

# Negotiations on CAP towards 2020

- Multiannual Financial Framework
- Presidency Conclusions
- Dess Report



Department of  
**Agriculture,  
Fisheries and Food**

An Roinn  
**Talmhaíochta,  
Iascaigh agus Bia**

## The Current Multiannual Financial Framework (MFF):

Commitment appropriations	Total 2007-2013	As a% of total
1. Sustainable Growth	437.8	45
2. Preservation and Management of Natural Resources	413.1	42
<i>of which: market related expenditure and direct payments</i>	<i>330.1</i>	<i>34</i>
3. Citizenship, freedom, security and justice	12.2	1
4. EU as a global player	55.9	6
5. Administration	55.9	6
6. Compensations	0.9	
<b>Total Commitment appropriations</b>	<b>975.8</b>	
as a percentage of GNI	1.12%	

# Ireland's Receipts from and Payments to the EU Budget 2004-2013

Year	Annual Receipts €bn	Annual Payment €bn	Surplus/ (Deficit)
2004	2.6	1.2	1.4
2005	2.4	1.5	0.9
2006	2.2	1.5	0.7
2007	2.1	1.6	0.5
2008	2.1	1.6	0.5
2009	1.8	1.5	0.3
2010	1.9	1.4	0.5
<b>Total</b>	<b>15.1</b>	<b>10.3</b>	<b>4.8</b>



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# This presentation:

- Redistribution of funds – pragmatic method v objective criteria
- Payment models – flexibility for member states v flat rates
- Greening of pillar 1

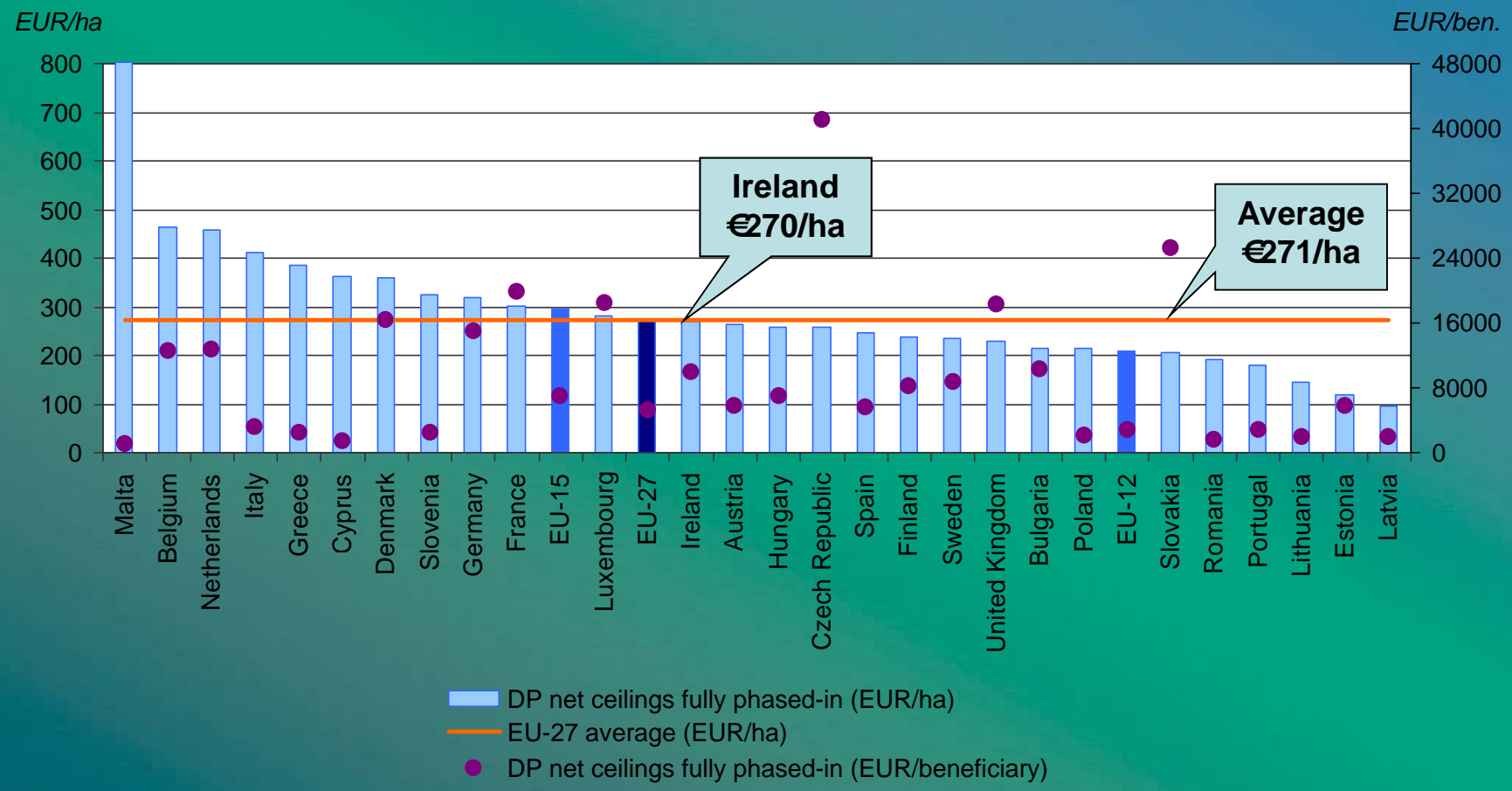
# Four Key Points for Ireland in Negotiations

- Strong common policy with commensurate CAP budget
- Retention of Ireland's funding under pillar 1 and pillar 2. Redistribution between Member States should use the "pragmatic method" – preferably for both pillars. Ireland should not lose as we are below average per hectare
- Maximum possible flexibility for Member States in relation to payments models in pillar 1. A flat rate would lead to huge transfers between farmers in Ireland.
- Real focus on competitiveness, as well as sustainability, in pillar 2, including scope for farm investment support to assist adaptation to dairy expansion and to support climate change measures.

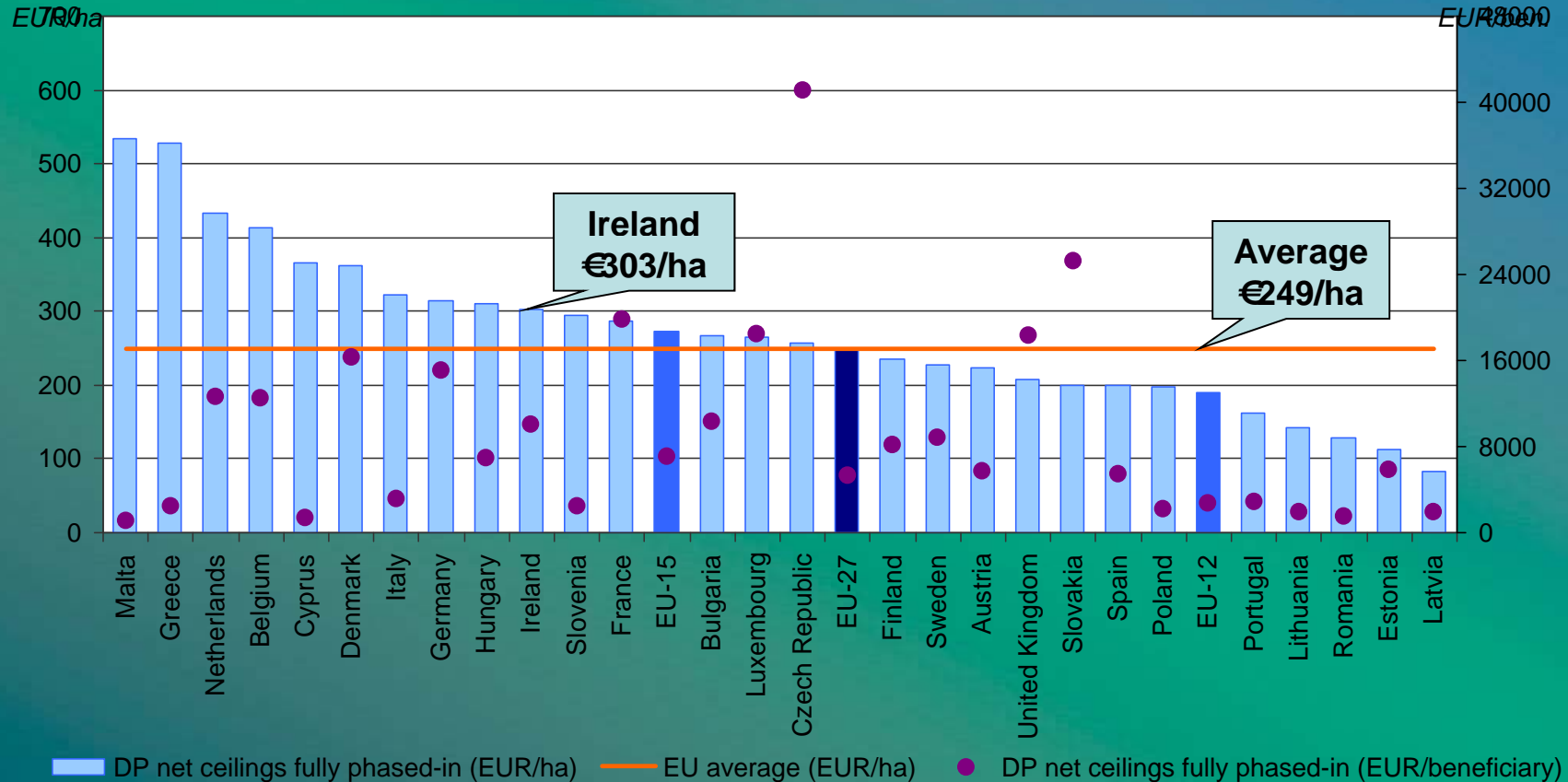
# Redistribution of Funds between Member States

- Two main options for redistribution:
  - “Pragmatic method” – based on average payment per hectare of SFP eligible area – with transfers from highest to lowest Member States,
  - “Objective Criteria” – eg modulation formula:  $(0.65 \text{ area} + 0.35 \text{ labour}) \times \text{gdp per capita inverse index}$
- Commission suggests pragmatic method for pillar 1 but objective criteria for pillar 2

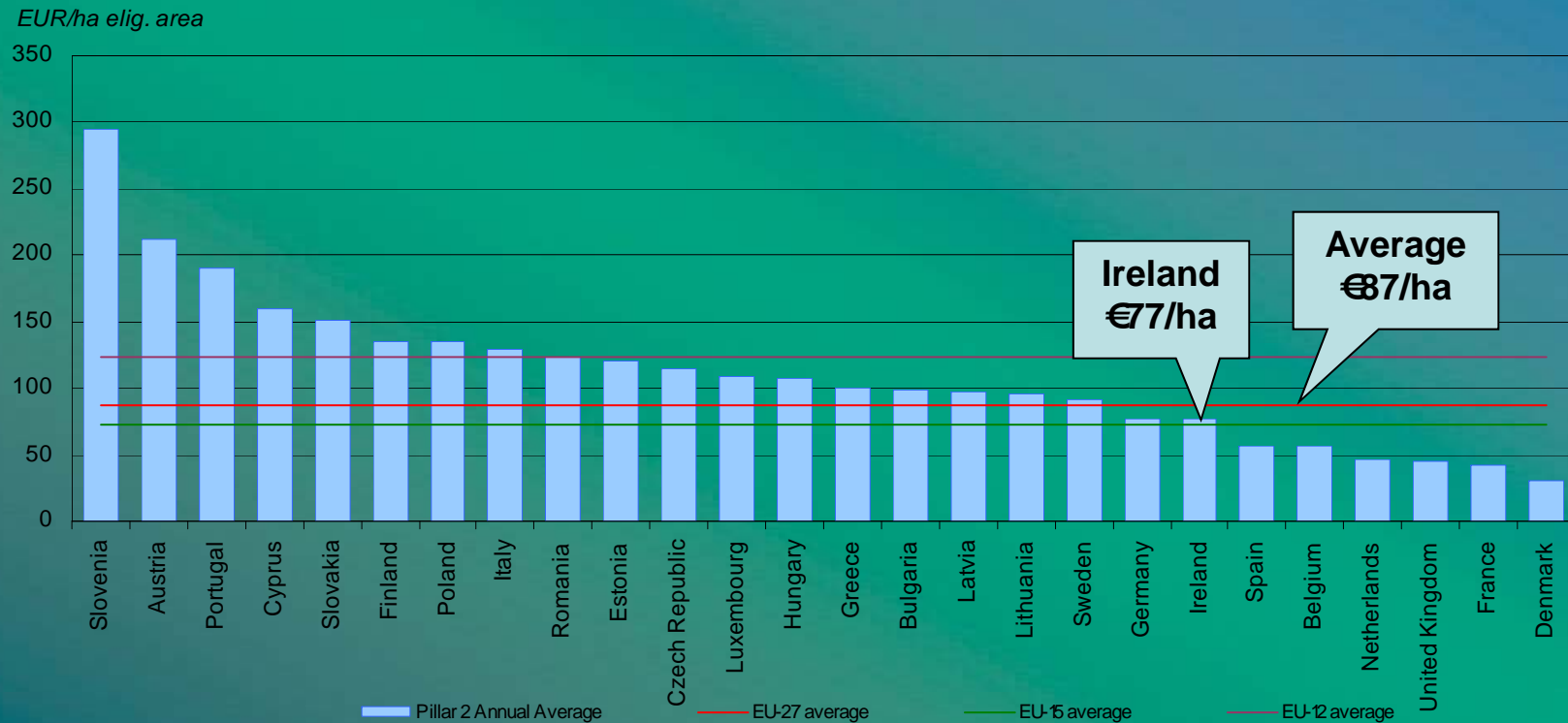
# Ireland's Pillar 1 payments per hectare are below the EU27 Average, and therefore should not be affected by redistribution using the "pragmatic approach".



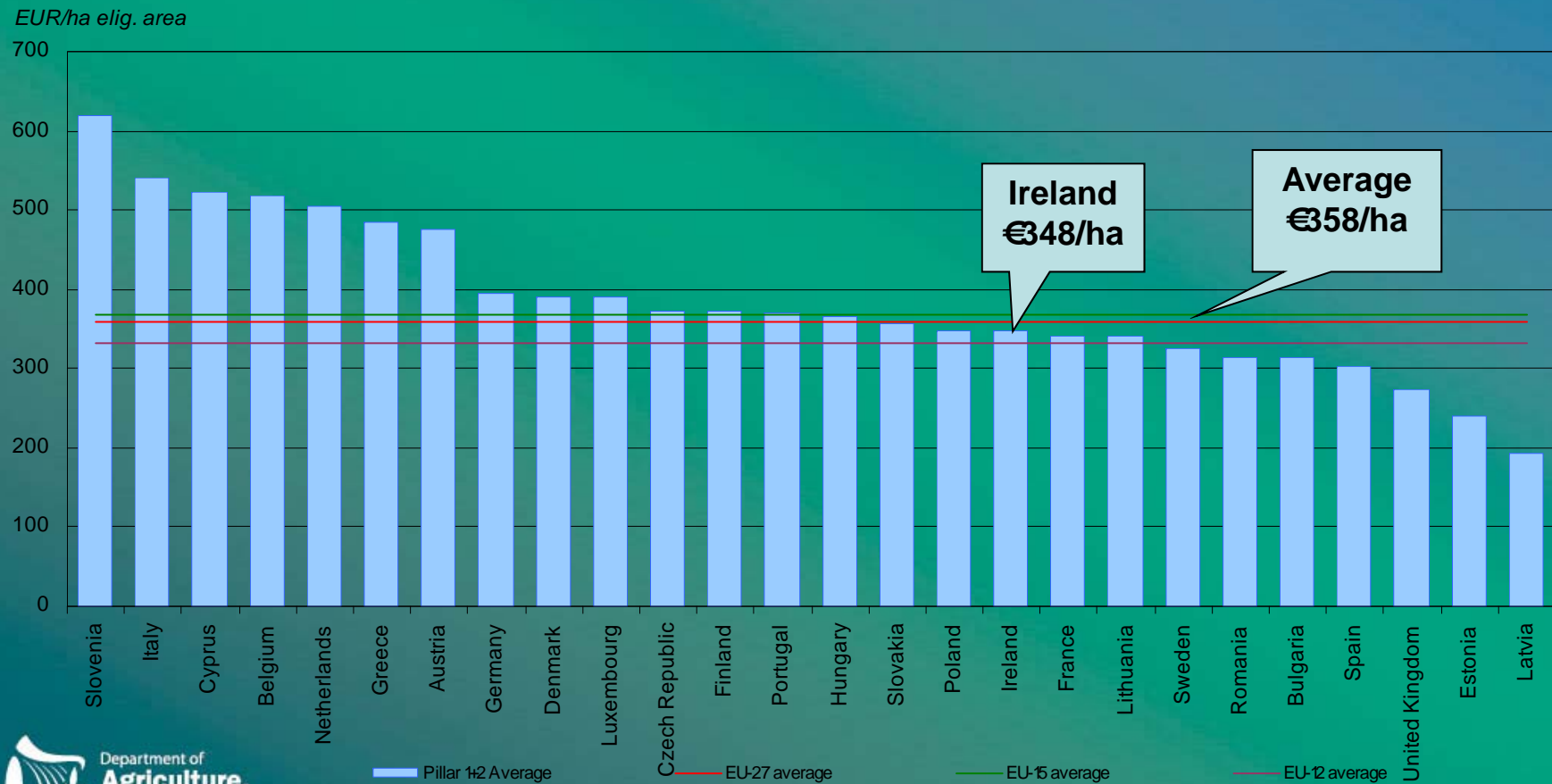
However another basis of comparison, using Utilised Agricultural Area (UAA), shows Ireland above average and vulnerable to redistribution – we have strongly opposed this, initially alone



# Ireland's Pillar 2 payments (per hectare pillar 1 eligible area) are also below the EU27 Average, and again would be safe using the pragmatic method



Looking at Pillar 1 + Pillar 2 together shows much lower differences between Member States than P1 alone: This would be a better basis for any redistribution, using the pragmatic approach.



**But Commission favours objective criteria for funds distribution in pillar 2, and some Member States want objective criteria for both pillars.**

Which criteria ? The results depend on the “objective” criteria that are chosen

We want to defend Irish Share of:

- Direct payment funds – 2.9%
- Rural dev. funds (2007-13) – 2.6%
- Rural dev funds (2013) – 2.3%

# Favourable Criteria:

Ireland as percentage of EU 27:

- Direct payments eligible area – 2.9%
  - Predominantly rural (PR) area – 2.9%
  - Population in PR areas – 2.6%
  - Less favoured area (LFA) – 3.2%
  - Permanent grassland – 8%
- 
- GDP per capita (PPS) index is favourable

# Unfavourable Criteria:

Ireland as percentage of EU 27:

- Utilised agricultural area – 2.4%
- Predominantly rural and intermediate area – 1.7%
- Agriculture output (GVA) – 1.05%
- Agriculture labour (AWU) – 1.3%
- Natura area (terrestrial) – 1.2%
  
- GDP per capita (PPS) inverse index is very unfavourable.
- eg Modulation formula (0.65 area + 0.35 labour) x gdp per capita inverse index

# Presidency conclusions 17 March

- “Recognises the need for a more equitable distribution of direct income support between Member States stepwise reducing the link to historical references, and having regard to overall context of the future EU budget;”
- “In this respect broadly agrees that pragmatism should be the leading principle when looking for objective allocation criteria and to ensuring an appropriate and progressive rhythm of change that avoids major disruption;”
- Note that there is no reference to redistribution of rural development funds.

## Payment Models: flexibility v flat rate

A national flat-rate payment would lead to very large transfers between farmers: 76,412 farmers would get payment increases averaging 86%, while 56,683 would lose average of 33%.

National	Number gaining	Total gain in payments (€)	Average gain (€)	Number losing	Total loss in payments (€)	Average loss (€)
All regions	76,412	€301,914,749	€3,951	56,683	- €301,911,030	- 5,326

**A two region (NUTS 2) flat rate model based would also lead to very large transfers between farmers : 74,897 farmers would get payment increases averaging 81%, while 58,198 would lose average of 33%.**

**In the BMW region, 39,592 farmers would get payment increases averaging 101%, while 31,274 would lose average of 36%**

Region	Number gaining	Total gain in payments (€)	Average gain (€)	Number losing	Total loss in payments (€)	Average loss
BMW	39,592	€134,056,901	€3,385.96	31,274	- €134,056,986	- €4,286.53
SAE	35,305	€160,642,883	€4,550.15	26,924	- €160,642,875	- €5,966.53
Total	74,897	€294,699,784	€3,934.73	58,198	- €294,699,861	- €5,063.75

**A set of 8 regional flat rates (NUTS 3) would also lead to very large transfers between farmers: 74,445 farmers would get payment increases averaging 75%, while 58,650 would lose average of 33%.**

NUTS 3 Regions	Numbers gaining	Total gain in payment	Avg. Gain	Numbers losing	Total loss in payment	Avg. Loss
Border	15,993	€50,601,618.87	€3,163.99	11,820	-€50,601,643.67	-€4,281.02
Midlands	7,381	€26,567,657.74	€3,599.47	4,557	-€26,567,665.97	-€5,830.08
West	15,542	€51,790,470.98	€3,332.29	15,573	-€51,790,504.71	-€3,325.66
Dublin	355	€1,865,072.59	€5,253.73	312	-€1,865,072.67	-€5,977.80
Mid-East	4,775	€24,028,462.31	€5,032.14	3,514	-€24,028,448.75	-€6,837.92
Mid-West	9,346	€31,763,538.97	€3,398.62	6,207	-€31,763,520.60	-€5,117.37
South-East	9,114	€40,186,715.36	€4,409.34	6,666	-€40,186,731.66	-€6,028.61
South-West	11,939	€58,847,589.00	€4,929.02	10,001	-€58,847,564.78	-€5,884.17
	<b>74,445</b>	<b>€285,651,125.83</b>		<b>58,650</b>	<b>-€285,651,152.82</b>	

# Presidency conclusions 17 March

- “As regards distribution between farmers, identifies the need for flexibility at national/regional level, with appropriate transitional periods to avoid disruptive financial consequences;

# Alternatives to Historic Model and Regional / National Flat Rates

- Approximation – already in Health Check
- Other flat rates – eg farming system
- Options for Member States, eg
  - Young farmers
  - Small Farmers
  - Article 68
- Others?
  
- Transition period - hybrid

# Single Payment Scheme: Greening proposals

- Commission has proposed further “greening” of pillar 1 by creation of a mandatory green layer within the SPS payment, based on certain criteria (eg grassland, crop rotation, green cover, eco set-aside).
- Albert Dess MEP originally proposed a similar green payment, but in pillar 2 rather than pillar 1. Dess now aligned with Commission
- A third option is to change the requirements attaching to cross compliance to incorporate these criteria (Austria).
- *Ireland, in common with many other member states, is seeking a solution which is as simple as possible, both for farmers and administration. We also have difficulty with the fact that a green layer would probably be in effect a flat rate in Ireland.*

# Presidency conclusions 17 March

- “Recalls that the CAP already includes significant green elements and endorses the concept of further greening the CAP towards 2020”
- “Underlines that any further greening should be simple and cost-effective, avoid any overlaps between pillars and must be based upon the experience of the CAP’s current green policy measures”

# Other direct payment proposals:

- A separate, simple scheme for small farmers – *Ireland is favourable to this proposal but wants discretion for Member States. Supported in march conclusions as an optional measure.*
- Better focus on young farmers – *supported in march presidency conclusions.*
- Limiting payments to “active” farmers – *Our current historic payment model already focuses payments on active farmers. Supported as an option for Member states in March conclusions.*
- Cap on payments per farm to be considered – *Ireland is willing to consider but recognises that it is problematical for other Member States. Rejected in March conclusions.*

# Second EP report (Albert DESS)

- Adopted by COMAGRI in May
- For adoption at plenary in June or July
- Substantial changes to first draft
- Mixed bag of good and bad elements
- On balance, adoption preferable to rejection

# Content of DESS report

- Sustainable, productive and competitive agriculture policy
- Continued market orientation
- Simplification
- Two-pillar structure
- Better targeting of support
- Equitable distribution of funds between Member States

# Main issues for Ireland in the report

## DISTRIBUTION OF FUNDS

- ***Between MS:*** Pragmatic approach to redistribution of funds based on all MS receiving a minimum percentage
- ***Within MS:*** Movement from historical individual references to area-based regional or national rates; possibility of special measures per region

# Main issues for Ireland continued

- Greening component in pillar 1
  - Commission asked to examine the practicalities
- Menu approach, including
  - Low carbon emissions, limiting emissions
  - Low energy consumption, energy efficiency
  - Buffer strips, field margins, hedges
  - Permanent pasture, crop rotation and diversity
  - Precision farming
  - Feed efficiency