



Budget, Brexit & CAP Reform PAC:

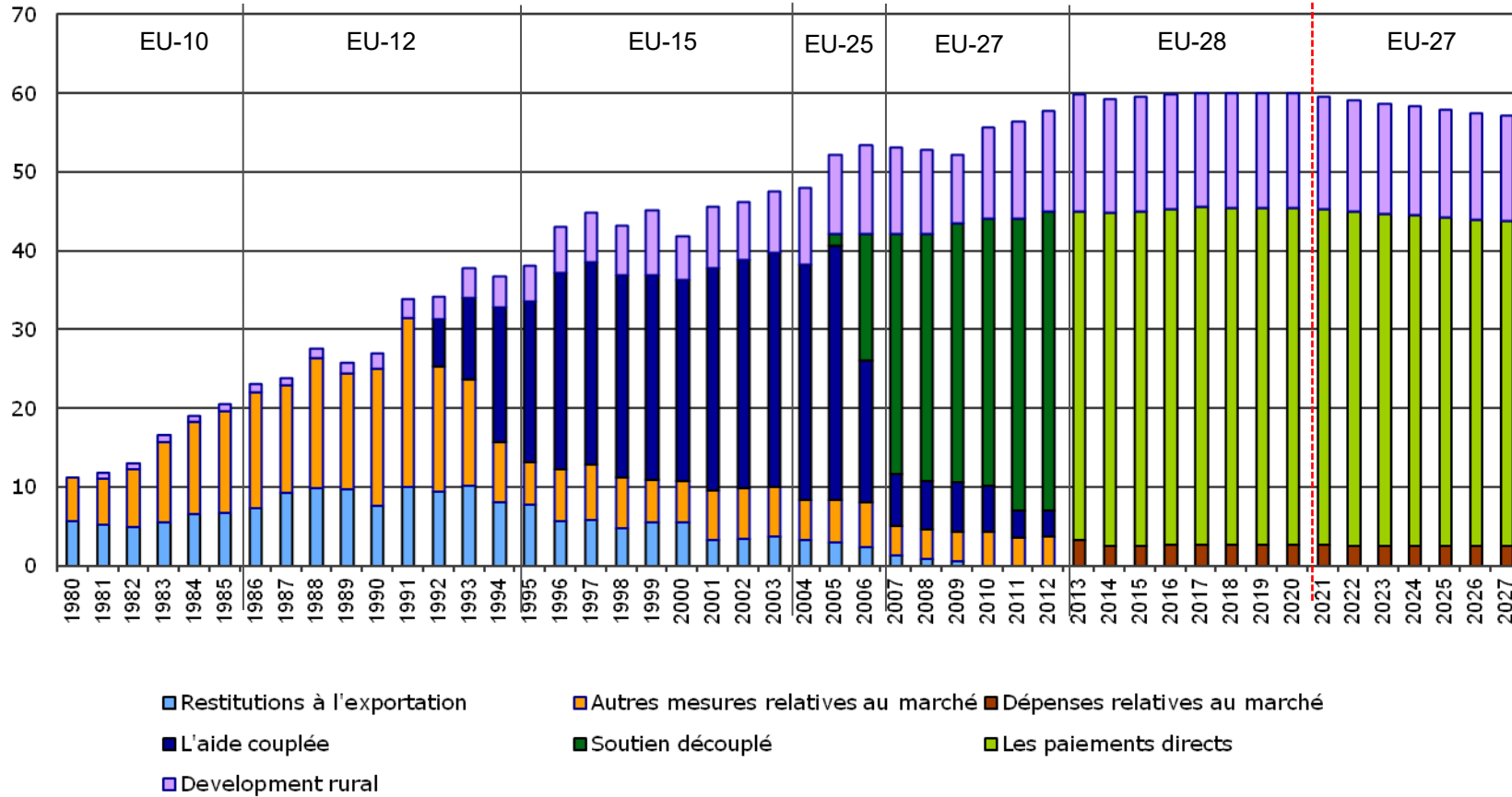
how to change challenges into assets for our farming sector



BUDAPEST
22 November 2018

CAP budget : COM Proposal, more than a challenge

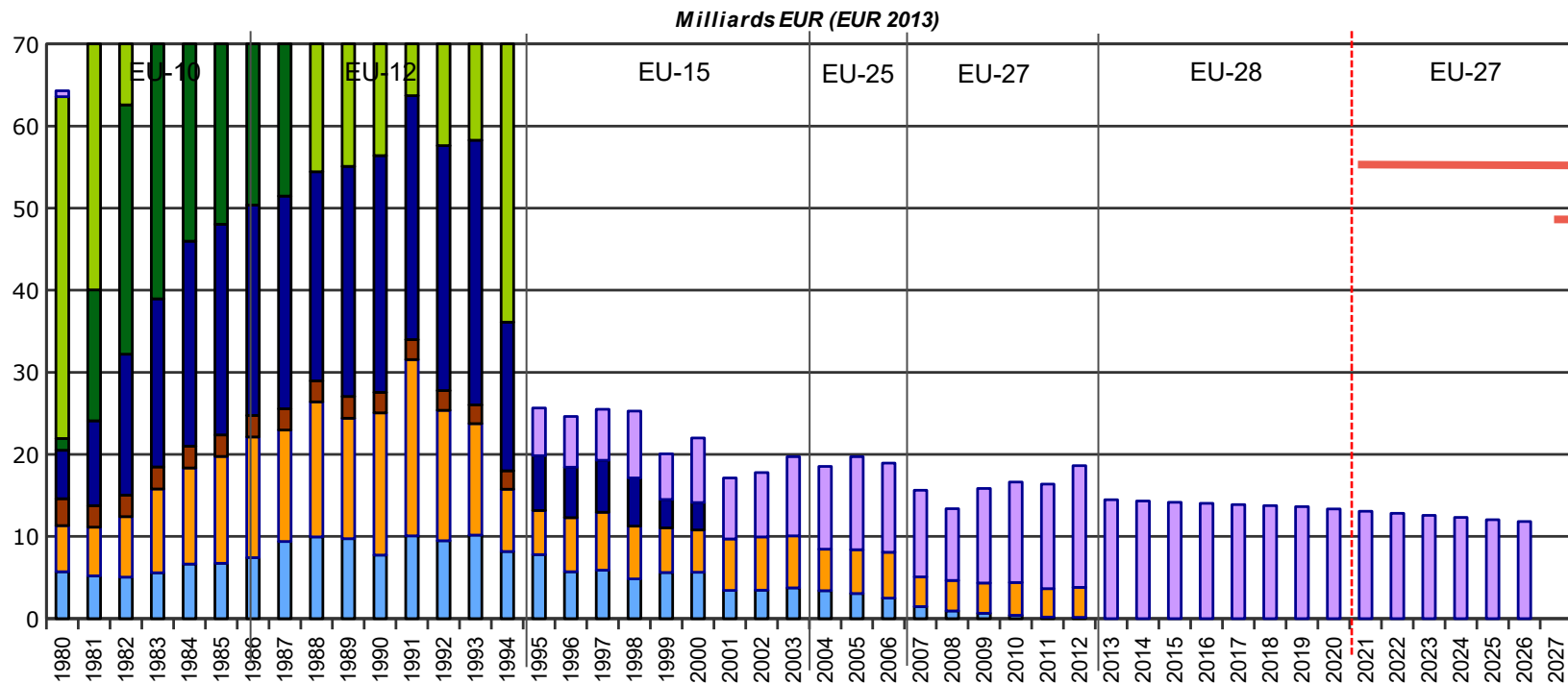
Milliards EUR (prix courants – visuel SANS INFLATION)



-5%

INFLATION

CAP budget : COM Proposal, more than a challenge



- Restitutions à l'exportation
- Autres mesures relatives au marché
- Dépenses relatives au marché
- L'aide couplée
- Soutien découplé
- Les paiements directs
- Development rural

-12%



Cut of CAP budget : Which economic consequences?



-8%

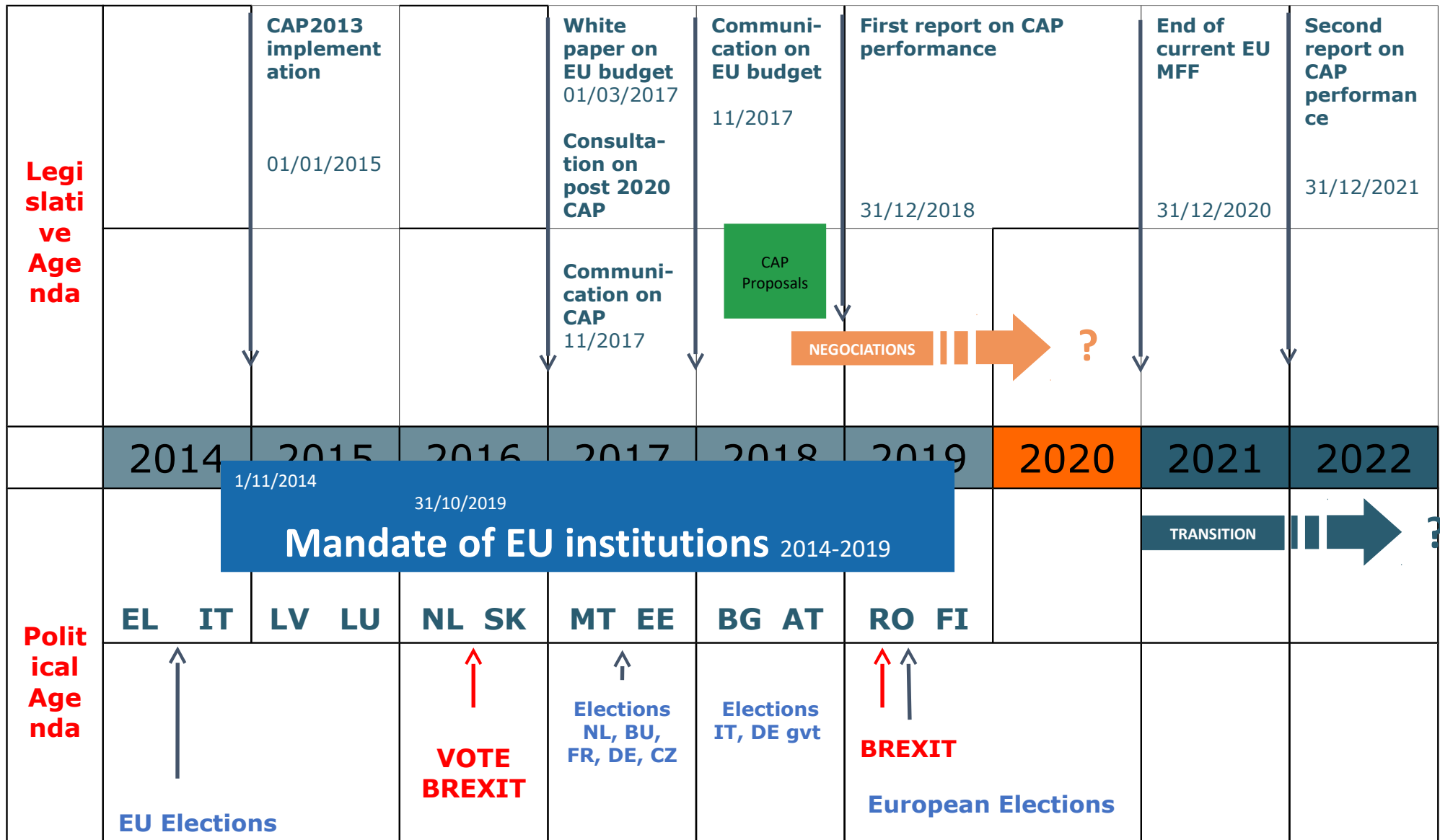
Direct payments
in value 2027
compared to 2020

-23%

Rural
development

CAP Reform...

Which credible agenda?



CAP Reform...

Which credible agenda?

BREXIT

€ -2,7 Mds_{/year}

CAP Budget

€35 Mds_{/year}

Agri-food exports to UK

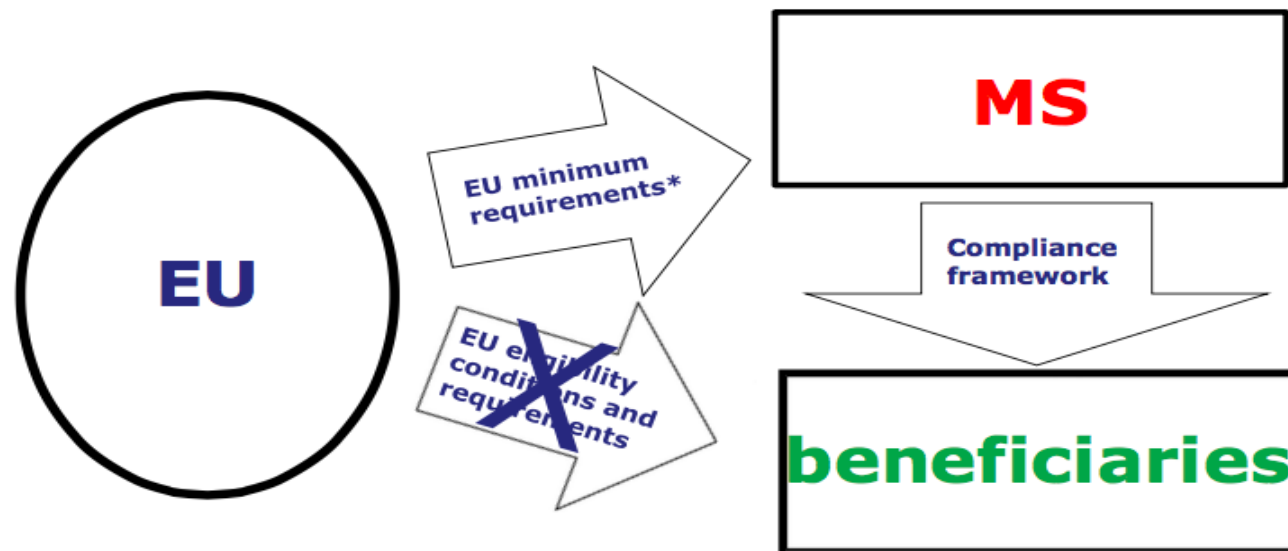


CAP reform : Transfer of responsibility...



OBJECTIVES

Compliance set-up



- Basic EU rules concerning certain support conditions, governance systems and budget allocations

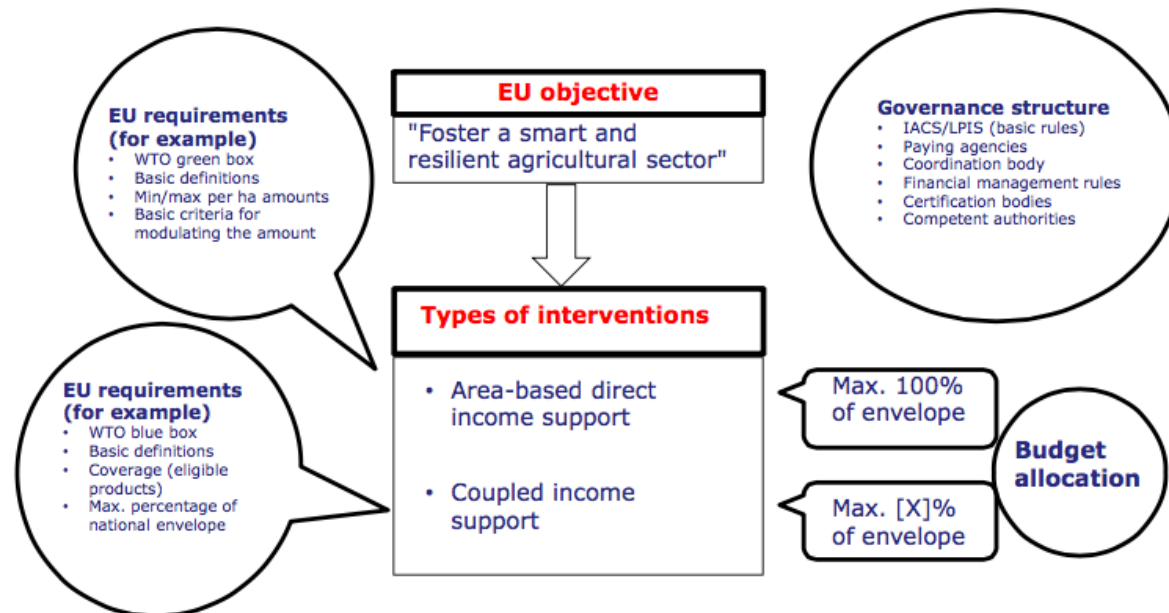
Cut the link
between Europe
and farmers

Transfer political
responsibility
from Commission
to MS' shoulders

CAP reform : Transfer of responsibility...



Configuring policy interventions – a tentative example



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OBJECTIVES

From common tools to National strategic plans, up to MS to do it simple

From EU common rules to national objectives and targets

CAP reform :

Commission's proposals

- **1st Pillar:**

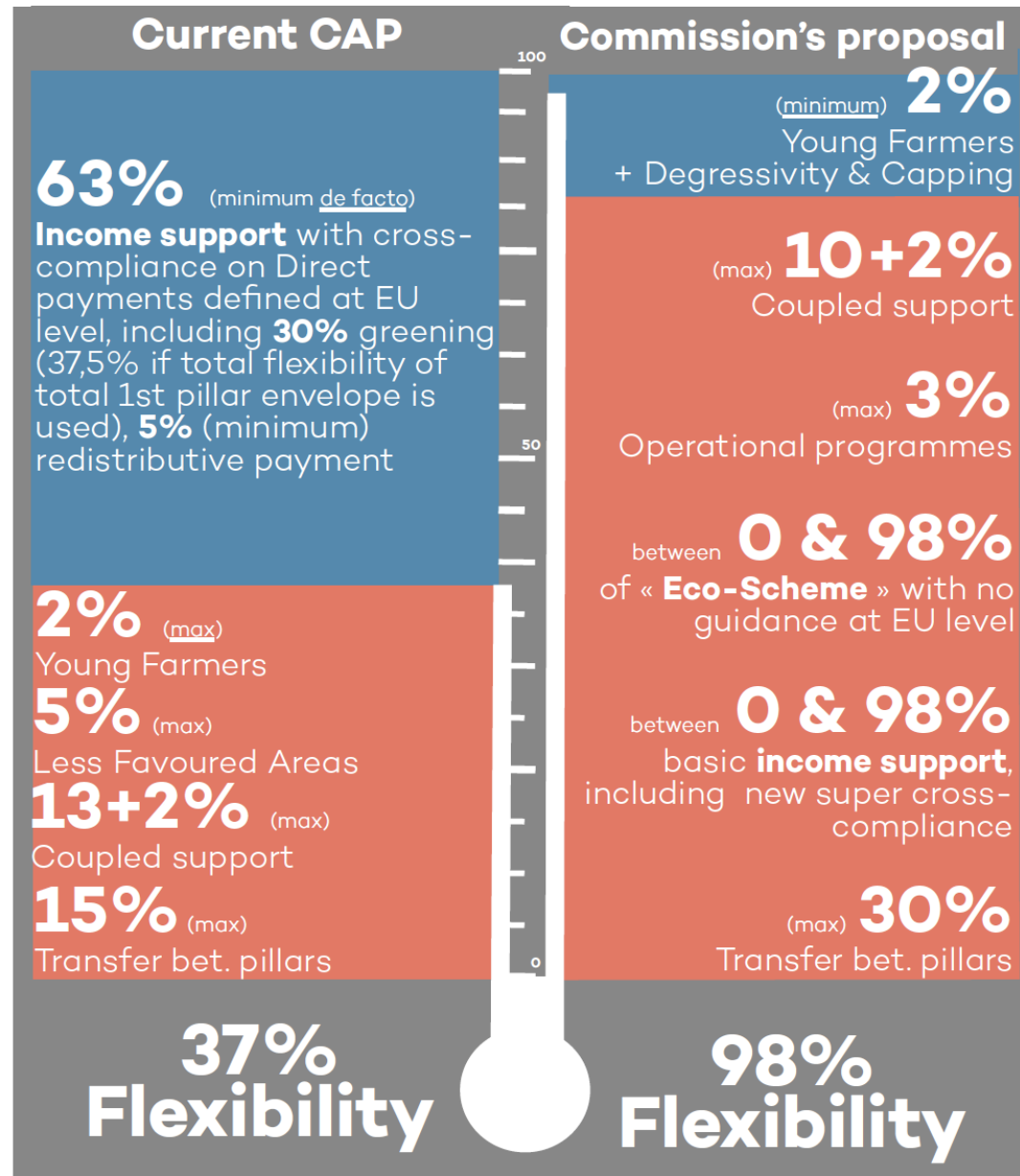
- **100 % new conditionality** (cross-compliance & Greening+), National definitions of rules. End of exemptions
- Decoupled payments : from 0% to 98 % of 1st pillar,
- Coupled payments (10%+2%)
- **New voluntary Eco-scheme** : EAM or incitation. No limit, no threshold, no EU rules. Mandatory for MS, « voluntary » for farmers
- Mandatory Capping and degressivity : from €60 000 – cap at €100 000 plus wages (eco-scheme and YF schemes included)
- **Operational programmes : voluntary, all sectors, up 3% 1st pillar**
- **Transfer to 2nd pillar: up to 30 %. MS choice**

- **2nd pillar : (-23% budget)**

- **Cofinancing decreased by 10 points** → 43% as a base, 80% EAMs
- EAMs, Natura : **30% mini 2nd pillar budget, LFAs excluded**
- Risk management tools (Threshold 20%, 70 % CAP cofinancing)
- Cooperation, innovation, leader (5% mini), knowledge, investments: Nothing new

- **Crise reserve:** a good principle but empty → multiannual, but **no money** (400 millions max, incl

High risk of eco & envi distortions



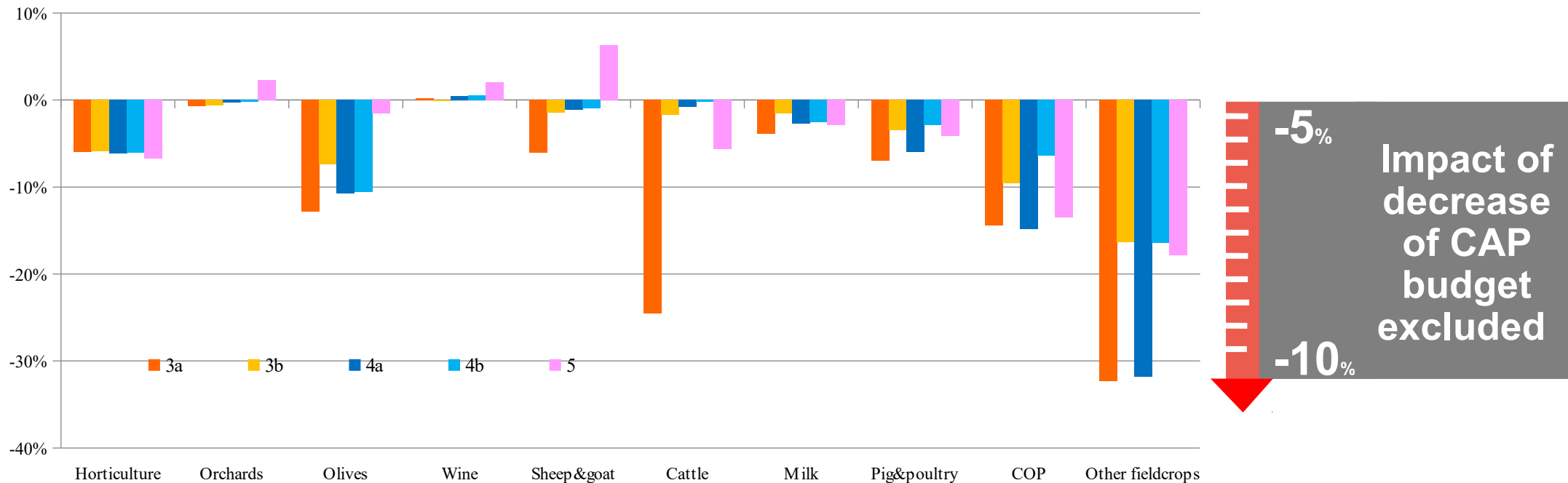
Total freedom for MS,
Commission approving everything and unique gardian in theory of the « C » of the CAP

High risk of eco & envi distortions between MS and Farmers



Note: *BP= Basic Payment, YF = Young Farmers, RM= Risk Management, RP = Redistributive Payment, AECH = Agri-Environmental-Climate and Health Measures, VCS= Voluntary Coupled Support, EIP= European Innovation Partnership

High risk of eco & envi distortions between MS and Farmers



	Relative to baseline	Relative to option 1 (baseline with cuts)				
	1	3a	3b	4a	4b	5
Direct payments	-10%	-75%	-40%	-6%	-6%	-26%
Total support	-10%	-11%	-7%	-4%	-4%	-6%
Income	-2%	-10%	-5%	-8%	-5%	-5%

Source: JRC, IFM-CAP

Being proactive to influence the reform

2 challenges in parallel :

- **Mould the current negotiation in EP and Council**
- **Define levers for efficient definition and implementation of future national strategies.**

6 milestones for a more efficient and common CAP



1 **Put in place key parameters in the basic acts** at EU level : minimum share for direct income support at 70 %, transfer P1 to P2 at 15%



2 Promote the **economic dimension of the CAP** with a minimum financial objective for economic performance, investments and risk management (**30% 2nd pillar**)



3 Give a **European dimension to the Eco-scheme**, focusing measures to be proposed on the taking of innovative tools and practices that can **encourage both and at the same time the environmental and economic transition** of the European agriculture.

6 balises de sécurité pour une PAC plus efficace & vraiment commune



4 Build an effective, predictable and adequately financed **crisis reserve** with guarantees that the Commission will react without delay in case of serious market disruption.



5 Define a **European environmental basis for the new « super » conditionality**, with the possibility for MS and farmers to propose equivalent measures where this is more appropriate.



6 **No approval process by the Commission** on the elements agreed by the co-legislators and which are in the EU legal framework.

Comagri's rapporteur's reports : restoring the EU dimension of the CAP

- Reintroduction of a **strong community base** for 1st pillar measures and conditionality;
- Direct decoupled aid from sustainability - BISS : **at least 70%** of the 1st pillar of each MS, before transfers;
- **Transfers** from P1 to P2 are **limited to 15%** of the P1 envelope (Annex VII)
- Coupled aids limits : **13 + 2%**;
- **Cross-compliance: rules** laid down in the basic Regulation
- **Optional capping** with a threshold that cannot be set below € 100,000, excluding eco-scheme and YF' aid;
- Redistributive payments: maximum amount per ha of 25% of the basic aid level and for a maximum of 30 ha
- Small farmers: simplified scheme 1250 euros max for maximum 10h, exempted from cross-compliance;
- **Intra-country convergence**: individual aid must not fall by more than 30%;

Comagri's rapporteur's reports : restoring the EU dimension of the CAP

- Payments for ANC reincorporated in the 30% of environmental measures of the 2nd pillar;
- **Return of 2nd pillar co-financing rates** to current levels
- No performance reserve in the 2nd pillar,
- 2nd pillar investment aid:
 - open to companies with more than 750 employees and 200 million turn over
 - return aid level max 55%;
- Extension of mutual funds risk management measures to create funds managed by POs or cooperatives;
- **If state aid is approved in a national strategic plan**, no further notification is necessary
- Deletion of delegated acts (points are defined by the basic Regulation only) on:
 - adoption of indicators;
 - the additional rules relating to the eco-schemes
 - the content of the strategic plans and their annexes.
- Request for a **definition of common European rules for sanctions.**

Comagri's rapporteur's reports : CMO, heterogeneous report

- Positive points on **wine**.
- **Rapporteur's ideas** on Commission's strategic plan and a performance CADRE for the **management of markets and crises** : **doubtful!**
 - with target values (?)
 - reference thresholds (?) following inflation
 - management by public storage
 - import duties to be increased or decreased as and when necessary (219)
- **Voluntary reduction of production scheme** in case of crises
- **Sugar & sheep meat** as part of **intervention scheme**
- **Competition's rules** :
 - extension to AOP & IGP products of AOP dairy products' provisions
 - **sharing value clause** :
 - extension possible to 2nd processors....
 - Types of clause / interbranch association
 - **types of contracts**. Index **cost of production** possible

Next step : To improve Comagri's position

the **Economic dimension** of the CAP still needs to be addressed:

- the **nature of the eco-scheme**
 - Risk of confusion by leaving in the eco-scheme AECM measures;
 - No axis given to the eco-scheme, and any kind of shape given to the **objective of economic and environmental performance** displayed in the narrative;
- no **minimum level** set in the 2nd pillar **for economic measures**;
- **Need of efficient crises reserve** in full coherence with CAP risk tools;
- the framing of the **Commission's approval authority** for strategic plans is not complete;
- the **simplification** of the levels of controls and sanctions (performance framework) is very little dealt with

And without waiting:

- Feed future national strategies, **define innovative projects** for sectors and regions,
- Maximise levers which could be at disposal: :
 - Build new tools focusing on economic and environmental transition: **Eco-scheme**
 - Mobilize **operational programmes** for some sectors
 - Structure diversification strategies, **define investment measures** to develop bioeconomy, bioenergies...
 - Analyse of the potential of **risk management tools** associated with **tax tools** to secure investments and income in addition of crisis management tools.
- Monitor strategies implemented elsewhere in Europe by direct competitors to **anticipate good ideas and avoid being overwhelmed**



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