

## **THE COMMON AGRICULTURAL POLICY TOWARDS 2020**

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### **1. Introduction**

The Common Agricultural Policy (CAP) defined in the Treaty of Rome and implemented since 1962, has always been under reform, mainly in 1992, 1999, 2003 and 2009. However, after the last enlargements and the international financial crisis, a new reform was needed for the budget period going from 2014 to 2020. The first ideas were launched by the EU Commissioner for Agriculture, M. Dacian Ciolos, in 2010. After three years of discussions, the political agreement between the Council of Ministers, the EU Parliament and the Commission was reached in June 2013 [Agra Europe 2013]. So, this paper presents the main decisions of this agreement.

### **2. Material and methods**

This paper is based on official documents from the EU Commission, the EU Parliament, the Walloon regional administration for agriculture,... concerning the different proposals and the political agreement. A lot of actors also expressed their opinions on such a controversial topic.

### **3. Results**

Three main topics are dealt with: direct payments to farmers, rural development, and the Unique Common Market Organization.

#### **3.1. Direct payments**

A new scheme for direct payments from the first pillar of the CAP was agreed upon (figure 1).

Compulsory measures for the whole EU	Optional measures (MS Choice)
- Basic payment	- Additional payment for the first ha
- Green payment	- Coupled payments
- Young farmers payment	- Payments for less favoured areas

All payments depend on cross-compliance

OR

Simplified payment for small farmers (MS Choice)

Figure 1. New scheme of the direct payments for 2014-2020

For all Member States (MS) or regions within them, the direct payments paid to the farmers from the first pillar must include at least three parts: the "green" payment, a payment to young farmers (in addition to the financial support for young farmers from the second pillar of the CAP) and the basic payment (the amount available for the basic payment is equal to the "national envelope" for direct payments reduced by the other payments in the new scheme). In addition the MS (or the regions within them) have also the possibility, if they choose so, to include:

- an additional payment for the first hectares of each farm (in order to support the smaller farms);
- to maintain some coupled payments (like the premium for suckling cows);
- a payment for less favoured areas (in addition to the financial support from the second pillar).

Of course, the amounts spent for these optional payments reduce equally the basic payment, as the "national/regional envelopes" have to be respected.

With this new scheme, the CAP becomes friendlier to the environment: the "green payment" will represent 30% of the national/regional maximum amount for direct payments in each MS/region [Département des Politiques Européennes et des Accords Internationaux du Service public de Wallonie 2013]. In order to get the green payment, farmers will have to prove that they respect some conditions additional to cross-compliance: crop diversification, maintenance of permanent pastures and to manage a minimal area of ecological interest. There are several ways of implementation and the MS/regions have the choice among several options.

Organic farming automatically gives the right to the green payment [EU Commission 2013]. Where NATURA 2000 is implemented, its measures have the priority. The MS can also consider some measures as equivalent to the "greening" measures, like environmental certification and agro-environmental measures (no double payment!).

The payments for young farmers [Clisson 2013] can represent a maximum of 2% of the maximum amount for direct payments at the national/regional level. Young farmers are farmers under 40, and the financial support can be granted for five years. There are several ways to calculate this payment, the choice being let to the MS/regions. So, the total expenses can vary according to the method.

The basic payments will be granted to farmers who applied for direct payments in 2013 and the number of eligible hectares in 2015. The mean value is the amount available for basic payments at the MS/regional level divided by the number of eligible hectares.

In order to support smaller farms, an additional payment can be granted to a given limited number of hectares. Up to 30% of the total amount of direct payments can be used for this purpose. The MS/regions are free to

implement this payment or not, and to implement it according to the method they have chosen.

Another optional payment is the additional payment for the less favoured areas. If the MS/Regions decide to implement it, they can use as much as 5% of the total amount for direct payments.

The last option for the MS/regions is to keep some coupled payments. in such a case, they can use as much as 2% of the total amount of direct payments for proteaginous crops and 13% for other productions. It is even possible to use a larger share of direct payments, with the agreement of the Commission. In Wallonia for example, the premiums for suckling cows represent 20% of the direct payments.

Between 2014 and 2020, the EU budget for the CAP will decline by 11% in constant terms (EURO 2011) [EU Commission 2013]. In addition, as large differences are observed, concerning the mean level of direct payments per hectare, not only between the MS, but also within the MS (when historical references are used), a measure of convergence has been decided : when a country has a mean direct payment below 90% of the EU mean, or when a farmer has a mean basic payment per ha lower than 90% of the MS/regional mean, one third of the difference will have to be compensated and supported by the countries (between MS) or the farmers (within MS/regions) who are above the mean.

The MS/regions also have the possibility to implement a special regime for small farms [EU Parliament 2013]. All direct payments can be replaced by an amount from 500 to 1,250 €. The total expenses cannot exceed 10% of the national/regional amount for direct payments.

### **3.2. Rural development**

Six priorities and measures are proposed to the MS/regions:

- knowledge transfer and innovation;
- competitiveness improvement;
- promotion of market chain organization and risk management;
- to protect agricultural and forestry agrosystems;
- to reduce the production of CO<sub>2</sub>;
- to promote social integration and economic development.

In addition, agro-environmental measures must represent at least 30% of the total budget for rural development, and LEADER at least 5%.

Measures are implemented within a multi-fund strategic scheme.

### **3.3. The Unique Common Market Organization**

The disappearance of the milk quotas is confirmed for 2015, while the disappearance of sugar quotas is foreseen for 2017. However, intervention measures will be maintained.

The producers' organizations and inter-professional organizations are encouraged, as they have to play a more important role in the management of the market.

A financial reserve is created from the direct payments amount in order to face eventual crises, like price collapse.

#### **4. Conclusion**

The new CAP leads to a better equity between the MS and within the MS (convergence of direct payments). It is also "greener" than before, as 30% of the direct payments are linked to the respect of additional measures in favour of the environment. It could also be simplified with the implementation of the regime for small farmers, though the new scheme for direct payments is more complex than before. The stress is also put on young farmers, as they are less and less numerous.

It is also observed that many important choices are let to the Member States/regions, so that the "Common" Agricultural Policy is less "Common" than before.

#### **5. References**

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