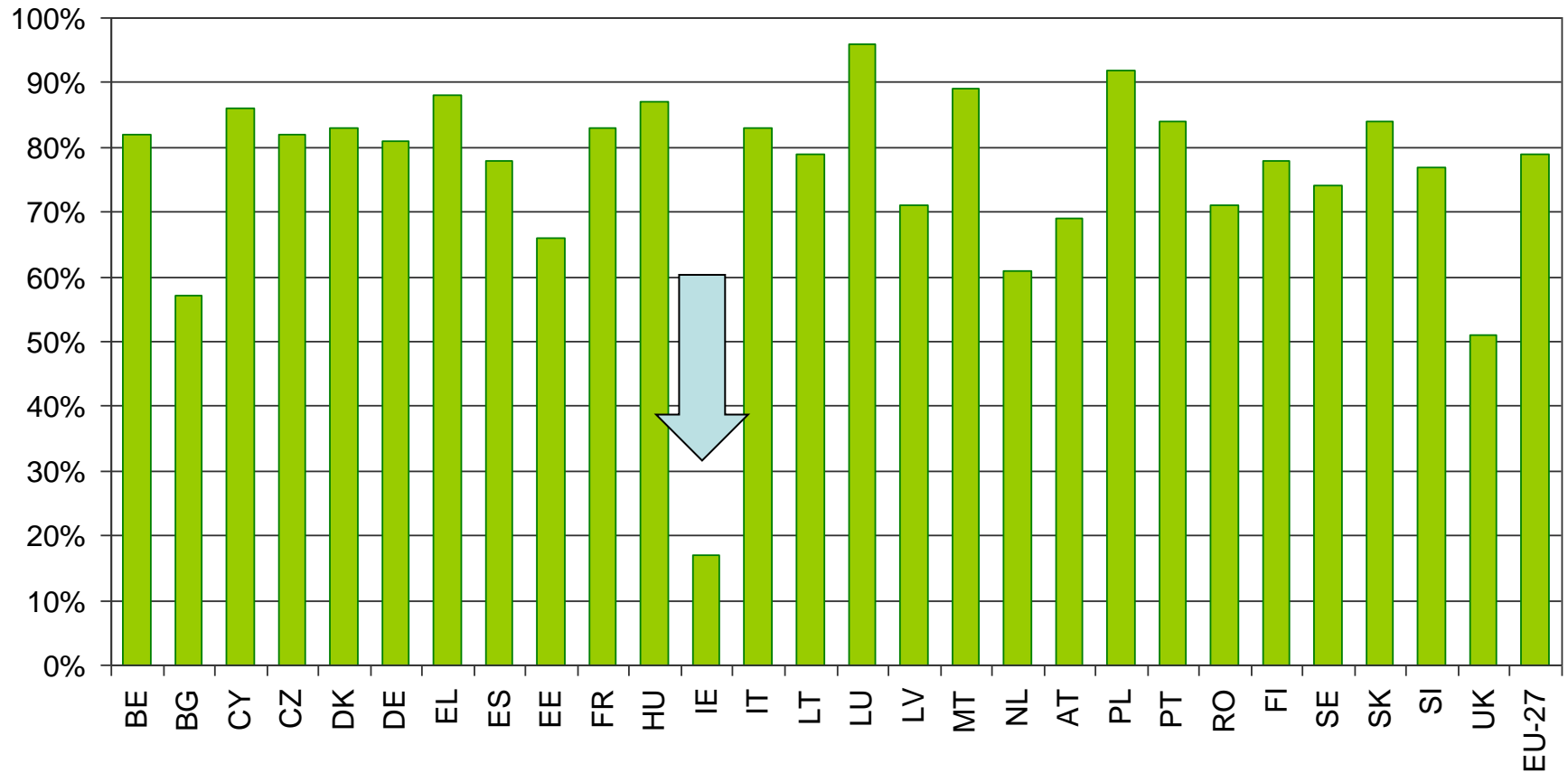
# Some issues for Ireland with payment model proposed

- Movement to uniform national or regional rates would lead to very large transfers between farmers
- Irish view is that there should be flexibility on payment model at Member State level
- And a gradual back-loaded adjustment process
- Also MS flexibility on reference dates

# Greening proposals

- 30% of national ceiling
- Flat rate per hectare
- Three greening criteria
  - Retention of permanent grassland at individual farm level (5% tolerance)
  - Crop diversification for farms over 3 ha - At least three crops (minimum 5%; maximum 70%)
  - Ecological focus areas to cover 7% of land excluding permanent grassland
  - Organic farms qualify automatically

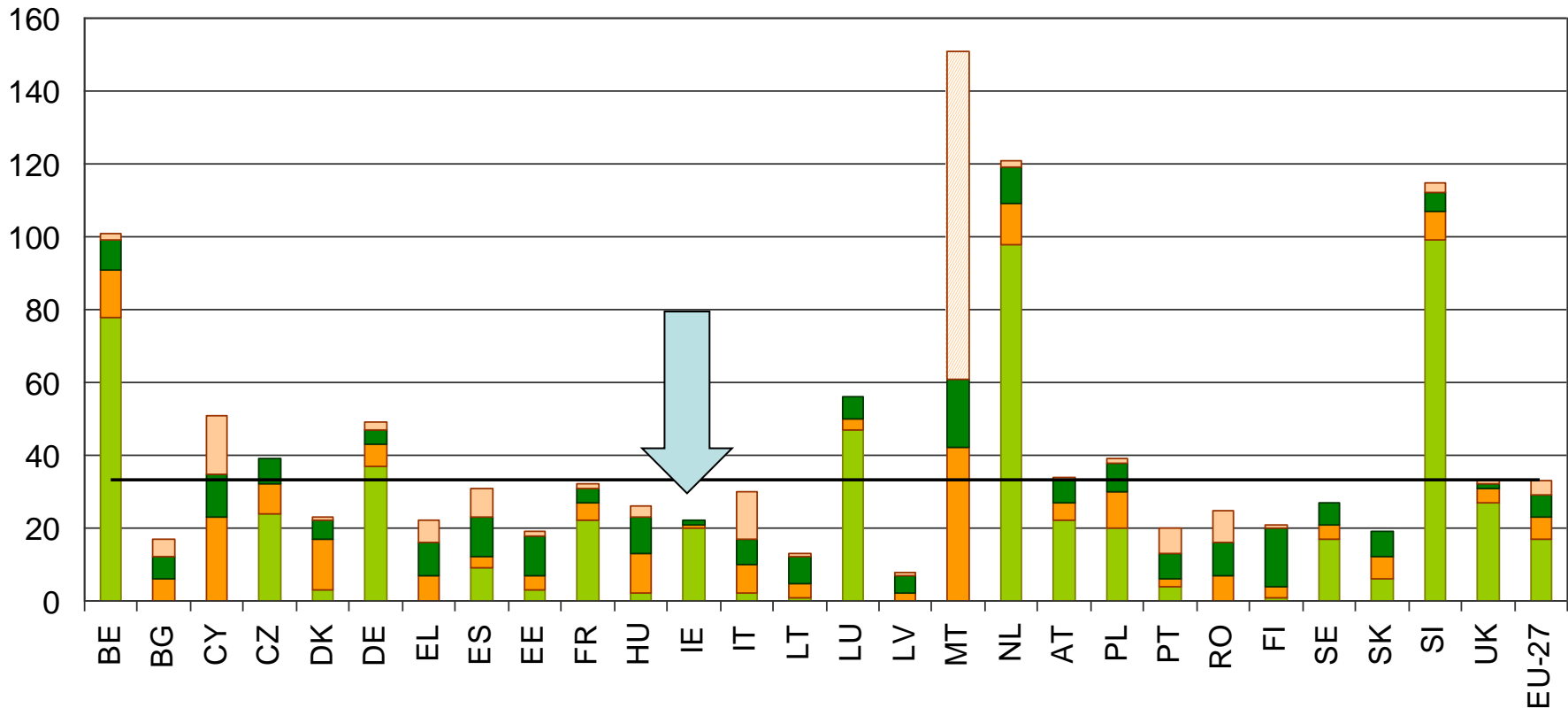
# Greening: Share of farms bearing the costs of greening measures



# Greening

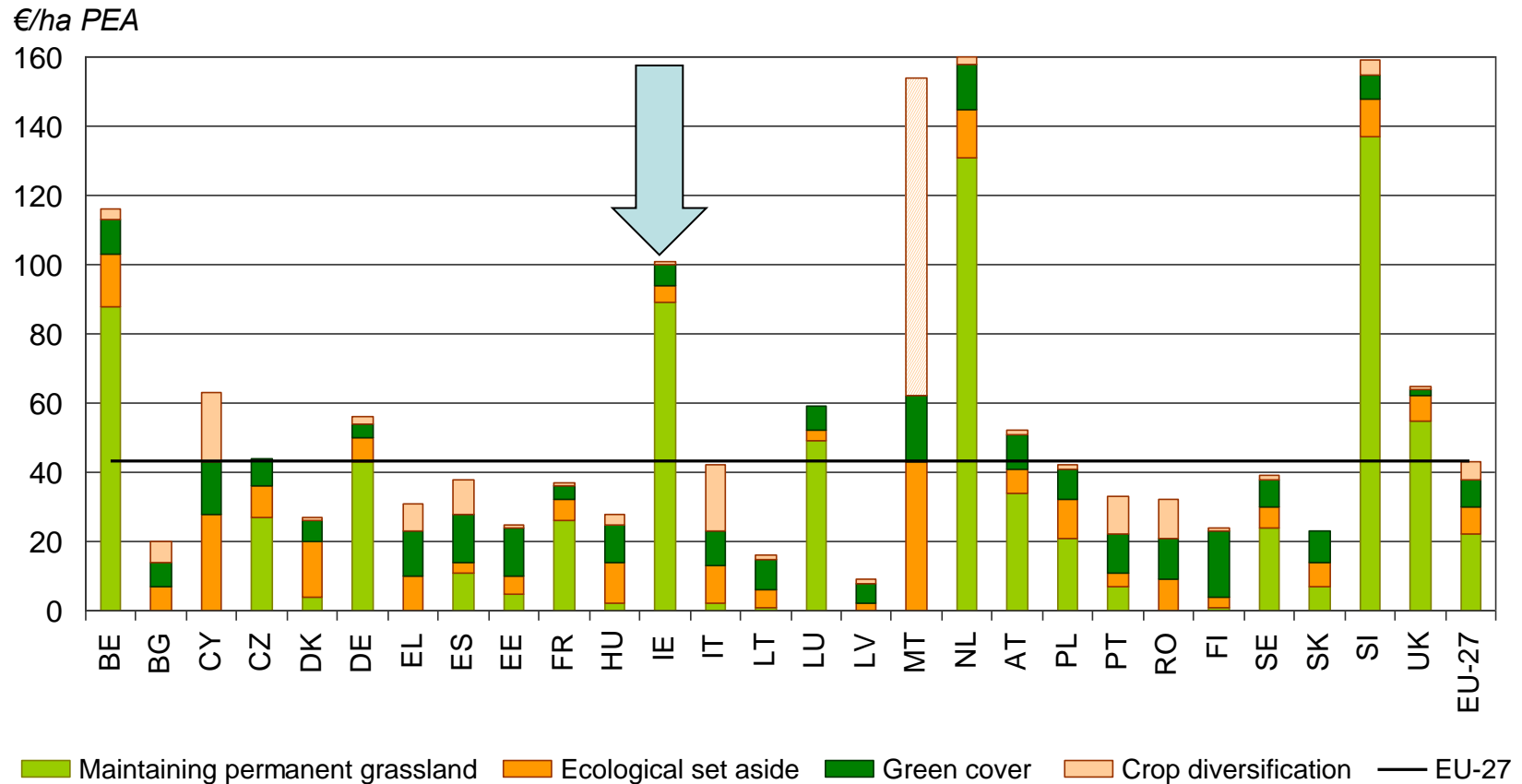
## Average total cost of greening per MS

€/ha PEA



■ Maintaining permanent grassland 
 ■ Ecological set aside 
 ■ Green cover 
 ■ Crop diversification 
  EU-27

# Greening: Average total cost of greening per MS – only for those farms bearing a cost



# Irish response to greening

- Support action in favour of sustainable agriculture – FH2020
- But 30% proposal will accelerate move to flat rates
- Extra administration of new payment and query environmental benefit
- Particular problems for small mixed farms
- Issues with individual criteria raised by Member States
  - 7% ecological focus area too high;
  - 3ha threshold too low; 3 crops diversification too rigid
  - Permanent grassland - rigidity & reseedling
- Should consider alternative approaches – including menu of options for Member States and/or building on current systems.

# Irish position on some other provisions on direct payments

- Young (under 40) farmers - 25% top-up for 5 years – Ireland proposed this measure and strongly supports
- Small-scale farmers scheme – for farms with payments below €1k – should be optional for Member States
- Areas of natural constraint – overlap with current LFA payments
- Coupled payments - 5%/10% of national ceiling – option should be for uniform provision throughout EU 27
- Capping – applies to €150k/300k net of green payment and salaries – few if any Irish farms affected
- Active farmer – need easily operable criteria, if applied at all

# Rural development – structure of proposal

- Complex new structure
  - Macro-economic conditionality
  - Common strategic framework for all EU funds
  - Partnership contracts + RDP + thematic sub-programmes
  - 5% performance reserve
- Three objectives: competitiveness, sustainability and rural economy
- Six priorities :Knowledge, competitiveness, food chain, ecosystems, carbon, jobs
- Overall focus on innovation
- EU co-funding – up to 50% general; 80% for leader; 100% for innovation.

# Rural Development measures

- Includes many existing measures: eg
  - Agri-environment (compulsory)
  - LEADER
- New measures
  - Farm and business development
  - Cooperative projects
  - Producer groups
  - Risk management

# Some rural development issues for Ireland

- Cumbersome process needs simplification
- Would prefer higher general co-financing rates
- Forestry
  - 100% establishment grant
  - Maintenance payments only; 10 year duration
- On-farm investment – must support FH2020 expansion and sustainability
- Less favoured areas
  - New bio-physical criteria + fine tuning
  - Includes soil moisture balance

# Irish Rural Development priorities

- Real focus on both competitiveness and sustainability / agri-environment
- Scope for farm investment support to assist expansion as envisaged in Food Harvest 2020
- Appropriate support for forestry and energy crops
- Simpler procedures

# Market supports

- Market Supports currently in use retained at safety net level, and therefore discretionary, depending on market conditions, including APS for butter
- Strongly welcome proposed abolition of sugar quotas in 2015
- Extension of crisis management provisions welcome; Need to ensure available and accessible funds
- Extension of producer and inter-branch organisation measures to all sectors – may have implications for competition law and single market

# Main priorities for Ireland

- Strong common policy with commensurate CAP budget
- Retention of Ireland's funding under pillar 1 and pillar 2. Redistribution between Member States should use the "pragmatic method" for both pillars.
- Maximum possible flexibility for Member States in relation to payment models in pillar 1
- Rethink of greening proposals needed to get something more workable
- Real focus on both competitiveness and sustainability in pillar 2 - including on-farm investment
- Major effort on simplification required.

# Next steps

- Proposals now at early stage of clarification – a long way from final conclusions
- In Brussels
  - Detailed examination by Working Groups, SCA and Council
  - Parallel examination by European Parliament
  - Sequencing issue with MFF negotiations
  - Important role for Irish Presidency
  - Ireland building alliances and influencing
- In Ireland
  - Extensive stakeholder consultation
  - Continued analysis

Thank you

<http://www.agriculture.gov.ie/captowards2020/>