KEY ELEMENTS OF AGREEMENT OF EU COUNCIL OF AGRICULTURAL MINISTERS - CAP REFORM 2014-2020

19th MARCH 2013

Overview

EU governments have agreed on their common position on the 2014-2020 CAP after talks in Brussels, laying the ground for the next stage of negotiations, which are the 'trilogue' talks with the European Parliament and Commission.

It should be noted that the documents agreed do not represent the final agreement on CAP Reform. There are now three sets of documents, representing the Council's position, the European Parliament's and the Commission position.

The EU Council position will form part of the further negotiations that will now commence between the Commission, the Parliament and the EU Council to attempt to arrive at a final position on CAP reform for 2014-2020 by the close of the Irish presidency at the end of June.

The key issues of most relevance to Irish agriculture are set out below.

Direct Payments

Internal Convergence of Payments

The approximation model, which proposes convergence towards, but not all the way to the average payment, has been retained. Under the proposals set out:

- For farmers whose payments are below 90% of the average, their payments will be increased by 1/3 of the difference between their current payment and the 90% over the course of the reform.
- Farmers with payments above the average will see their payments reduced proportionately to pay for this redistribution.
- In addition, Member States may choose (optional) to apply a minimum and/or a maximum payment to farmers, which is a % of a national or regional average
- Finally, the greening payment may be set at 30% of the farmer's own individual payment (variable greening), rather than a national/regional flat greening payment per ha.

In addition, the Council proposals have retained the options of flat-rate payments at national or regional level and the front-loading of payments.

Reference Year

- A change has been introduced to the reference year proposal, which would allow a Member State to choose a reference year in the past.
- Under the current proposal, the first allocation of payment entitlements will occur where farmers apply in the first year of the scheme (e.g. 2014) and the number of payment entitlements will be equal to the number of hectares they declare at that point.
- However, in a derogation from this, Member States now have the option of deciding on a new reference year. In other words, a Member state may decide that the number of payment entitlements will be equal to the number of eligible hectares the farmer declared in either 2012 or 2013 or 2014.
- The requirement for a farmer to have activated an entitlement in 2011 remains.

Greening

- The greening payment may be set at 30% of the farmer's own individual payment (variable greening), rather than a national/regional flat greening payment per ha.

Greening Penalties

- If a farmer does not comply with greening, he does not receive his 30% greening payment. In addition, he will be penalised by up to a further 25% of the 30%, i.e. a further penalty of 7.5%.
- Therefore, if he does not comply with greening, his basic payment will be 62.5%. (loss of greening payment + penalty)

Ecological Focus Area

- The ecological focus area will apply on arable land above 15 hectares at a rate of 5%, with the possibility of this increasing to 7% in 2018, following an review by the Commission.
- The proposal also allows for allow for 50% of the EFA requirements to be applied at regional level and/or collectively by groups of farmers

Permanent Grassland

- Farmers may only convert a maximum of 5% of their reference area from permanent grassland.
- However, where, in a Member State, the ratio of permanent pasture in relation to total agricultural area has stayed the same or has decreased by less than 5% in relation to a previous reference date, the Member State can avail of a derogation if they ensure that the ratio of permanent grassland is maintained in relation to the total agricultural area.
- This obligation shall apply at national or regional level.

Crop diversification

- Farmers will be required to have 2 different crops where arable land is between 10-30 hectares
- Farmers will be required to have 3 different crops where arable land is >30 hectares
- No crop diversification requirement for a farmer if 75% of the eligible land area is grassland, and where arable land does not exceed 30 has.
- Winter and spring crops can be considered distinct crops even if they belong to the same genus.

Coupled payments

- Where a country has fully decoupled (e.g. Ireland), it may apply coupled payments of up to 7% of its national envelope.
- Where a country has retained coupled payments (e.g. France), the coupled payment amount can be up to 12% of the national envelope (provided they used >10% of the national envelope for coupling in 2010, 2011 or 2012)

National Reserve

- The National Reserve can be used to allocate entitlements to young farmers, new entrants and to farmers in order to prevent land abandonment, including in areas subject to restructuring.
- The funding allocation for the national reserve will be up to 3%.
- The value of payment entitlements from the National Reserve will generally be the national or regional average, except for the purpose of restructuring in certain vulnerable sectors in accordance with objective criteria.

Young Farmers

- Up to 2% of National Envelope may be used to provide a top-up payment to Young Farmers (voluntary measure).
- Young farmers will receive a top-up payment for a period of up to 5 years, with the size of the top-up subject to certain limits, for example a maximum number of hectares.
- Member States may decide instead to allocate a lump-sum payment to young farmers which would be based on the average size of farms taken over by young farmers during the most recent reference period.

Transfer of funding between Pillars

- Member states may transfer up to 15% of funding between Pillar I and Pillar II (in both directions)

Capping of Payments

- The capping of payments in staggered amounts above €150,000 will be voluntary at Member State level.

Rural Development

Pillar II co-financing

- Note: IFA is maintaining its demand for an immediate statement by Minister Coveney committing the Government to 50% national co-financing of Rural Development measures with additional national top-ups.

EU Review of Disadvantaged Areas

- The review of the DAS is also part of the CAP negotiations.
- The review involves the use of 8 new biophysical criteria and a renaming of designated areas to Areas of Natural Constraints (ANC).
- IFA has insisted that the maximum flexibility is given to member states to ensure that country specific natural handicap criteria are taken into account.
- As part of the agricultural council of ministers' negotiations on 18th / 19th March, the criteria to qualify an area must be greater than 60% in a DED (was 66% in earlier proposals).
- Countries can also choose 2 criteria to qualify an area, provided they fall within the range 80 – 120% of the threshold range. This will allow more flexibility to retain existing areas, but cannot be used to include additional areas.
- In Ireland, the main criteria that will be used to classify areas will be soil moisture deficit, where the soil is more than saturated at least 230 days per year. Because of the council decision to use 2 criteria, areas which may have difficulty in meeting the soil moisture figure can use other criteria such as depth of soil, stoniness, slopes etc.
- IFA's objective will be to ensure that the maximum area currently designated as DAS is retained under the new ANC criteria.

Single CMO (Common Market Organisation)

Sugar Quota

- Sugar quotas will be abolished in the 2017 marketing year. In addition, there will be no allocation of interim quotas to Member States that have relinquished all their quotas (e.g. Ireland).

Milk Quota

- No change to the proposal for the abolition of milk quotas by 2015.
- No change to proposal for use of APS for butter as an emergency, rather than standard, market management measure as sought by IFA.
- No inclusion of the European Parliament proposal (Dantin) to impose penalties on producers increasing milk supply in times of crisis after the abolition of quotas.

Next stages

- Discussions between the three institutions (Council, Commission and Parliament) will commence on 11th April and last until mid-end June (this includes an informal meeting of the Council of Ministers in Dublin in May).
- Commissioner Ciolos has noted that the timeframe is a realistic one for reaching a deal, which would allow the next CAP to enter into force next year.
- However, he also noted that significant differences remain between the Commission and Council on internal convergence and certain aspects of greening.