Dialogue for Agricultural Policies in the Americas

In light of the Post-2015 Development Agenda

COMMON AGRICULTURAL POLICY OF THE EUROPEAN UNION (CAP)

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MAGRAMA
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THE AGRICULTURAL SECTOR IN THE EU

• 28 Member States
• 500 million consumers
• 12 million farmers
  – Average farm size: 15 hectares
• Rural areas represent more than 77% of EU’s territory
• Agricultural + alimentary sector =
  – 7% of all jobs
  – 6% of the European GDP
BACKGROUND

- **October 2011**: CAP reform proposal presented by the European Commission

- **June 2013**: Inter-institutional political agreement (Council – European Parliament (EP) - Commission)
  - Participation of the EP

- **December 2013**: Publication of regulations (Official Journal of the EU)
MULTIANNUAL FINANCIAL FRAMEWORK (MFF) 2014-2020

29 June 2011: “A budget for Europe 2020”

Council Regulation Nº 1311/2013 laying down the multiannual financial framework for the years 2014-2020

• Financing of the CAP.

• Maintenance of the 2 pillars of the CAP and their proportion (1st pillar 76% / 2nd pillar 24% - cofinanced)

• Includes guidance for the reform of the CAP:
  - Maintains the basic structure of CAP’s two pillars
  - Greening of direct payments
  - Convergence of payment (external)
  - Limits the level of direct payments (“Capping”)
### Multiannual Financial Framework (EU-28)

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<td><strong>1. Smart and Inclusive Growth</strong></td>
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<td><strong>2. Sustainable Growth: Natural Resources</strong></td>
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<td>of which Market related expenditure and direct payments</td>
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<td><strong>6. Compensations</strong></td>
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<td>7 590</td>
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CHALLENGES AND GOALS OF THE CAP

Challenges

- Economical
- Environmental
- Territorial

Goals

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

CAP reform

- Enhanced competitiveness
- Improvement of sustainability
- Greater effectiveness

Fuente: Comisión Europea
TOOLS OF THE NEW CAP

Enhanced competitiveness
- Improvement of the economic tools to orientate CAP towards market development
- Crisis management
- Improvement of farmers’ position in the alimentary chain (PO, APO, IBO)
- Research, innovation, knowledge transfer and improvement of Farm Advisory System

Improvement of sustainability
- New “green” payment in 1 Pillar
- Cross compliance
- Rural development (two environmental priorities)
- Research, innovation, knowledge transfer and improvement of Farm Advisory System

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

More integration of the tools for the 1st and 2nd Pillar
Greater flexibility in CAP’s application to meet specific needs/conditions

Fuente: Comisión Europea
CAP DESIGN: THE PILLARS

CAP

DIRECT PAYMENTS
COMMON MARKET ORGANIZATION
RURAL DEVELOPMENT
CAP REFORM 2020

• Legislative package:
  Publication Official Journal of the EU. 20 December 2013
  – Regulation 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the CAP
  – Regulation 1308/2013 establishing a common organisation of the markets in agricultural products
  – Regulation 1305/2013 on support for rural development by the EAFRD.
  – Regulation 1306/2013 on the finance, management and monitoring of the CAP
THE REFORM OF THE FIRST PILLAR OF THE CAP: DIRECT PAYMENTS

- Regulation (EU) No 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the CAP
  - Basic Payment Scheme
  - Redistributive payment
  - Payment for agricultural practices beneficial for the climate and the environment (“greening”)
  - Payment for areas with natural constraints
  - Payments for young farmers
  - Voluntary coupled support
  - Small farmers scheme
# NEW MODEL OF CAP’S DIRECT PAYMENTS

## Voluntary coupled support
- Different sectors
- Up to 10% or 15% of national ceiling (MS decide)

## Areas with natural constrains
- Up to 5% of national ceiling
- Voluntary for MS

## Redistributive Payment
- Voluntary
- Up to 30% of national ceiling

## Young farmers
- Start of the activity
- < 40 years
- During 5 years
- Up to 2% of the national ceiling

## Green Payment
- Crop Diversification
- Permanent grassland
- Ecological focus areas
- 30% of national ceiling

## Basic Payment
- National or regional application
- Internal convergence
- No fixed %

## Small farmers
- Simplification of application and monitoring procedures
- Compulsory for MS, voluntary for farmers

### “Capping”

Source: European Commission
BASIC PAYMENT SCHEME

• New basic payment scheme (BPS), decoupled from production, for active farmers who exercise an agricultural activity
  – Agricultural activity: production, rearing or growing of agricultural products; maintaining an agricultural area in a state which makes it suitable for grazing or cultivation
  – Active farmer: “negative list” for legal persona unless they prove they really exercise an agricultural activity. Member States can decide not to grant payments
• Internal convergence process
• Funds: there’s no fixed budget. The national ceiling is set after accounting for the rest of direct payments
REDISTRIBUTIVE PAYMENT

• Voluntary for Member States

• Redistribution of direct payments between farmers granting an extraordinary payment for the first hectares

• Limit: 30 hectares or the average size of farms in the Member State

• Up to 30% of national ceiling
PAYMENT FOR AGRICULTURAL PRACTICES BENEFICIAL FOR THE CLIMATE AND THE ENVIRONMENT

CAP’s new “GREEN” model

Environmental Benefits

Rural Development

“Greening”

Cross compliance

Implementation Mechanisms

Voluntary (compensation for costs incurred and income foregone)

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

Compulsory (Statutory management requirements, Good agricultural and environmental condition)

Source: European Commission
Payment for agricultural practices beneficial for the climate and the environment ("greening")

- New “green” payment compulsory for all MS
- Goal: improve the environmental behavior through a compulsory “greening” component in direct payments to support agricultural practices beneficial for the climate and the environment.
- These practices must be simple, generalised, non-contractual and annual.
- They must go beyond cross compliance.
- Recognition of the environmental benefits of ecologic agriculture systems.
- Member States must use part of their national ceilings of direct payments to give an additional annual grant that tops the basic payment:
  - 30% of ceiling on direct payments
PAYMENT FOR AREAS WITH NATURAL CONSTRAINTS

• Voluntary for Member States

• Payment for farms situated in areas with natural constraints (areas defined in the rural development Regulation)

• Up to 5% of national ceiling
PAYMENT FOR YOUNG FARMERS

• New measure in the 1st Pillar, linked to the basic payment: “top up” or complement to this payment.

• For farmers who are less than 40 years old

• Who are setting up for the first time or who started the agricultural activity less than 5 years before their first application

• Annual payment (maximum 5 years)

• Maximum financial limit: 2% of the national ceiling
VOLUNTARY COMPLEMENTARY SUPPORT

• Complementary support may only be granted to those sectors that are particularly important for economic, social or environmental reasons undergo certain difficulties.
• Create an incentive to maintain current levels of production
• Annual payment within defined quantitative limits based on fixed areas and yields or on a fixed number of animals.
• Financial limit:
  – Up to 8% of annual national ceiling (general)
  – Up to 13% of national ceiling in specific cases (for Spain)
  – More than 13 % of the annual national ceiling, upon approval by the Commission
• may be increased by up to 2 points for those Member States which decide to use at least 2% of their annual national ceiling to support the production of protein crops
• Member States can review payments by 1 August of 2016 (with effect from 2017)
SMALL FARMERS SCHEME

• Simplified scheme which does not have to comply with “greening” nor cross compliance, has an easier application and less controls.

• Maximum 1.250 EUROS

• Voluntary for farmers

• Amount of the grant based on what the farmer would have received under the general scheme.
IMPLEMENTATION MODEL IN SPAIN

• Sector Conference on Agriculture and Rural Development - 24 and 25 July 2013: General agreement on how to apply the new CAP in Spain: grounds to implement the reform of the CAP in Spain (after meeting with different sectors and administrations)
  – Creation of High Level Working Groups: Grupos de Trabajo de Alto Nivel (GTAN) to deal with more complex technical issues (regionalization, active farmer, coupled payments, distribution criteria for EAFRD, Rural Development measures)

• Sector Conference on Agriculture and Rural Development - 20 and 21 January 2014: CAP IMPLEMENTATION AGREEMENT IN SPAIN: an agreement is reached concerning the issues dealt by the working groups, so the reform process of the CAP is finished in Spain and its implementation starts

• Publication of the Royal Decrees: December 2014
CAP’S NEW MODEL OF DIRECT AID: application in Spain

- Voluntary Schemes
  - Voluntary Coupled Support
    - Payment for Young Farmers
      - “GREEN” PAYMENT (Greening)
    - Basic Payment
  - Payment areas with natural constraints
- Compulsory Schemes
  - Redistributive payment
- Small Farmers Scheme
THE REFORM OF THE FIRST PILLAR OF THE CAP: COMMON ORGANIZATION OF AGRICULTURAL MARKETS

COAM

AGRICULTURAL MARKET’S REGULATION POLICY

OBJECTIVES:
- Balancing markets
- Stable prices
- Profitability of farms

Influence on the markets through management measures oriented, among others, to:
- Reduce surpluses regulating the production
- Equilibrium of producer prices – Less intervention
- Provisions for production and marketing to support sectors with special needs
- Regulate trade
- Act when there’s a crisis
INSTRUMENTS OF COAM

1. Internal market
   – Intervention measures
     • Public intervention and aid for private storage
     • Support schemes (School Programs, F&V, wine)
     • Vineyards
   – Provisions concerning marketing and production
     • Marketing rules and conditions concerning production
     • producer and inter-professional organizations

2. Commercial exchanges with third countries
   – Imports
   – Exports

3. Competence rules

4. Exceptional measures and reserves in the event of a crisis
REFORMING THE SECOND PILLAR OF THE CAP


STRATEGIC GOALS OF THE SECOND PILLAR

Strategic goals of rural development policy:

• Improve agriculture’s competitiveness
• Ensure a sustainable management of natural resources and climate action
• Achieve a balanced territorial development of rural economies and communities, including the protection of jobs
PRIORITIES OF THE SECOND PILLAR

Six common **priorities** of the EU:

1. Fostering innovation and knowledge transfer 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 organisations, animals 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 agricultural, food and forestry sectors
6. Promoting social inclusion, poverty reduction and economic development in rural areas
THE REFORM OF CAP’S SECOND PILLAR

The reform of 2013 maintains many of the main characteristics of the rural development policy of the previous period (2007-2013).

- Application through national and/or regional rural development programs (RDP).
- Improvement of the strategic approach to design the RDPs.
- Reinforcement of the content of rural development measures.
- Closer links between the rural development policy and the other European Structural and Inversion Funds.
EVOLUTION OF CAP EXPENDITURE
CURRENT SITUATION

2015, first year of application of the new CAP (pillar I)

European Union (EU):

- Priority of the new Commissioner for Agriculture: **Simplification of the CAP**
THANK YOU!

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