

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>
Heading 2 of MFF		
- Pillar I - Direct payments and market-related expenditure	281.8	317.2
- Pillar II - Rural development	89.9	101.2
Total CAP	371.7	418.4
Other Headings of MFF		
- 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
Outside MFF		
- Reserve for crises in the agricultural sector	3.5	3.9
- European Globalisation Fund	Up to 2.5	Up to 2.8
Total additional amounts	Up to 15.2	Up to 17.1
Total amounts for 2014-2020	Up to 386.9	Up to 435.5

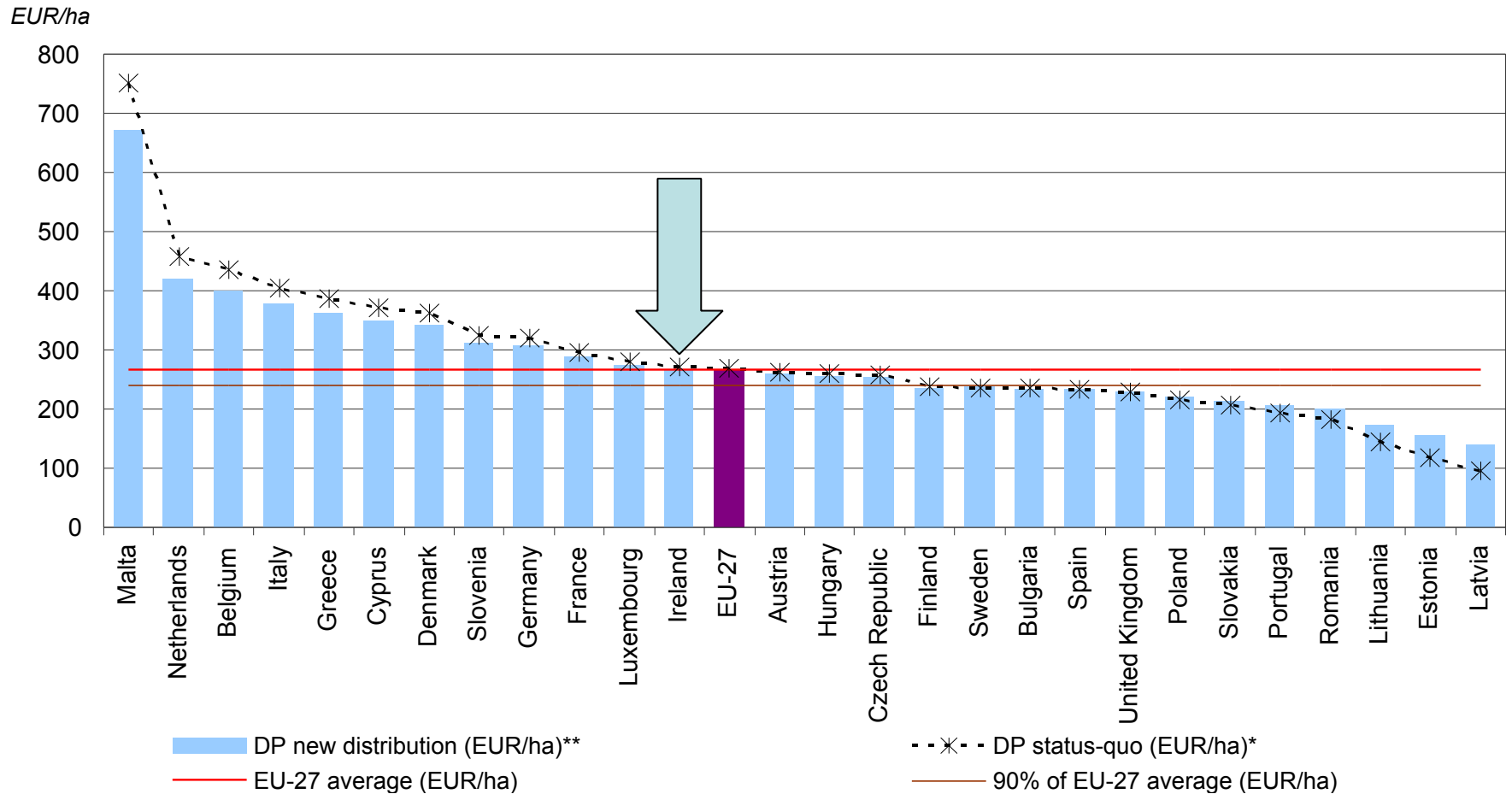
EU 27 ratio of receipts to contributions

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

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

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:

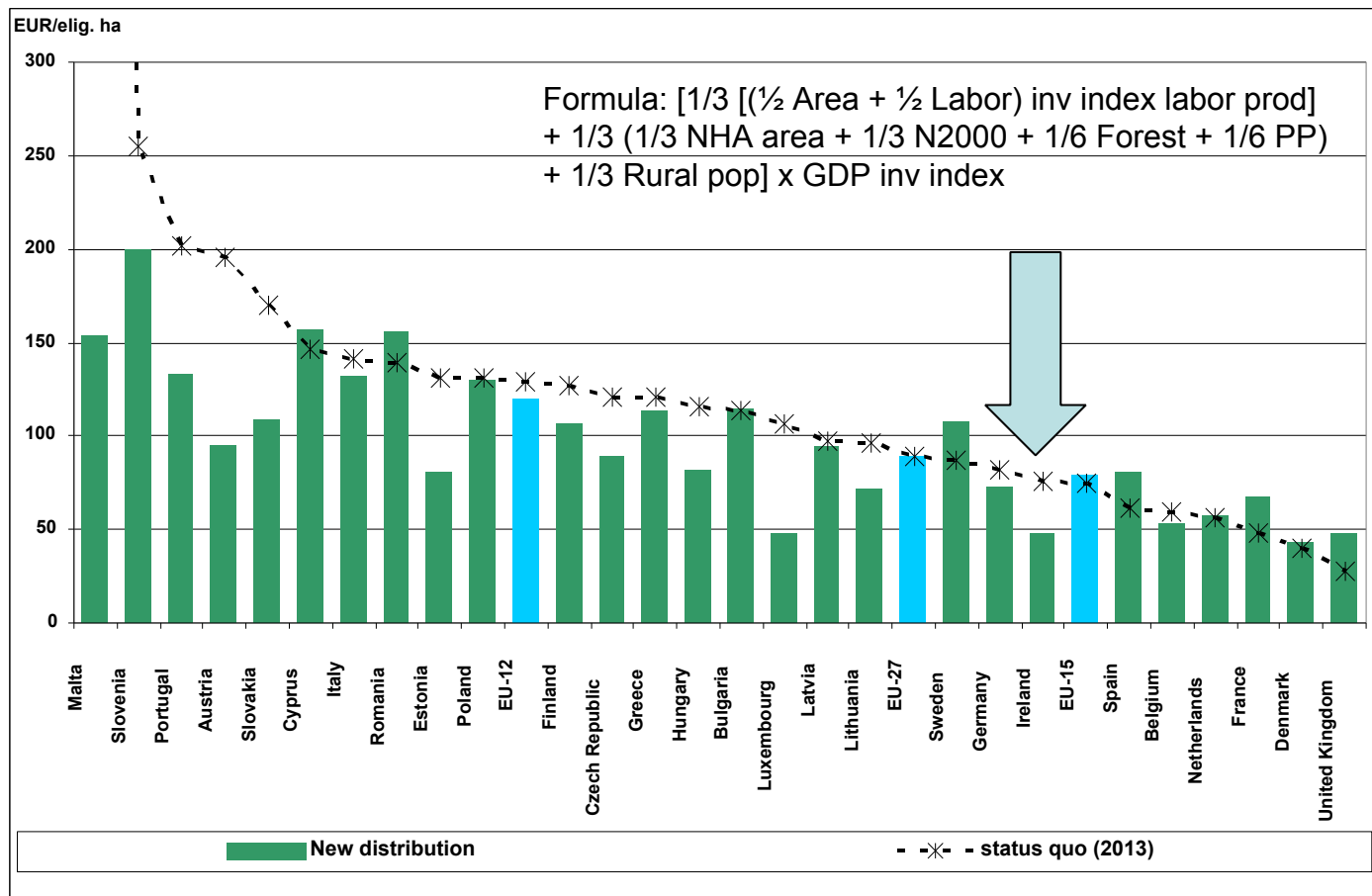
- Direct payment funds – 2.9%
- Rural dev. funds – 2.6%

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

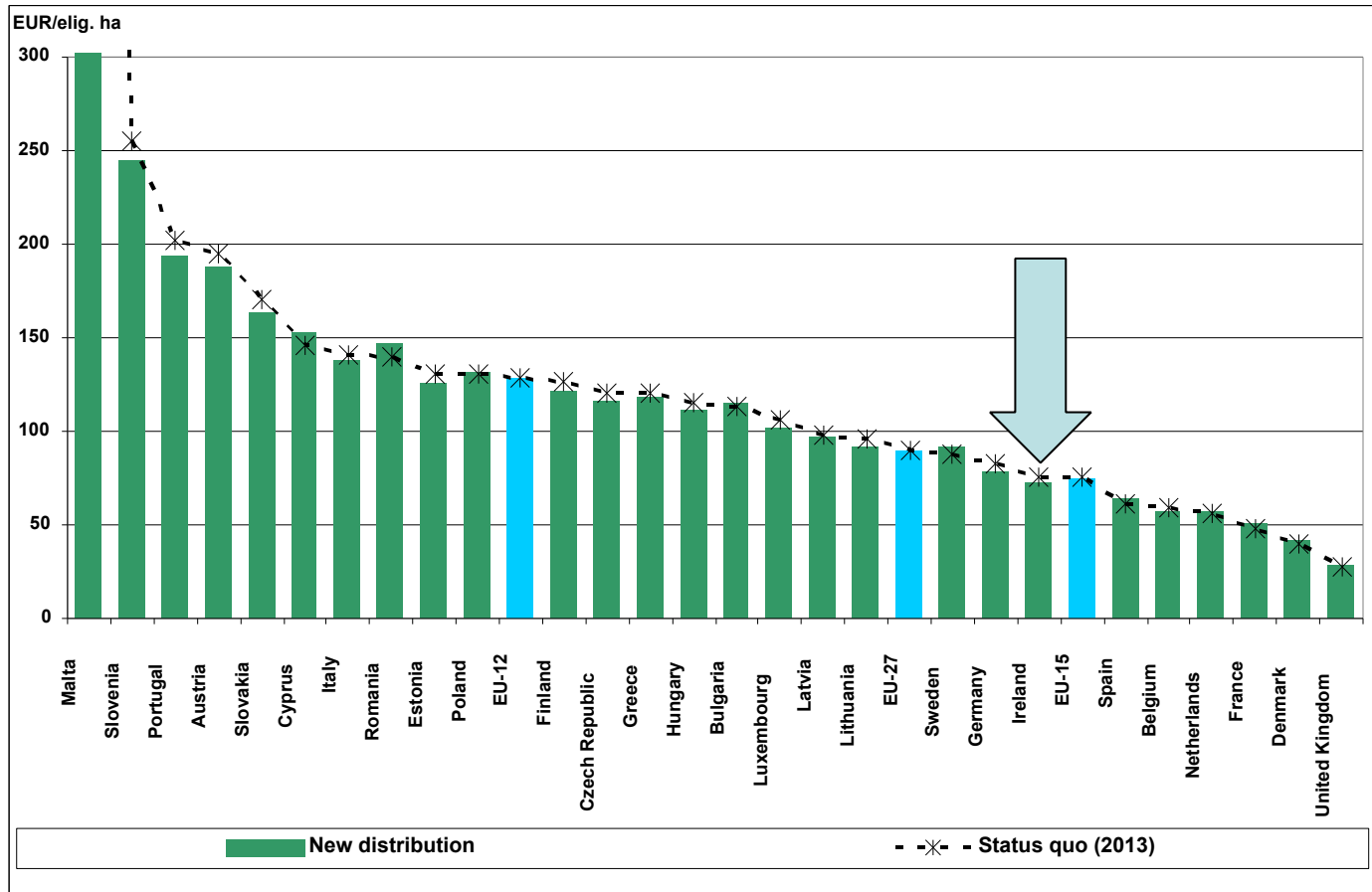


Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

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

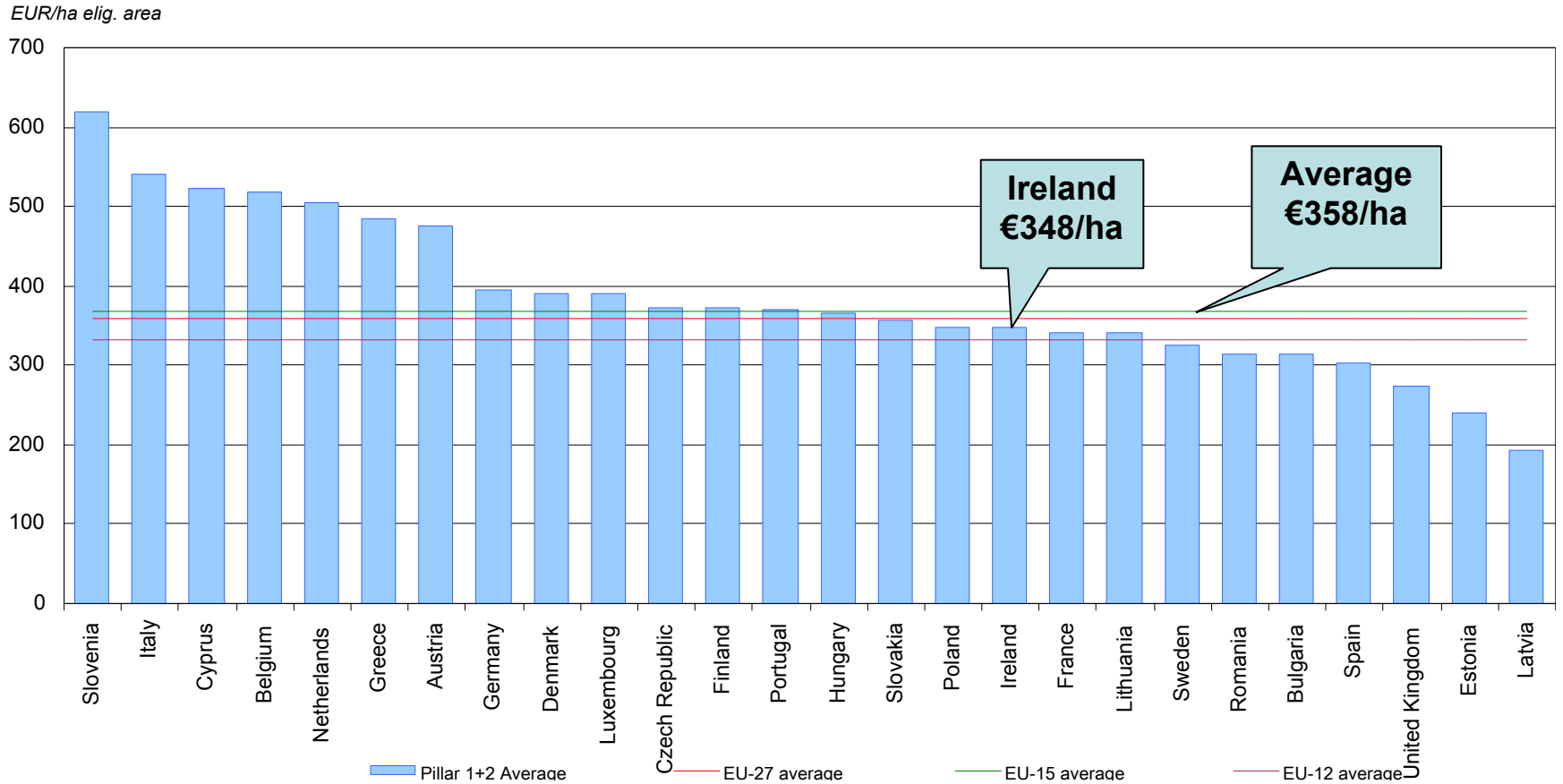


Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

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%.

National	Number gaining	Total gain in payments (€)	Average gain (€)	Number losing	Total loss in payments (€)	Average loss (€)
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

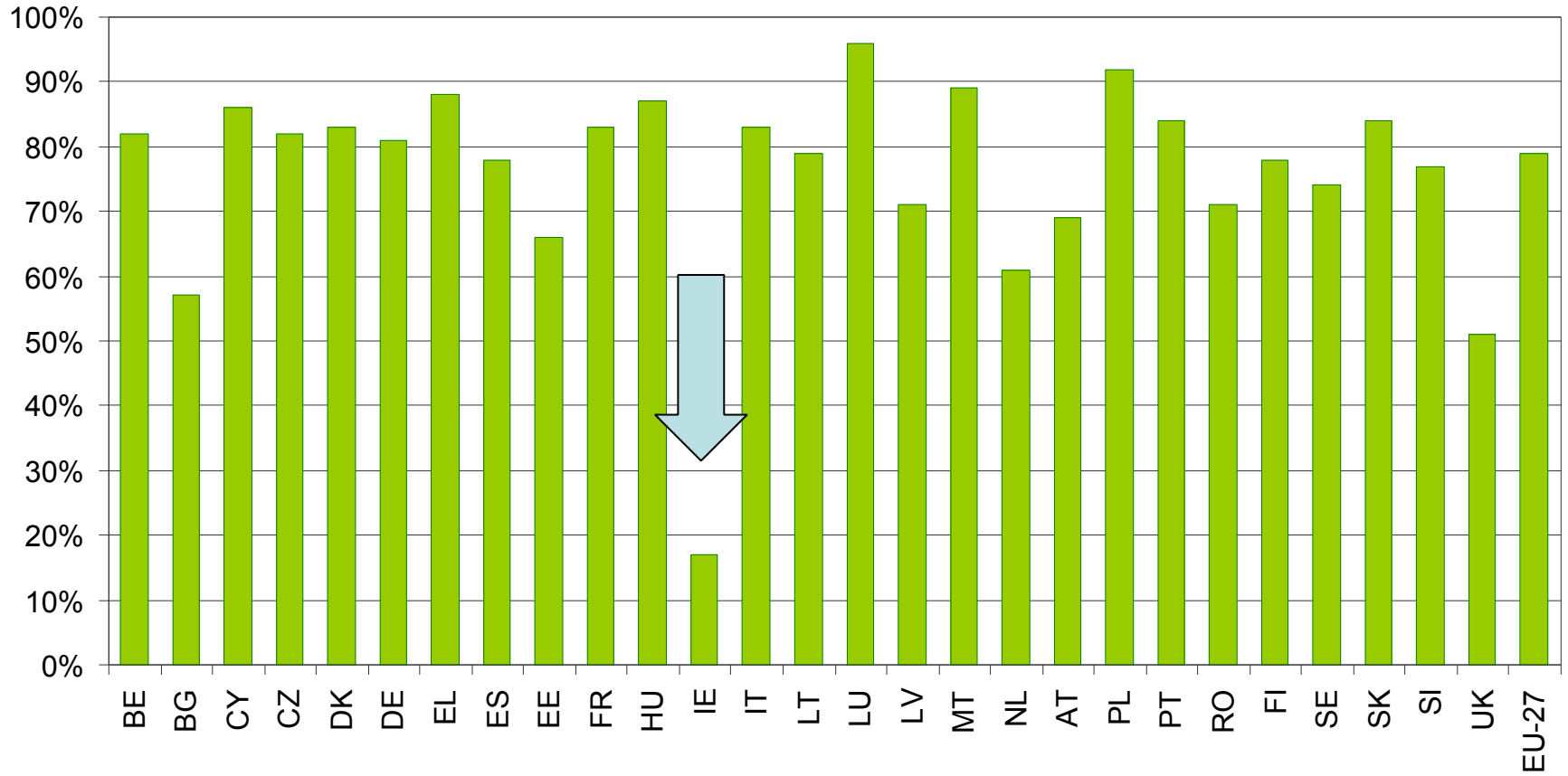
Some issues for Ireland with payment model proposed

- 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

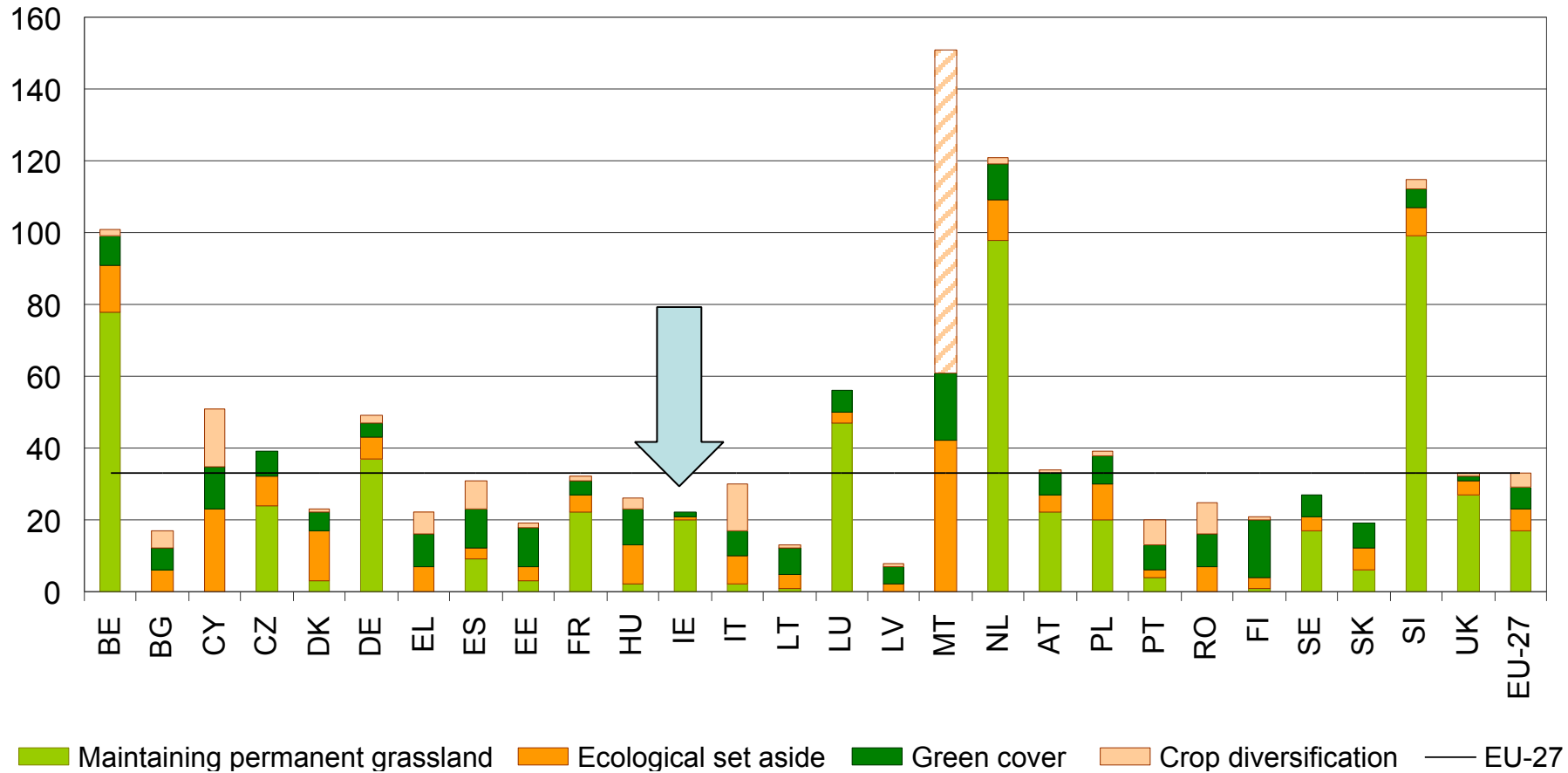
Greening: Share of farms bearing the costs of greening measures



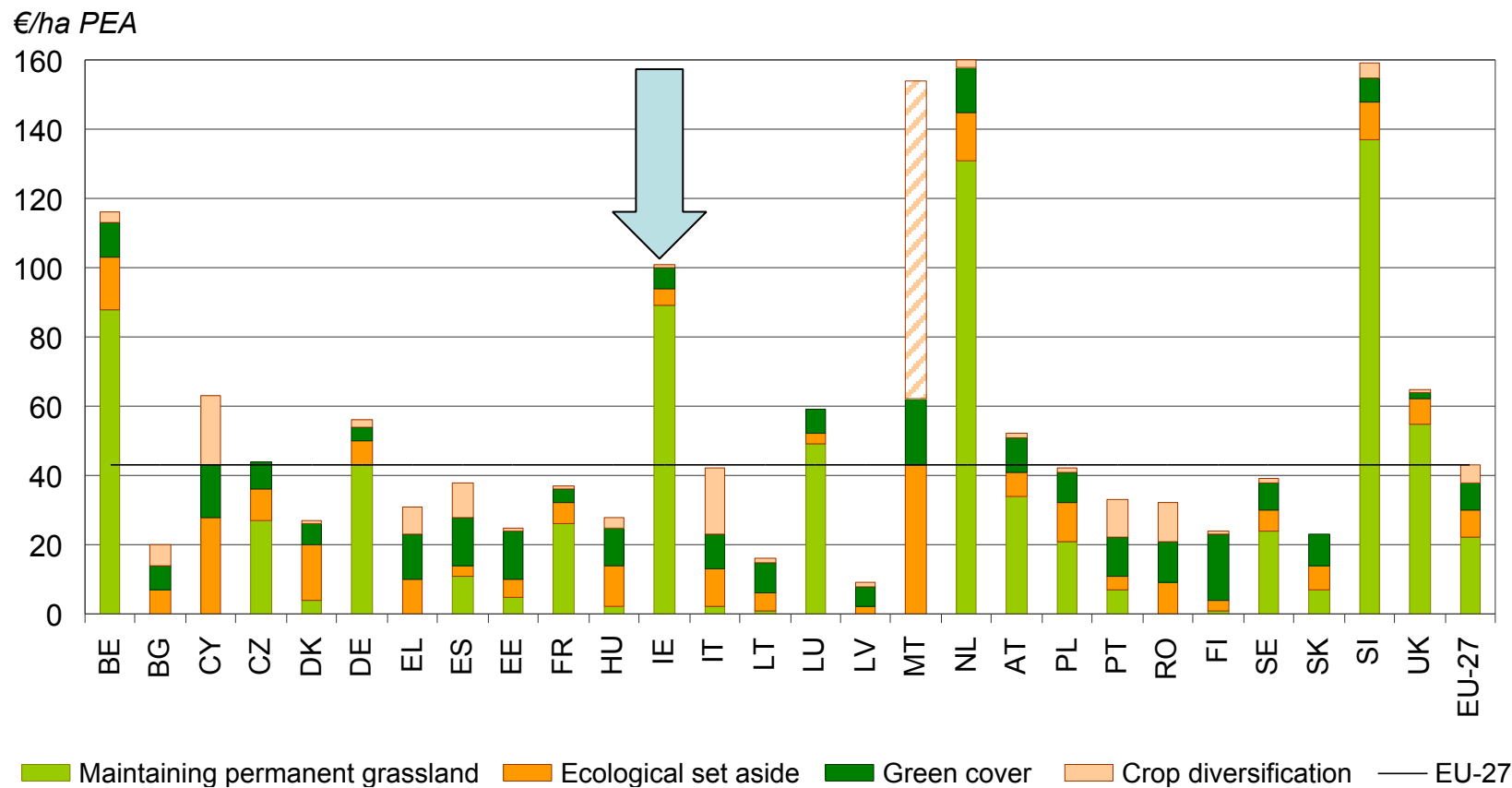
Greening

Average total cost of greening per MS

€/ha PEA



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/>