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Agriculture and Enlargement



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CAP Direct Payments

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The structure of the CAP

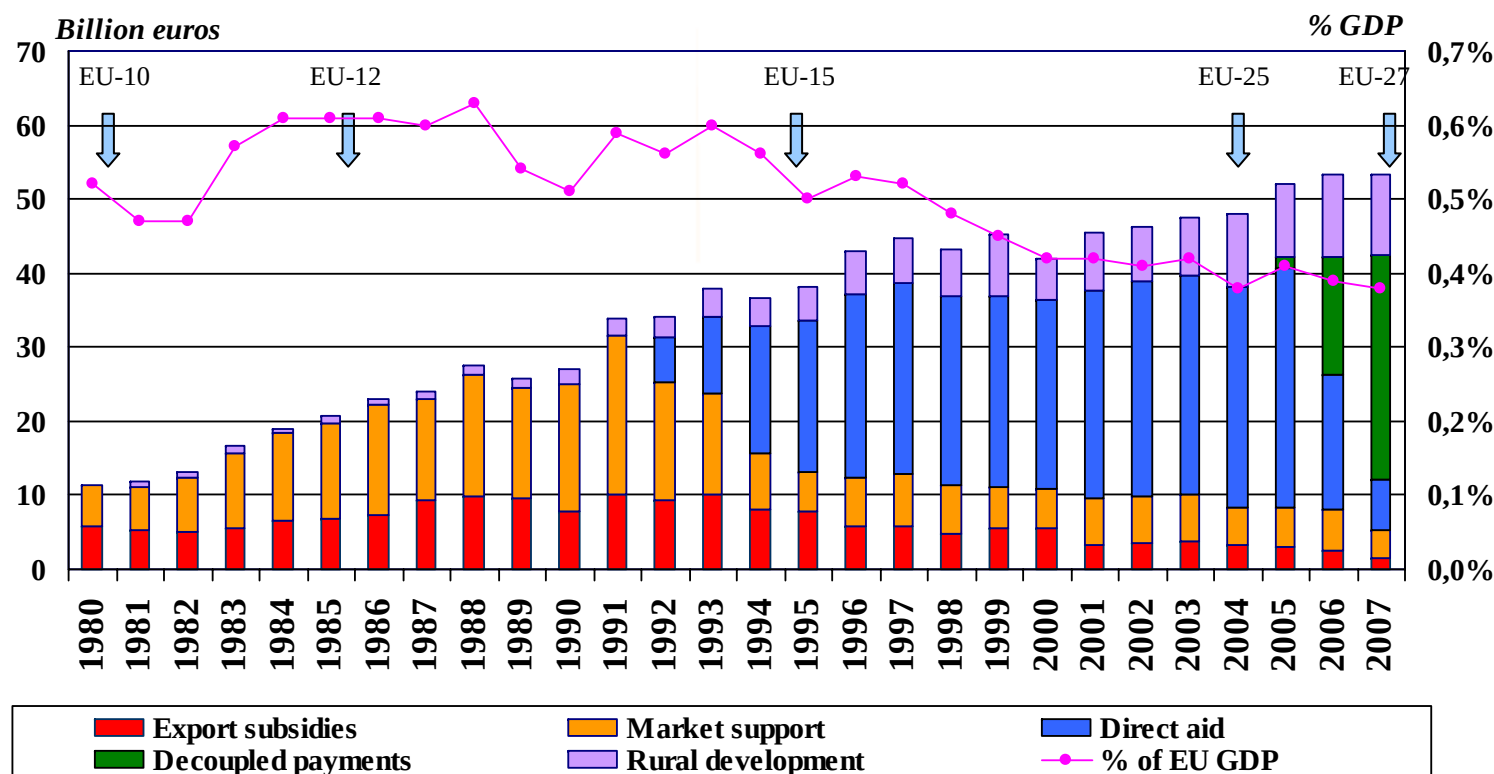
The CAP of today is structured in two pillars:

- The 1st Pillar “Agricultural Markets” covering 2 type of tools
 - Market Measures
 - Direct Payments
- The 2nd Pillar “Rural Development” focusing on:
 - Improving the competitiveness
 - Enhancing the environment and landscape
 - Improving the quality of life in rural areas



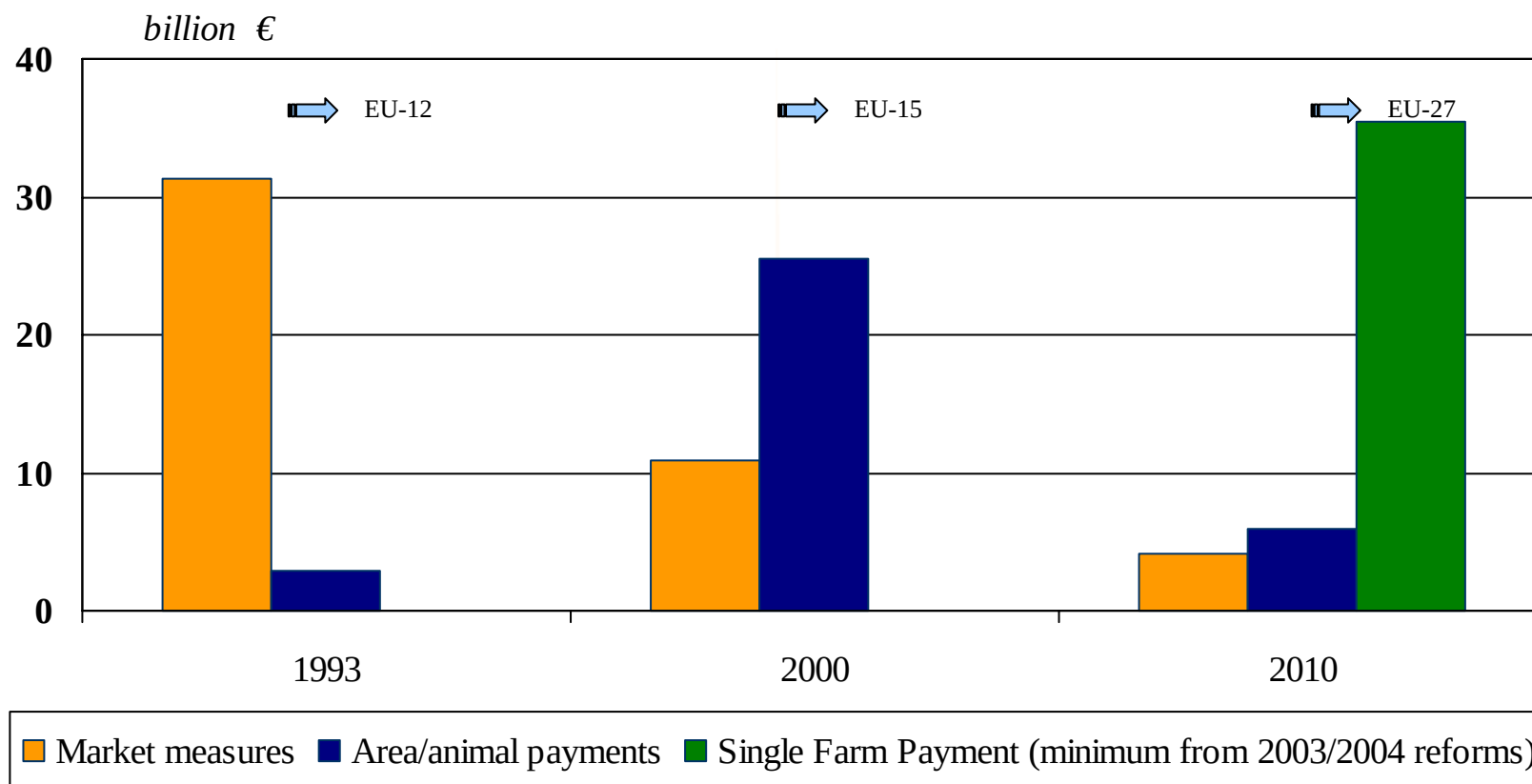
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CAP expenditure and CAP reform path





First pillar budget cost trend





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The 2003 CAP reform – Key concepts

- **Decoupling** : reinforce market orientation of the farmers
 - The direct aid to farmer is not linked to production
- **Cross-compliance**: contribute to enforce EU standards
 - Statutory management requirements (public, animal and plant health, the environment and animal welfare)
 - Good agricultural and environmental condition
 - Maintenance of permanent pastures
- **Modulation** : achieve better balance of support between pillars
 - Based on a percentage reduction of total direct support received by the farmer (basic and progressive)
- **Financial discipline** : strict financial control for CAP expenditures
 - Payments within strict financial ceilings
 - Possibility of further reduction based on budgetary situation



2003-2013: Short history of decoupling

- 2003: Introduction of decoupling (arable crops, potato starch, grain legumes, rice, seeds, dried fodder, milk and milk products, sheep & goats, beef & veal)
- 2004: Tobacco, hops, olive oil, cotton
- 2005: Sugar
- 2006: Banana
- 2007: Fruit and vegetables
- 2008: Wine
- 2009: Health Check – further decoupling
 - As from 2012, only sheep & goat premium and suckler cows premium can be maintained coupled!

Result today:

- Almost all support is today paid out under the decoupled schemes:
 - 87% of direct support is decoupled
 - 13% of the direct support is still coupled



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Income support schemes

Decoupled income support schemes:

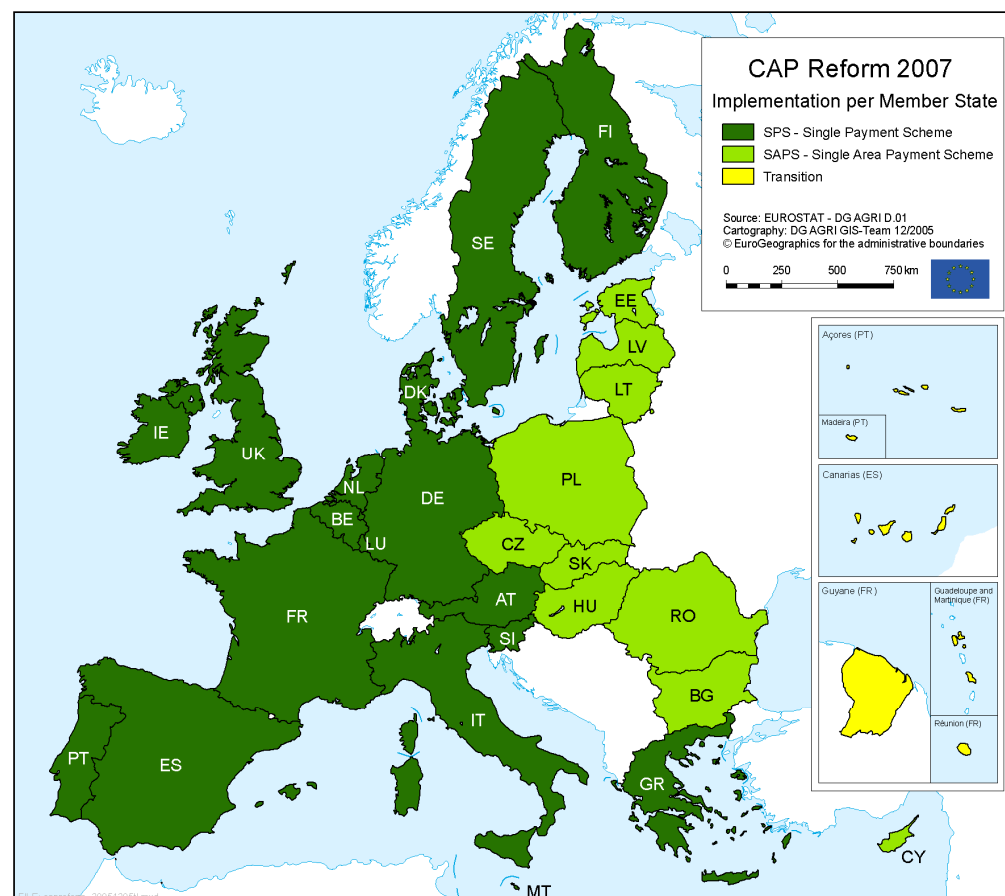
- The Single Payment Scheme (SPS)
- The Single Area Payment Scheme (SAPS) – transitional and simplified scheme available to new Member States

Other support schemes:

- Coupled support schemes
- Specific Support (Article 68-72)
- Complementary National Direct Payments (CNDP)



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Decoupled support – the SPS

How does the SPS work?

The farmer must hold:

- Payment entitlement and
- Eligible agricultural area (so-called “eligible hectare”)

The payment is granted to the farmer who declares:

- A number of payment entitlements with an equal number of eligible area (i.e. activation)
- The payment to be granted to the farmer is fixed by the value of the payment entitlement activated

Exception: special entitlements (livestock farmers without land) – no need to declare eligible hectares but maintain at least 50% of the agricultural activity carried out in the reference period expressed in livestock units



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Decoupled support – the SPS

What is a payment entitlement?

- One-off allocation: payment entitlements are allocated once, mainly in the first year of implementation of the SPS or later from the national reserve or via further decoupling
- Permanent: As a general rule, once a payment entitlement is allocated to the farmer it shall not be modified (but fractions of entitlements)
- The farmer can declare them for payment every year
However: unused entitlements (i.e. not declared for payments) for a period of 2 years will be taken away from the farmer and added to the national reserve
- Transferable: farmers can transfer the entitlements to other farmers (rent or sale)



Decoupled support – the SPS

What is an “eligible hectare”?

Any agricultural area of the holding, and any area planted with short rotation coppice that is used for an agricultural activity or, where the area is used as well for non-agricultural activities, predominantly used for agricultural activities.

Except in case of *force majeure* or exceptional circumstances, hectares shall comply with the eligibility condition throughout the calendar year.



Decoupled support – the SPS

Allocation of payment entitlements - two main principles :

1. Historical and individual: The number and value of the entitlements per farmer is based on the support he received in a historical reference period (individual approach)
2. Regional:
 - The value of the entitlements is based on the budgetary ceiling available in the region. A flat rate value for entitlements is fixed
 - The number of entitlements is based on the number of hectares declared in the region first year of implementation.
 - The farmer will get a number of entitlement corresponding to his declaration in the first year.
3. Mixed approach: It is also possible to combine the two approaches in a mixed model where the individual reference is taken into account to a certain extent
 - Static: historic part remains constant
 - Dynamic: historic part gradually reduced
 - In the case of new Member States: specific rules for differentiation of the value of entitlements through the national reserve

But the SPS works in the same way regardless of the model chosen!



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Decoupled support - SAPS

- Simplified, transitional scheme for NMS
- Possible to apply until the end of 2013 but NMS may decide to implement SPS anytime before
- Single area payment replacing all direct payment with some exceptions
- Flat rate are payment calculated by dividing the annual financial ceiling of the NMS with its national utilised agricultural area
- There are no payment entitlements
- Decoupled payment: No obligation to produce but the land should be maintained in good agricultural and environmental condition



Coupled direct support

- The support which remains coupled is limited to particular sectors,
 - which have been assessed as sensitive for e.g. environmental, social or economic reasons, and/or
 - for which a transitional period has been necessary before full decoupling
- It covers sectors such as
 - durum wheat, protein crop, rice, nuts, energy crops, cotton, olive groves and starch potato
 - to a limited extent arable crops, hops, beef, sheep and goats, sugar and fruit and vegetables
- Coupled support schemes do not apply under SAPS except the separate soft fruit payment and the separate transitional fruit and vegetables payments
- Further decoupling of these sectors will take place according to a timetable fixed by the Health Check



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Integrated into SPS from	2010	2011	2012	2013
Aid for arable crops 25%	X			
Hops area aid	X			
Durum wheat quality premium	X			
Olive groves aid	X			
Seed aid	OPT	OPT	X	
Protein crops	OPT	OPT	X	
Rice	OPT	OPT	X	
Nuts	OPT	OPT	X	
Potato starch production aid	OPT	OPT	X	
Potato starch premium (22.25 E/t)			X	
Dried fodder - aid for processing			X	
Flax and hemp – aid for processing			X	
Transitional soft fruit payment (strawberries, raspberries)			X	
Transitional FV payment for tomatoes	OPT		X	
Transitional FV payment other than annual crops				X
Sheep and goats payments	OPT			
Suckler cow premium	OPT			
Special premium		OPT	X	
Slaughter premium		OPT	X	

X = obligatory integration into SPS

OPT = optional integration



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Specific Support – Articles 68-72

(Council Regulation (EC) No 73/2009)

- **Address environmental issues**
 - Specific types of farming which are important for the protection or enhancement of the environment
 - Specific agricultural activities entailing additional agri-environment benefits
- **Address animal welfare issues**
 - Practising enhanced animal welfare standards
- **Improve quality and marketing of agricultural products**
 - Improving the quality of agricultural products
 - Improving the marketing of agricultural products



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Specific Support – Articles 68-72

- Buffers the consequences of phasing out of the milk quotas and decoupling in sensitive sectors:
 - Specific disadvantages affecting farmers in the dairy, beef and veal, sheepmeat and goatmeat and rice sectors in economically vulnerable or environmentally sensitive areas, or, in the same sectors, for economically vulnerable types of farming
 - In areas subject to restructuring and/or development programmes to ensure against land being abandoned and/or to address specific disadvantages for farmers in those areas



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Specific Support – Articles 70/71

- Gives Member States the opportunity to contribute to an effective risk management:
 - Contributions to crop, animal and plant insurance premiums in accordance with the conditions set out in Article 70
 - Mutual funds for animal and plant diseases and environmental incidents in accordance with the conditions set out in Article 71



Specific support: risk management

Private insurance schemes (Article 70)

- Public financial contributions to premiums for crop, animal and plant insurance against economic losses (more than 30 % of the average annual production) caused by adverse climatic events and animal or plant diseases or pest infestation
- The financial contribution granted per farmer shall not exceed **65 %** of the insurance premium due
- Any financial contribution shall be paid directly to the farmer concerned.
- Community co-financing to the Member States' financial contributions at a rate of **75 %**



Specific support: risk management

Mutual funds for animal and plant diseases and environmental incidents

- Financial compensation paid to affiliated farmers for economic losses caused by the outbreak of an animal or plant disease or an environmental incident by way of financial contributions to mutual funds
- Public financial contributions to mutual funds, to be accredited by MS
- Financial contribution shall not exceed **65 %** of the cost (administrative cost of setting up funds, repayment on capital and interest on loans, amounts paid to farmer as compensation)
- Member States' expenditure on the financial contributions shall be co-financed by the Community at a rate of **75 %**



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Complementary national direct payments (CNDP)

- Possibility for new Member States to supplement the EU direct payments
- For a limited period
- Linked to the phasing-in of direct payments. Allows to increase the direct support level above the phasing-in level applicable in the given year
- The conditions and the maximum amounts should be authorised by the Commission
- The CNDP should respect:
 - The maximum level of support in the “old” Member States
 - The eligibility criteria and any limits on coupled support in the “old” Member States



Management of direct support

- Member States shall manage the direct support schemes under the Integrated Administration and Control System (IACS)
- The purpose is to:
 - ensure that payment of support under the CAP is carried out correctly,
 - prevent and deal with irregularities, and
 - recover amounts unduly paid



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Management of direct support

Integrated Administration and Control System

It shall include the following elements:

- a computerised database,
- an identification system for agricultural parcels (LPIS)
- a system for the identification and registration of payment entitlements
- aid applications
- an integrated control system
- a single system to record the identity of each farmer who submits an aid application.



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Management of direct support

From aid application to payment:

1. Submission of aid application

- Farmers should apply for aid annually
- Fixed deadlines

2. Verification of eligibility conditions

- Administrative controls
 - All applications should be controlled (e.g. check double or over declarations)
- On-the-spot checks:
 - It should cover at least 5% of farmers applying for SPS/SAPS
 - Control rate should be increased in case of important number of discrepancies
 - Control of areas through remote sensing

3. Payment to farmers

- Payments can be made only once all controls have been finalised
- Period of payment: 1 December and 30 June the following year



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Legal references:

Council rules on direct payments:

- Council Regulation (EC) No 1782/2003 (until end of 2008 but certain provisions still apply in 2009)
- Council Regulation (EC) No 73/2009 (from 2009)

Implementing rules:

- Commission Regulation (EC) No 795/2004 (SPS rules)
- Commission Regulation (EC) No 796/2004 (cross-compliance, modulation and the integrated administration and control system)
- Commission Regulation (EC) No 1973/2004 (other support measures)
- Annual Commission Regulations fixing budgetary ceilings ((EC) No 674/2008 ; (EC) No 552/2007 ; (EC) No 1156/2006; (EC) No 118/2005)



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Thank you for your attention