Research and Information Service
Briefing Note

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Reform of the Common Agricultural Policy– Spring 2013 update

1 CAP reform

The current CAP reform process was instigated by the European Commission's publication of detailed proposals for CAP reform on the 12th of October 2011. Some of the main components of these proposed reforms included the following:

- **The Single Farm Payment system would be replaced –** with a new basic payment scheme and payments being set at a flat and uniform rate per hectare either at national or regional level and this needs to be in place by no later than January 2019;
- **Move towards Direct Payment convergence –** move to equalise the payments that farmers receive per hectare for the land they farmed across the EU;
- **Direct payments would be capped at €300,000 per year;**
- **Additional 'greening' measures would be implemented** - 30% of direct payments will be subject to 3 new greening measures that will require farmers to: 1. maintain permanent pasture; 2. diversify crops in the case of arable farmers (must cultivate at least three crops with none accounting for more than 70% of the land, with the third

crop accounting for 5% of the land); and 3. maintain an ecological focus area of at least 7% of farmland excluding permanent grassland;

- **Direct payments would only be available to 'active' farmers** – payments would not be made to applicants for whom the CAP direct payment are less than 5% of total receipts from all non-agricultural activities. Farmers whose direct payments are less than €5,000 will not have to meet the active farmer criteria. ;
- **Funds could be transferred between Pillars** – Member States will be able to transfer up to 10% of their national allocation for direct payments (Pillar 1) to their Rural Development (Pillar 2) envelope. Member States in receipt of less than 90% of the EU average for direct payments will also be able to transfer up to 5% of their Rural Development (Pillar 2) allocation to Direct Payments (Pillar 1)

These and other reform proposals were grouped into 4 regulations as follows:

- **Direct payments regulation;**
- **Rural development regulation,**
- **Common market organisation (CMO) regulation;**
- **Horizontal regulation (Finance, management and monitoring).**

This current CAP reform process is the first to be subject to co-decision, as a result of the Lisbon Treaty coming into force in 2009.

This co-decision requirement effectively means that the final CAP reform package implemented by the Commission needs to have the agreement and endorsement of the EU Council and Parliament.

As a result of the co-decision requirement, since the publication of the Commission proposals in October 2011, the European Parliament and the European Council have each sought to refine their position with regard to the Commission proposals. This process has been protracted but table 1 below sets outs some of the key milestones over the last 2 years in chronological order.

Date	Body involved	Milestone
9th and 10th July 2012	European Parliament	MEPs submit 7,415 proposed amendments to the CAP reform proposals, of which 2,292 deal with direct payments to farmers alone
24th January 2013	European Parliament	Agriculture Committee agrees common position on CAP reform in preparation for full plenary vote
8th February 2013	European Council/Heads of Sate	Agreement of Multi Annual Financial Framework (MFF) for 2014-20 period
14th March 2013	European Parliament	Plenary votes to only approve Council endorsed MFF if possibility to increase funds is included, current shortfalls are met and unspent funds are prevented from returning to national capitals
14th March 2013	European Parliament	Plenary vote on CAP reform position –

		informed by Agriculture committee position. Common positions agreed and adopted on 4 regulations with votes as follows: • Direct payments: 427 votes for, 224 against, with 32 abstentions; • Rural development: 556 votes for, 95 against, with 18 abstentions; • Single CMO: 375 votes for, 277 against, with 24 abstentions; and • Horizontal regulations: 474 votes for, 172 against, with 23 abstentions
20th March 2013	European Council	Adoption of common position on CAP reform proposals (25-2 vote in favour with only Slovakia and Slovenia opposed)

Table 1: Key CAP reform milestones

The last two milestones in table 1 are of particular significance as their achievement enabled the instigation of so called trilogue meetings between the Commission, Parliament and Council to negotiate an agreed CAP reform package. These meetings commenced on the 11th April and are scheduled to continue up until the 20th June and the hope remains that an agreed deal can be reached before the end of the Irish Presidency of the European Council at the end of June.

Whilst there is optimism surrounding the reform process, there are still areas of difference between the Parliament and Council positions. Some of the issues dominating trilogue meetings relating to the Basic Regulation package are set out in table 2 below

Issue	Council Position	Parliament Position
Capping of Direct Payments	Individual member states to have the option of capping payments if they wish and could also set the ceiling	Endorse Commission proposal for introduction of mandatory capping with a €300,000 ceiling
Young farmers support	Young farmers schemes to be optional	Young farmers schemes to be compulsory
Greening	Crop diversification measure – derogation available where 75% of the farms eligible agricultural area is grassland Ecological focus area – where farm arable land exceeds 15 hectares, farmers required to maintain 5% of land as ecological focus area Ecological focus area derogation – available where	Crop diversification measure – no derogations Ecological focus area – where farm arable land exceeds 10 hectares, farmers required to maintain 3% of land as ecological focus area. Figure to rise to 5% in January 2016

	• 75% of eligible agri area is grassland • 75% of on farm arable land area is entirely used to produce grass, leguminous crops or left fallow • 75% of eligible agri area is Subject to agri-environment provisions Member states would be permitted to double fund agri environment schemes (pillar 2) and greening (pIllar1)	Double funding unacceptable - farmers should not get agri env scheme money for doing nothing more than they are already required to do as part of greening condition for direct payment – agri env eligibility must require additional activity.
Payment entitlements	Requirement to have activated entitlements made optional for Member States and extended to 2010 or 2011	Activated entitlement required for either 2009, 2010 or 2011 – Member States can decide
Active Farmer	Optional negative list (to which 5% test as per Commission proposal is applied) or optional test as per 2008 CAP Health Check	Mandatory negative list of non-farmers, but option to allow direct payment support if those on negative list can give evidence that agriculture forms a significant part of their overall activities, or is their principal business or company objectives
Coupled Support	Member States already applying coupled aid subject to a 12% limit. Other Member States, that have decoupled totally such as Scotland subject to a 7% limit	Support a 15% limit to be applied across all EU Member States Support level can go beyond that necessary to maintain existing production if there is an environmental reason
Moving funds between Pillars	Able to move up to 15% from Pillar 1 to Pillar 2 and vice versa Member States whose average Pillar 1 payment per hectare is below 90% of the EU average should be able to moves up to 25% from Pillar 2 to Pillar 1	Member States or regions have the option to move 15% of Pillar 1 into Pillar 2. Member States receiving less than the EU 27 average of direct support per hectare (including the UK) have the flexibility to move 10% from Pillar 2 to Pillar 1

Table 2: Key areas of difference between Parliament and Council on CAP reform package[1]

Whilst progress is being made on resolving these differences and agreeing compromise proposals there is still a long way to go, and negotiations have the potential to be protracted.

[1] Derived from DARD CAP Reform Stakeholder Update, 28th March 2013 and CAP Reform 2014-20, Scottish Parliament Information Centre (SPIce)briefing, 5th April 2013

One of the most challenging issues up to this point, and not included in table 2, has been partially resolved with the adoption of an agreed EU budget for the 2014-2020 period by Council Ministers.

The work on the so called Multiannual Financial Framework was protracted but agreement was reached by Council Ministers on the 8th February 2013, with the overall budget for the 2014-2020 period being set at €960billion. This figure equated to a real terms 3.3% reduction from the previous seven-year budget (based upon 2011 € prices).

The CAP budget for the 2014–2020 period agreed as part of the overall budget deal was €277.851 billion for Pillar 1 (mostly direct support payments to farmers) and €84.936 billion for Pillar 2 (rural development). These represent reductions of 1.8% and 7.6% respectively compared with the Commission's opening proposals.

Compared with the 2007–2013 budget, the total CAP (Pillar 1 and Pillar 2) budget for 2014-2020 has been reduced by 13.1% in real terms. The reductions for Pillars 1 and 2 are 12.9% and 13.5% respectively

On 14th March however, a majority of MEPs (506) voted against the MFF deal in its current form. Whilst not rejecting the overall MFF ceiling, the motion that MEPs endorsed calls for the inclusion of options to increase funds, meet current shortfalls and prevent unspent funds from returning to national capitals.

Under EU regulations the Parliament can only reject or endorse the budget, and as such it is clear that there is some way to go in terms of reaching agreement, which is critical to the effective functioning of the CAP. Current analysis suggests that the Parliament is unlikely to make a decision as to either endorse or reject an amended or otherwise MFF until July 2013.