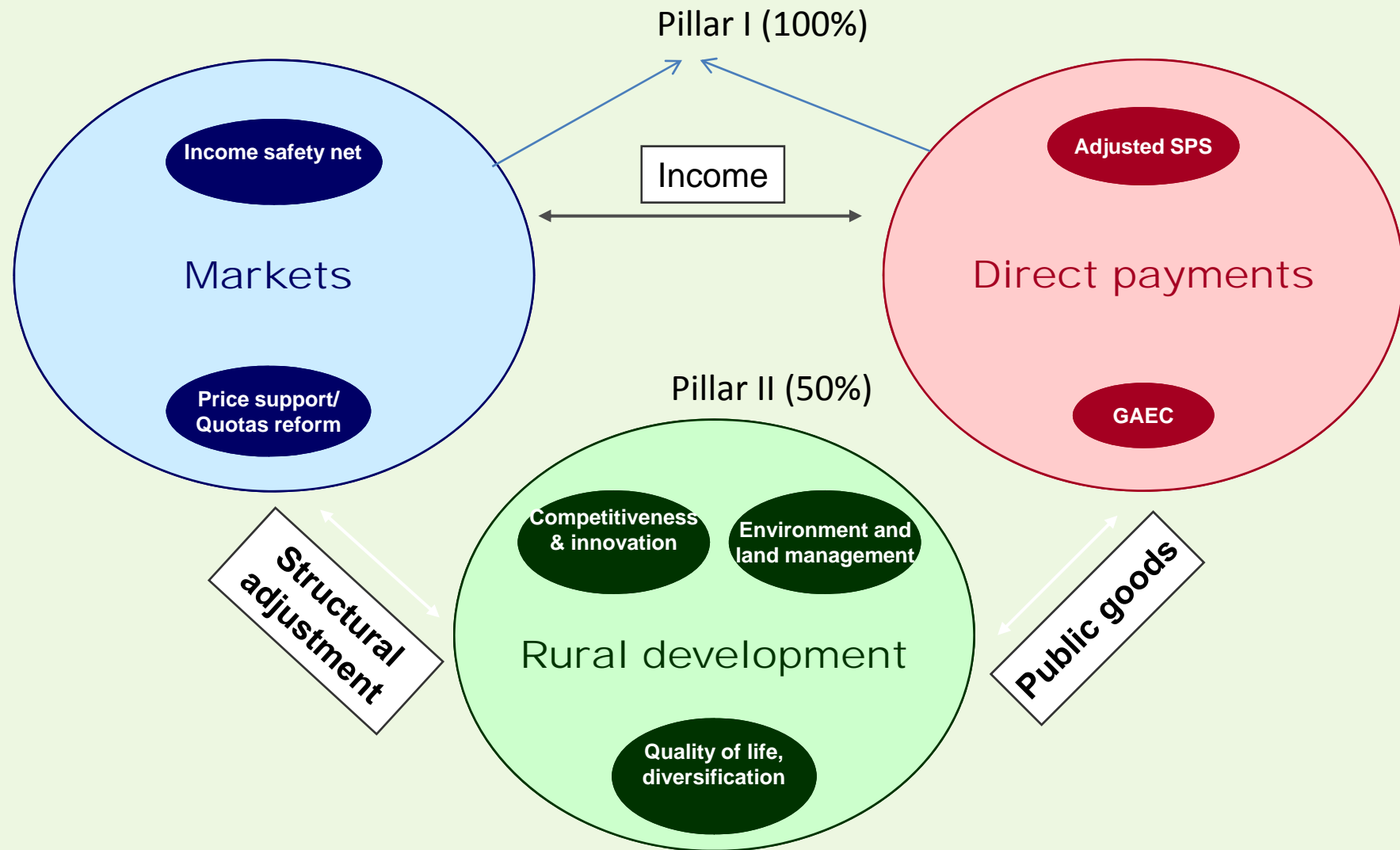


Stockholm 14/9/2012
CAP now and in the Future

Lars Hoelgaard, Special Adviser-EU
Commission

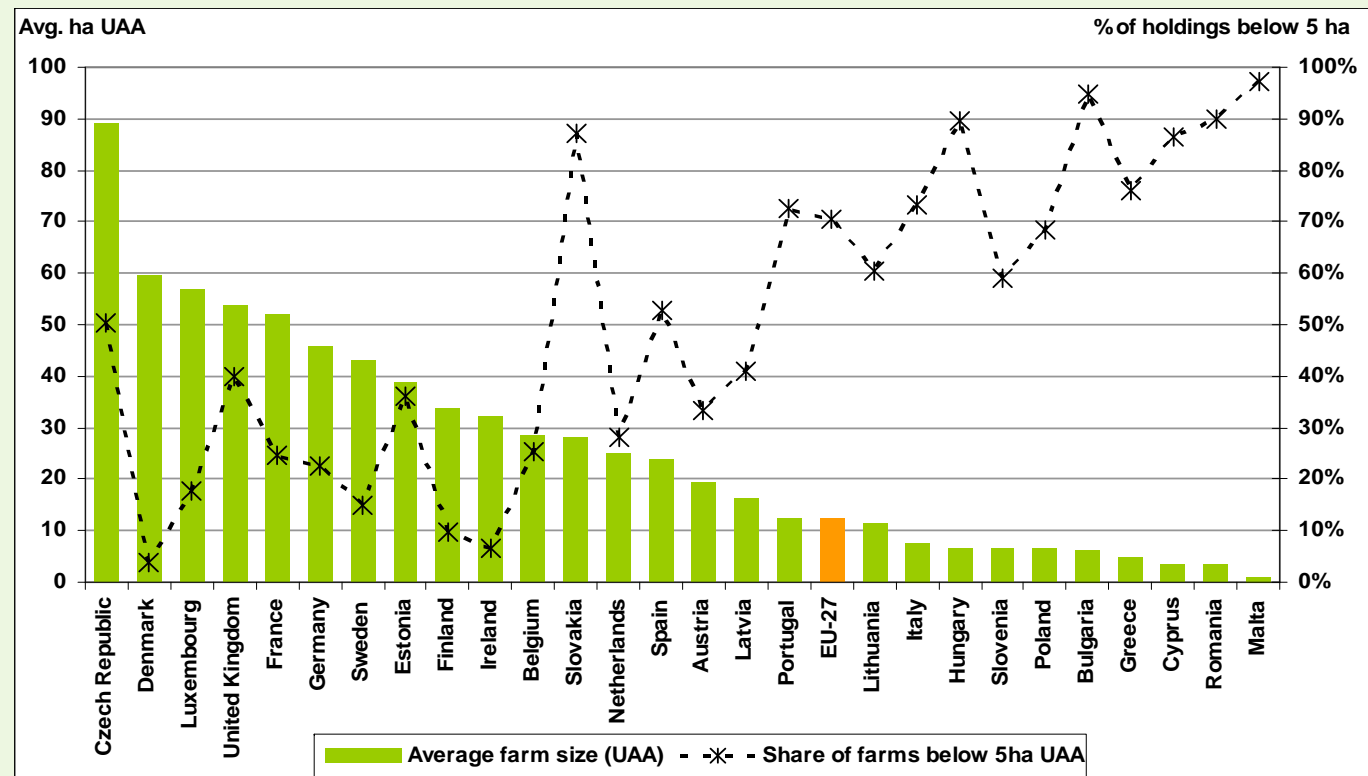
CAP now-some Facts

CAP instruments



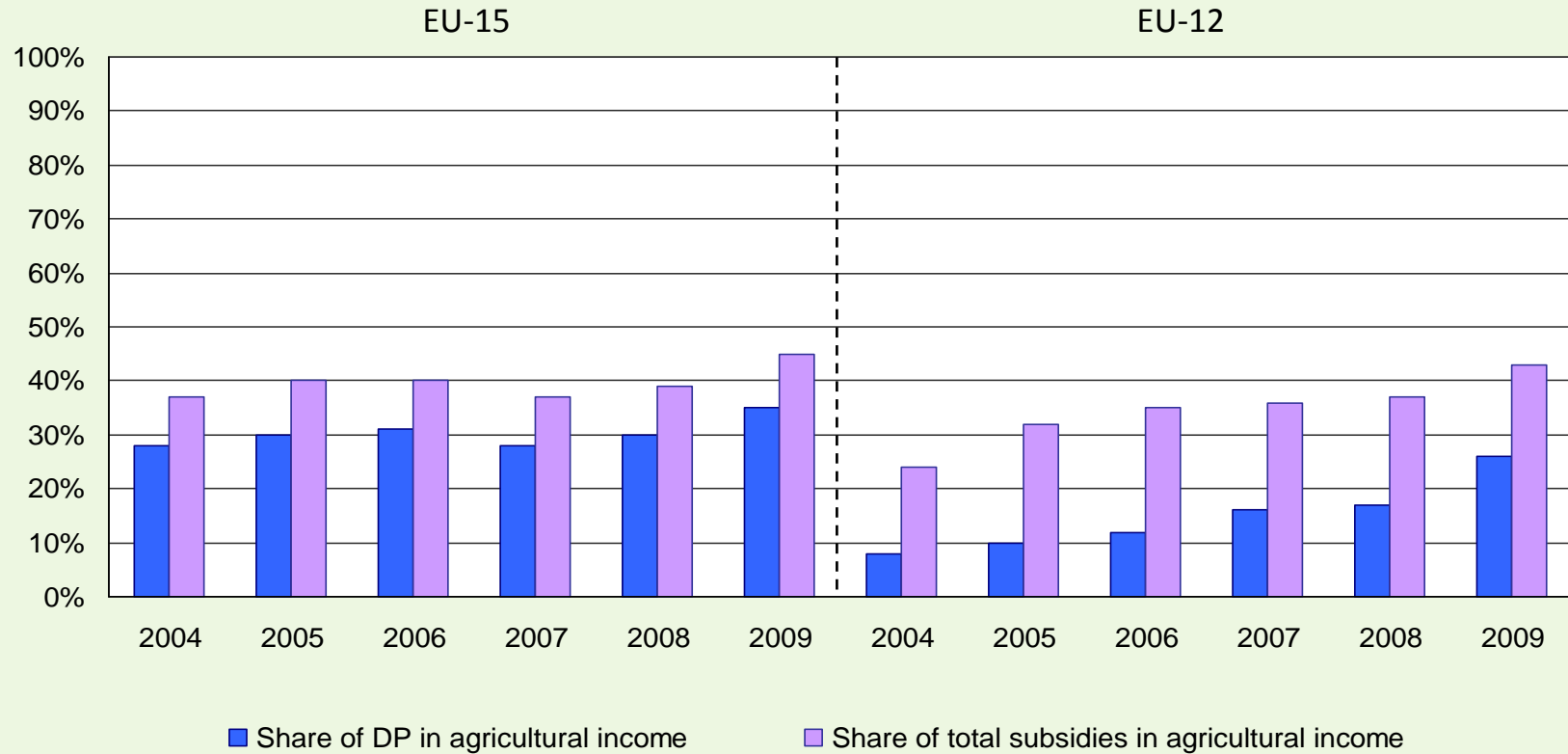
Farm Structures across the EU

Figure 24: Average farm size and farms below 5 ha UAA



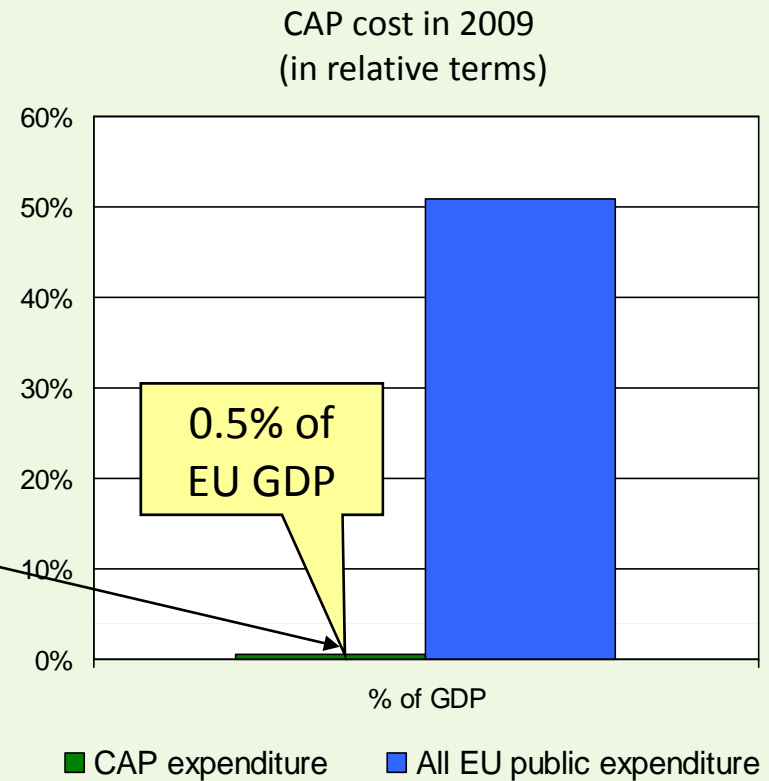
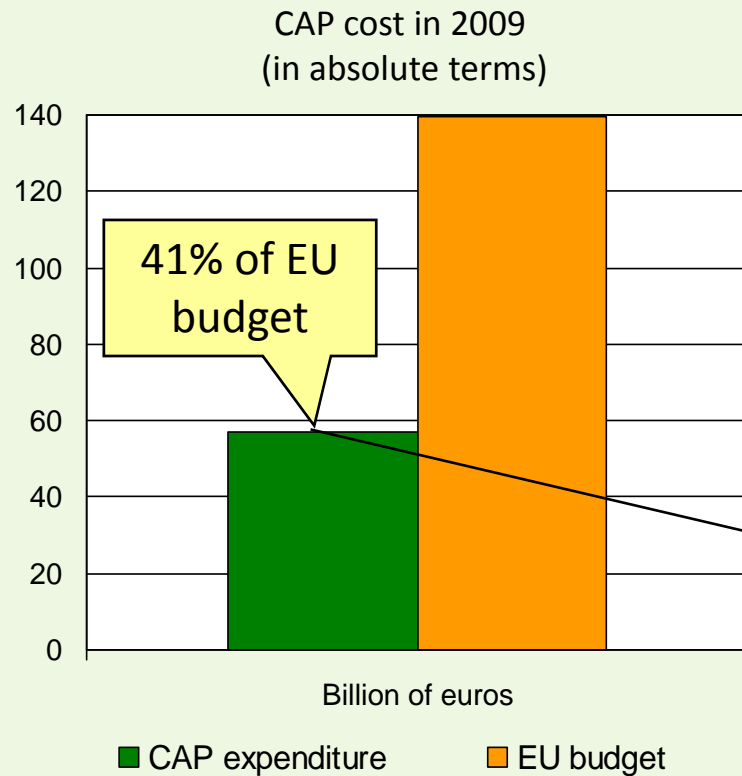
Source: Eurostat Farm Structure Survey 2007

Share of DP and total subsidies in agricultural income



Source: European Commission - DG Agriculture and Rural Development

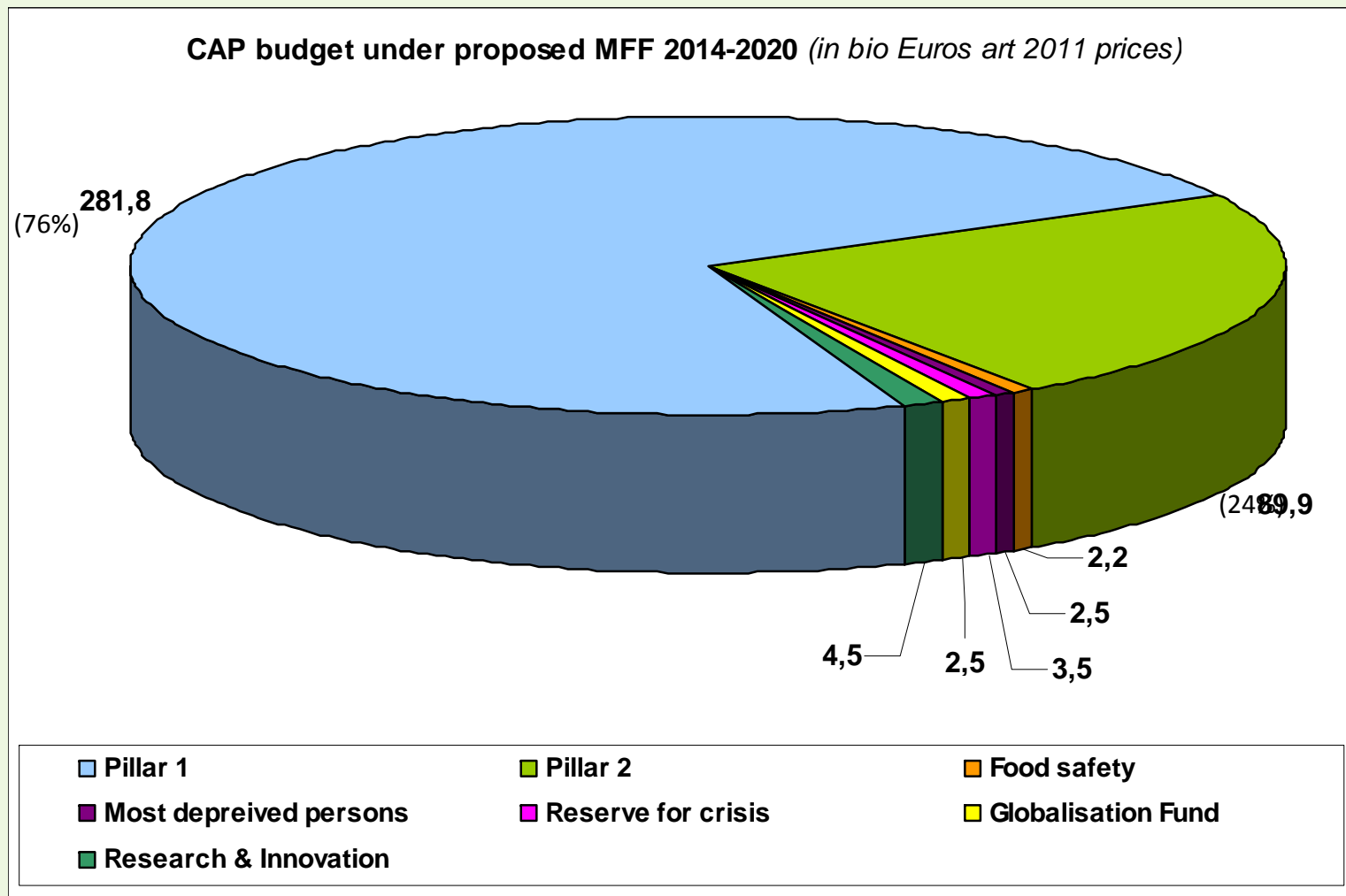
Alternative views on the cost of the CAP



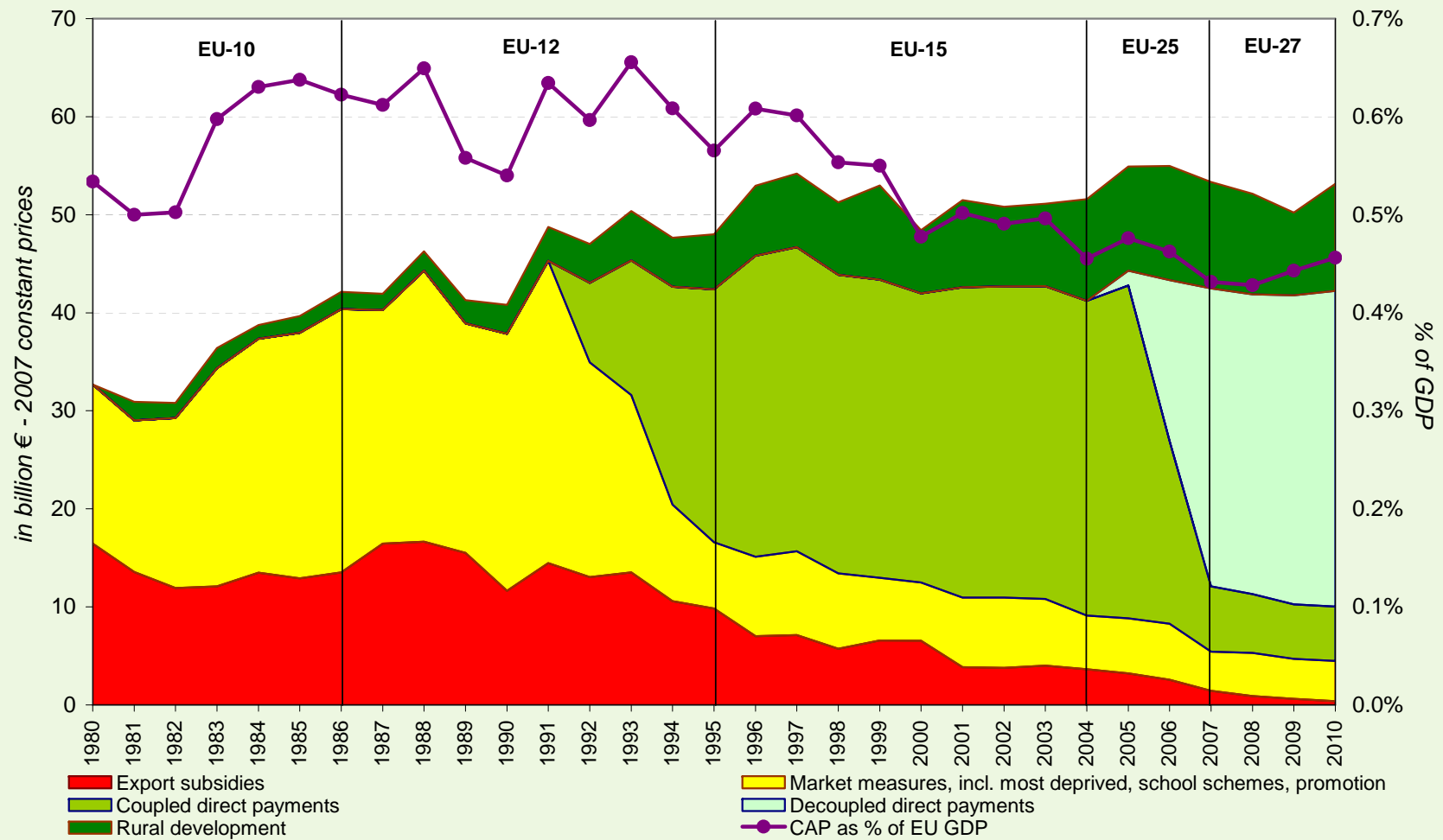
Source: European Commission - DG Agriculture and Rural Development

Financial perspectives 2020

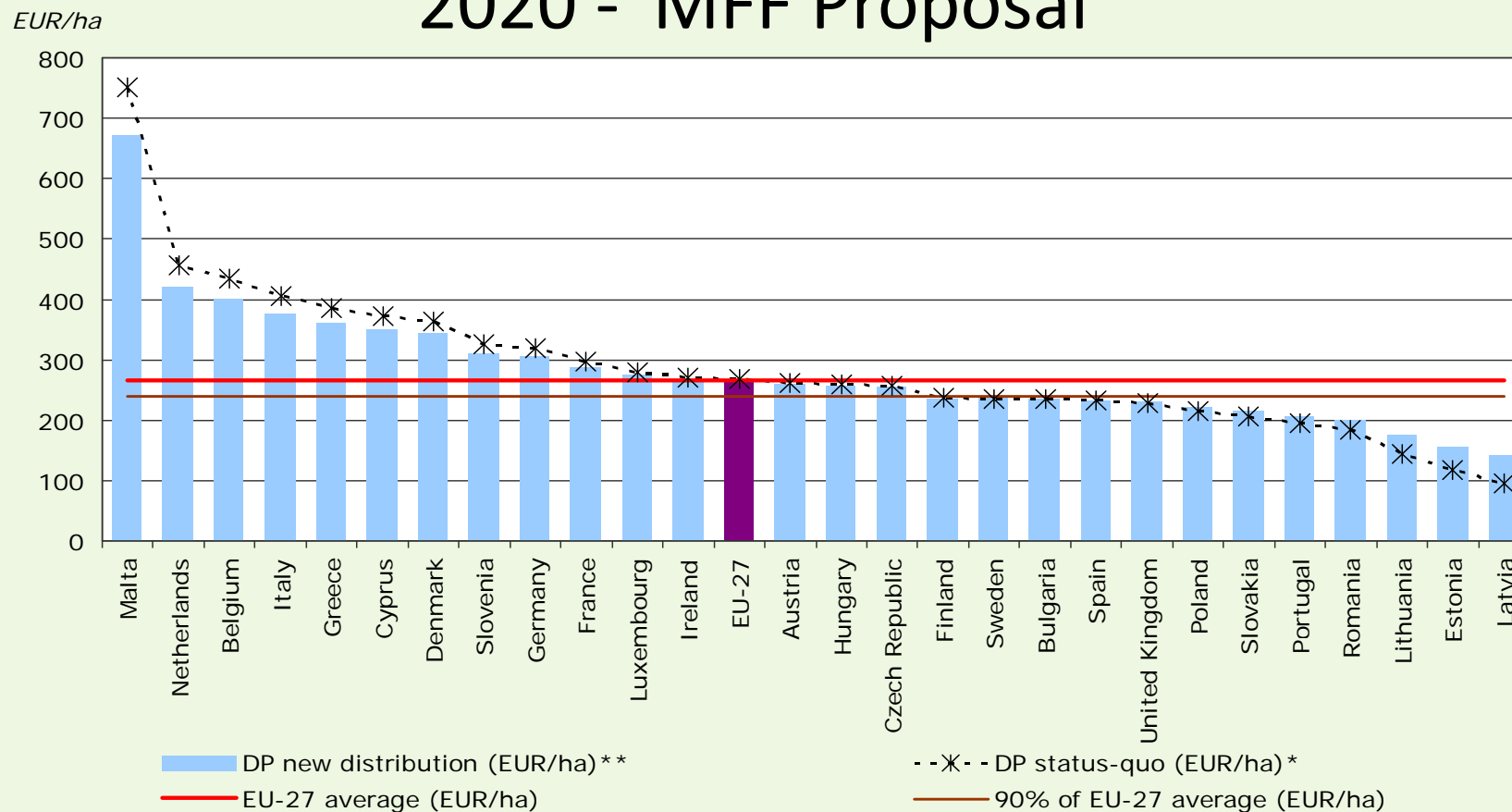
29 June 2011 proposal



CAP reform process and evolution of agricultural expenditure



Redistribution of DP - Closing one third of the gap between current level and 90% of EU average by 2020 -“MFF Proposal”



Source: DG Agriculture and Rural Development.

* 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.

EU and Agricultural Trade

« The **EU** holds a significant weight in international agricultural and food trade, with a share of around **18%** of world exports and **20%** of world imports, making it the world largest importer and exporter together with the **US**. Over the years, the EU managed to increase its export share of high value-added and processed products, which represent more than two thirds of total EU exports »

Societal Challenges

- Prospect:
 - Increasing food demand (FAO: plus 70% by 2050)
 - Slow-down of growth technological development
 - Increasing land use competition (bio-mass, bio-energy, nature conservation) and pressures on resources and environment
- Response:
 - Increasing agricultural production and productivity in a sustainable manner (resource efficiency and “public goods”)
 - Acting across the whole supply chain (recycling, reduction of post-harvest loss, and new products)
- Requirements:
 - Major investment into research and innovation

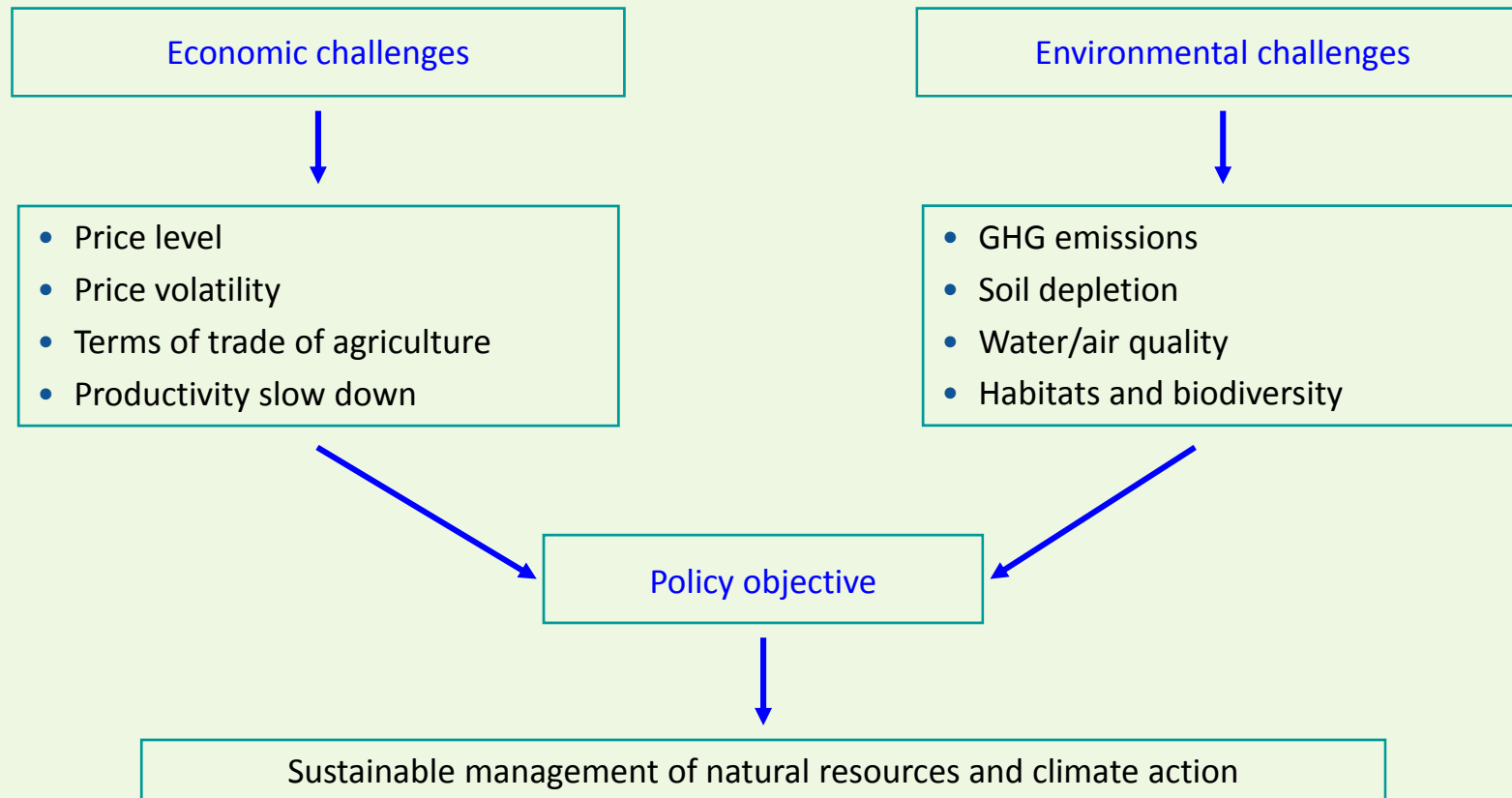
CAP in the Future- Proposals

CAP Pillar I: better distribution / targeting of direct payments

- **Overall:** DPs help to ensure **balanced distribution of farming around the EU**
 - Between MS (reducing differences)
 - Fairer distribution of DP
 - Within MS (national/regional flat rate)
- Adjustments to better target the support according to the new objectives:
 - Payment in areas facing natural constraints
 - Payment to young farmers
 - “Greening”

Source DG AGRI

The policy link: Why “green the CAP” (Legitimacy?)



New design of direct payments

Degressivity and Capping
(all layers except Green Payment)

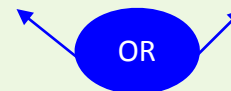
Cross compliance
Streamlined – Climate change

- Streamlined – Climate change

Coupled support	Natural constraint support
<ul style="list-style-type: none"> • Wide range of sectors • Up to 5% or 10% of DP envelope, to be decided by MS 	<ul style="list-style-type: none"> • For areas with natural constraints • Up to 5% of the DP envelope
Young Farmer Scheme	
<ul style="list-style-type: none"> • Up to 2% of DP envelope • < 40 years 	<ul style="list-style-type: none"> • For 5 years • Commencing activity
'Green' Payment	
<ul style="list-style-type: none"> • Crop diversification • Permanent grassland • Ecological focus area 	<ul style="list-style-type: none"> • 30% of the DP envelope
Basic Payment Scheme	
<ul style="list-style-type: none"> • National or regional flat rate per eligible hectare • Regions and criteria to be chosen by MS 	<ul style="list-style-type: none"> • New entitlements in 2014 • Definition of agricultural activity • Definition of active farmer



Small Farmer Scheme
<ul style="list-style-type: none"> • Simplification of claims and controls • Lump sum payment to be determined by MS under conditions • Entrance in 2014 • Up to 10% of the DP envelope



Pillar II-New Design of RD policy: clear & appropriate priorities

- 1. Fostering knowledge transfer and innovation in agriculture, forestry and rural areas
- 2. Enhancing competitiveness of all types of agriculture and enhancing farm viability
- 3. Promoting food chain organisation and risk management in agriculture
- 4. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry
- 5. Promoting resource-efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors
- 6. Promoting social inclusion, poverty reduction and economic development in rural areas

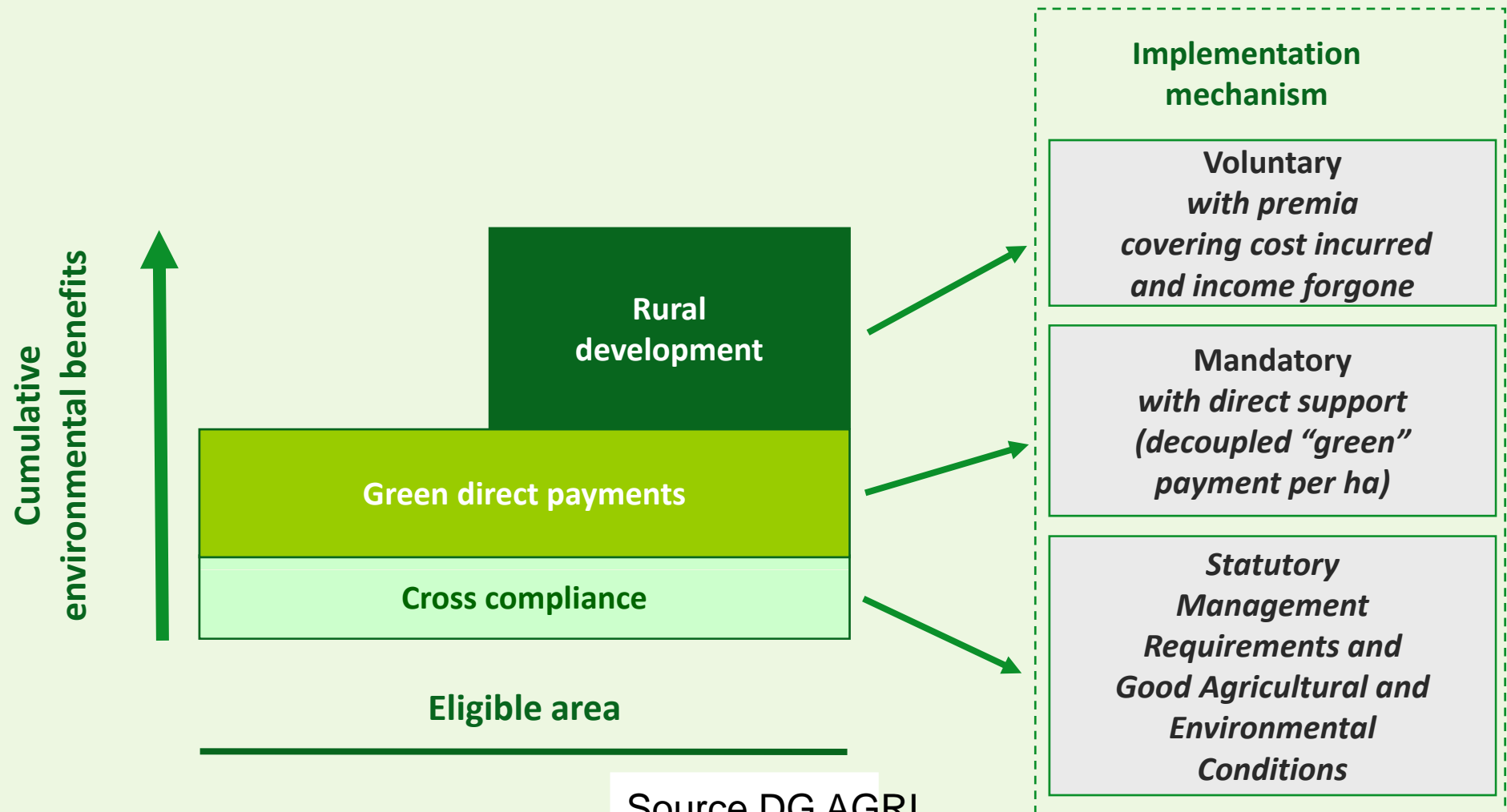
Source DG AGRI

Two environmental priorities for rural development (“Greening”)

RD priorities

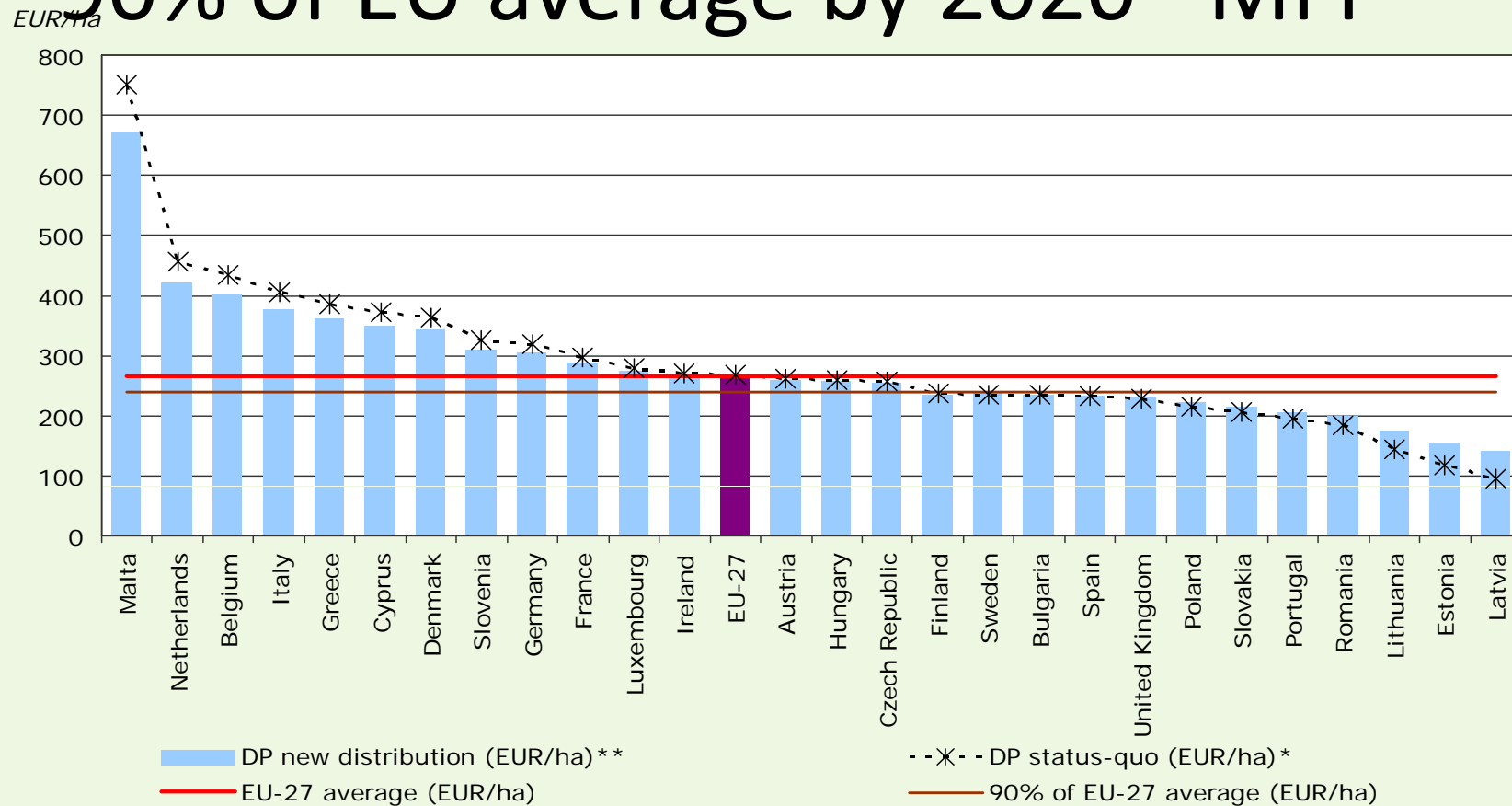
- Restoring, preserving and enhancing ecosystems:
 - Biodiversity, high nature value farming, and landscapes
 - Water management
 - Soil management
- Promoting resource efficiency and climate change:
 - Efficient water use
 - Efficiency energy use
 - Renewable sources of energy
 - Reducing nitrous oxide and methane emissions
 - Carbon sequestration

The New Greening Architecture of the CAP-Pillar I and II



Source DG AGRI

Redistribution of DP's-Closing one third of the gap between current level and 90% of EU average by 2020-"MFF"



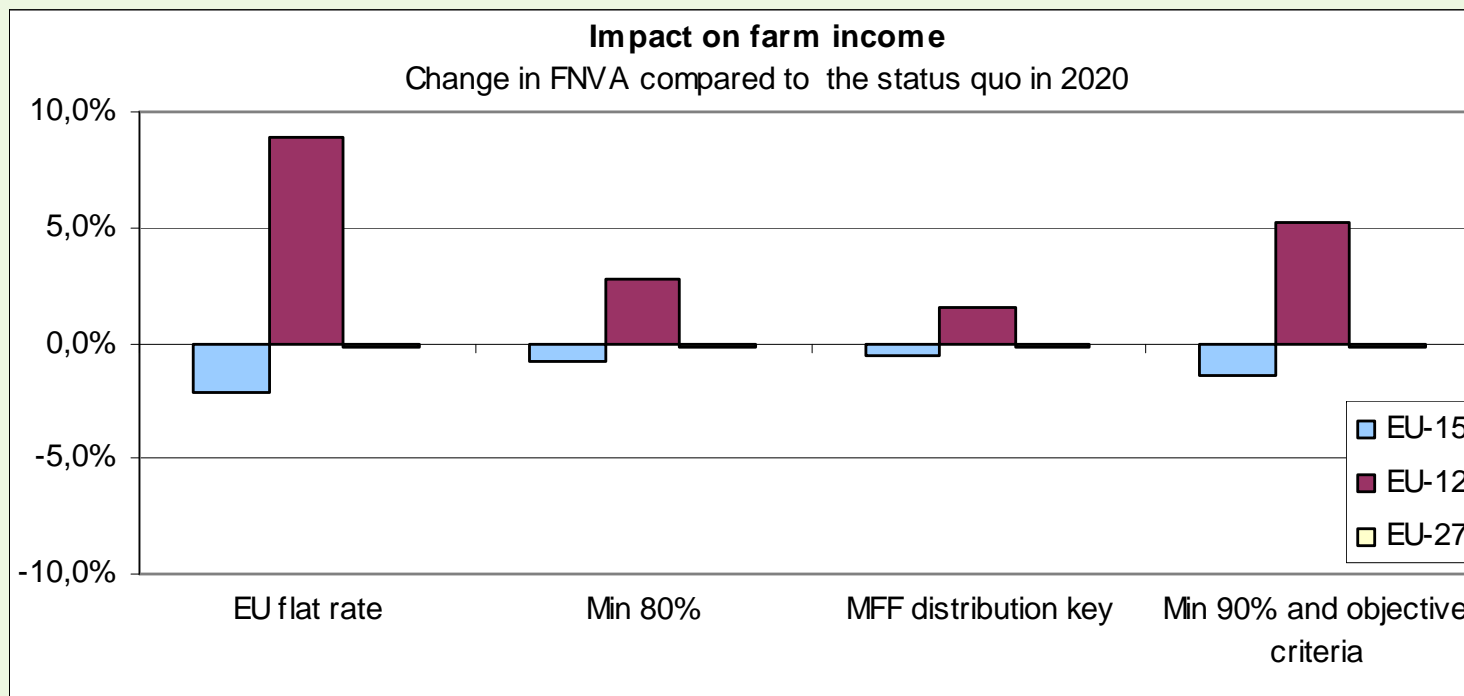
Source: DG Agriculture and Rural Development.

* 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.

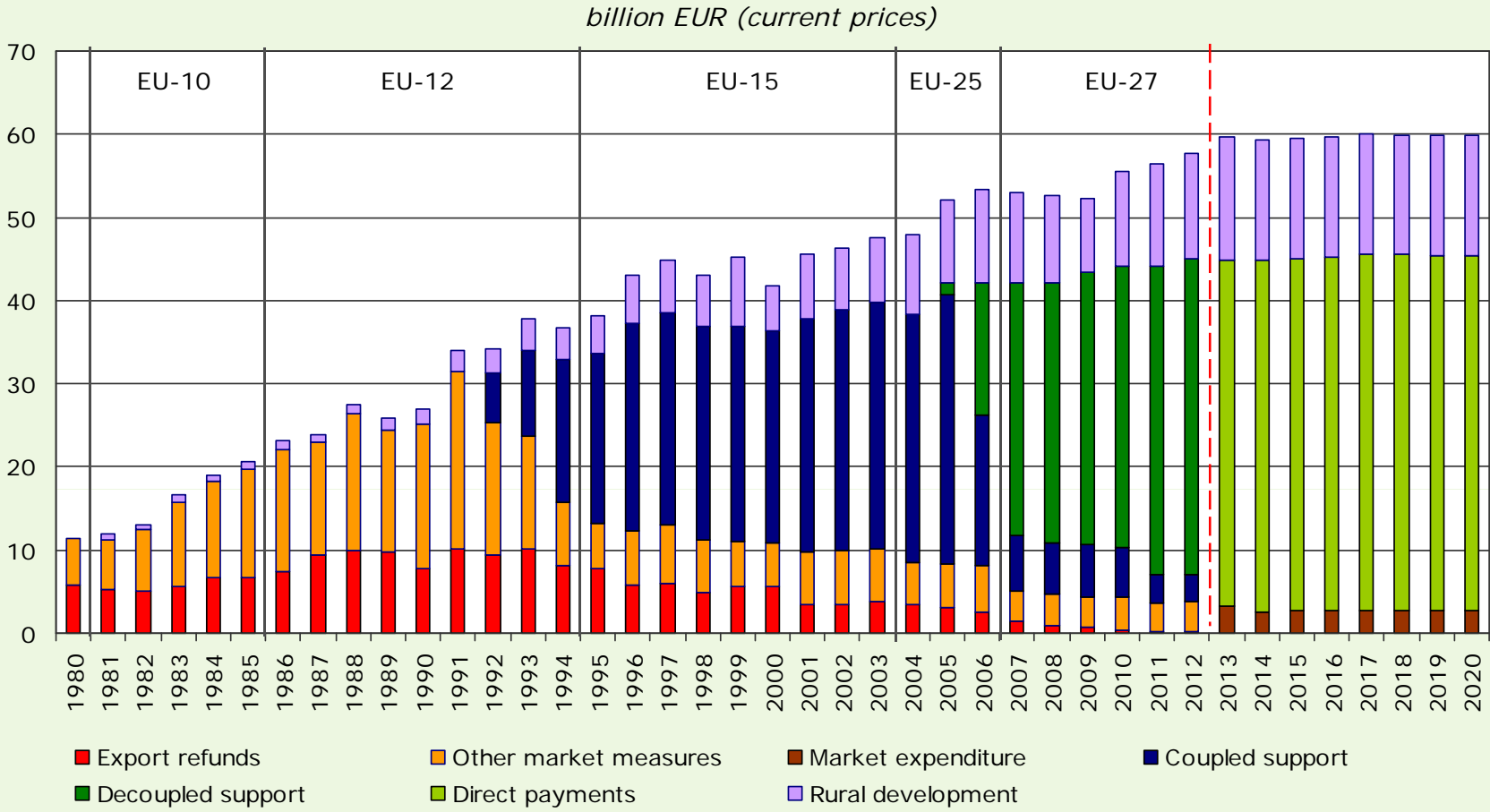
Combined effect of redistribution of DP's between MS and Farmers

Figure 1: Redistribution - Impact on farm income per EU aggregates



Source: DG AGRI, FADN

The path of CAP expenditure 1980-2020



Source: DG Agriculture and Rural Development.

How will the CAP be financed?

- Commission proposals on Multi-Annual Financial Framework for 2014-2020 to maintain CAP spending at 2013 levels in nominal terms

in billion EUR

current prices

- Pillar I - Direct payments and market-related expenditure	317.2
- Pillar II - Rural development	101.2
Total Pillar I and II	418.4
- Food safety	2.5
- Most deprived persons	2.8
- Reserve for crises in the agricultural sector	3.9
- European Globalisation Fund	Up to 2.8
- Research and innovation on food security, the bio-economy and sustainable agriculture	5.1
Total additional amounts	Up to 17.1
Total proposed amounts for the period 2014-2020	Up to 435.5

Source: Commission Communication 'A budget for Europe 2020' – COM(2011) 500 final, part II.

Time table CAP – reform and EU budget

- Proposals autumn 2011
- Budget – Financial Perspective
- Poland – 2/2011
- Denmark – 1/2012
- Cyprus – 2/2012
- Ireland – 1/2013
- Lithuania – 2/2013
- Co-decision EP

« No Direct Payments scenario »

“The end of direct support would result in structural changes by accelerating the move towards larger farm sizes. The main impacts would likely be not on the overall quantity of agricultural production in the EU but on the way this production is distributed over the EU territory. The lack of regional production in many areas could have negative consequences for local markets and products and could negatively affect certain up- and downstream enterprises with possible negative repercussions on territorial cohesion. Since the phasing out would take place gradually, these changes would be mitigated over time.”

Source IA DG AGRI Annex 3 -5.4.1 p.40

Alternative CAP?-Question of legitimacy

- General DP's under Pillar I to be phased out over transition Period and be reserved for (true) LFA Farmers (« mountain farmers »)
- Payments to farmers based on individual contracts going beyond GAEC (high AW, Environment standards-payment for externalities- »Greening »)
- Countercyclical market support in case of serious crisis based on multiannual budget

For further information

The CAP after 2013

http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm

Commission Communication 'The CAP towards 2020'

http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm

Impact assessment

http://ec.europa.eu/agriculture/analysis/perspec/cap-2020/index_en.htm

Legal proposals

http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm

Prospects for agricultural markets and income 2011-2020

http://ec.europa.eu/agriculture/publi/caprep/prospects2011/index_en.htm