

National Assembly for Wales
Research paper

CAP Reform 2014-20: EU Agreement and Implementation in the UK and in Ireland

November 2013

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This paper sets out the reactions and emerging implementation decisions of the four countries of the UK and also Ireland in relation to the new Common Agricultural Policy (CAP) reform package for 2014-20.

The new agreement, which is in its final stages of EU negotiation, allows Member States and their regions a great deal of flexibility in terms of how they implement the provisions. The implementation decisions taken within the UK and in Ireland therefore have the potential to differ considerably, despite the shared borders, and this paper seeks to indicate where the key differences and common approaches are emerging. It also considers the possible trajectory of future CAP reform.

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Summary

The Common Agricultural Policy reform package for 2014-20 is in its final stages of EU negotiation and overall political agreement was reached on the main elements in June 2013. The main reform provisions will be implemented in January 2015 and 2014 will be a transition year.

This paper sets out the reactions to the new reform package and emerging implementation decisions of the four countries of the UK and also of Ireland. It indicates where the key differences and common approaches are emerging and also considers the possible trajectory of future CAP reform.

The new agreement allows Member States and their regions an unprecedented, and welcome, amount of flexibility in terms of how they implement the CAP provisions to allow them to tailor the policy to their particular agricultural needs and approaches. This means that the implementation decisions taken within the UK and in Ireland have the potential to differ considerably, despite the intra-UK and international (UK/Irish) shared borders. The increasingly multi-national nature of food production, processing and retailing means that the differing approaches have the potential to significantly impact upon the farming and wider agri-food industries, particularly within neighbouring jurisdictions. It is now common place for food to be produced in one region/EU Member State, be processed in another and then marketed or sold in many others.

Overall, the administrations and farmers of the UK countries and Ireland believe that they have an acceptable reform package that they can work with. However, many environmental stakeholders have been disappointed that the 'greening' requirements linked to direct payments (Pillar 1) have been watered down from the original proposals and are now looking to rural development funds (Pillar 2) to bolster the CAP's environmental credentials.

The governments in England, Wales, Northern Ireland and Ireland are currently consulting on their implementation approaches and Scotland will be consulting before the end of the year. In November 2013, the UK Government announced that CAP allocations within the UK would remain the same for the next funding period which allows all four countries to plan according to known resources. This allocation has been welcomed by all administrations except the Scottish Government which believes that Scotland should have received a greater share. It argues that its low payments per hectare reduce the UK average payment thereby enabling the UK to qualify for an additional "uplift" payment from the EU which Scottish farmers should receive. This payment is intended to even out direct payments across the EU Member States (known as external convergence).

From the initial proposals put forward, it is clear that very different, “bespoke” approaches are likely to emerge in all of the areas of flexibility permitted by the new reforms, especially in regard to: coupled support (direct payments linked to production), using a National Scheme to apply equivalent greening requirements, and modulation (transfer of funds from Pillar 1 to Pillar 2). There is some common ground in terms of proposing minimum claim sizes (at 5ha) and not implementing Small Farmers Schemes. What is *not* clear however, is how far this flexibility in CAP implementation can be extended before it starts to undermine the ‘common’ policy approach and generates an uneven playing field in terms of Europe-wide competitiveness.

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CAP Reform 2014-20: EU Agreement and Implementation in the UK and in Ireland

1. Introduction

The details regarding the current round of Common Agricultural Policy (CAP) reforms for 2014-2020 are being finalised. These are the latest set of reforms in a long history of the policy which dates back to its inception in 1962. These reforms, and in particular the wide-ranging changes made in reforms to the policy agreed in 2003, set the context to the present reform and are summarised below.

The CAP is a complicated policy area which has developed an extensive set of associated, technical terms. These are briefly explained in the paper but a full glossary of CAP terminology has been included at the end of the paper to aid understanding.

1.1. The CAP from 1962 to 2013¹

Early years: from shortage to surplus

The 1957 Treaty of Rome made provision for there to be a Common Agricultural Policy (CAP), and the policy was established in 1962. Europe had suffered food shortages during and after the Second World War, and the initial objective of the CAP was to increase food production. The CAP sought to do this by offering farmers guaranteed prices for their produce by managing supply. Surplus grain, milk, wine, olive oil and meat was removed from the market and held in intervention storage to keep prices above a target level. Tariffs were set to restrict competition and exports of surplus produce were subsidised.

The policy was so successful at increasing internal production that by the end of the 1970s and early 1980s the problem for policymakers was how to deal with grain mountains and wine and milk lakes. Their solution was to introduce supply management measures. For example, milk quotas were introduced in 1984 and set-aside was introduced in 1992. The latter policy required taking a specified minimum amount of land out of agricultural production. The 1970s also saw the introduction of specific supports for farmers in Less Favoured Areas (LFAs).

¹ SPICe briefing 11/06, [CAP Reform: Proposals for 2014-20](#), 28 January 2011 and [Council Regulation 73/2009](#) establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations, 19 January 2009

The MacSharry and Agenda 2000 reforms – responding to world trade developments

The next phase in the history of the CAP was marked by the EU's response to the outcome of international trade negotiations in the General Agreement on Tariffs and Trade (GATT) and then the World Trade Organisation (WTO), to make the CAP less trade distorting. The policy has also evolved in response to EU citizens' concerns about the need to protect the environment, and to improve animal welfare.

To reduce trade distortions, price support was reduced allowing prices on the internal EU market to fall closer to the world market price. Direct payments, paid per hectare of crops and per head of livestock, were also introduced to compensate farmers. This approach was begun by the 'MacSharry' reforms of 1992, agreed under the Irish Commissioner for Agriculture, Ray MacSharry, and continued with the Agenda 2000 reforms (agreed in 1999) under the Austrian EU Agriculture Commissioner Franz Fischler. The Agenda 2000 reforms also sought to reform the CAP to accommodate the accession of ten new Member States from Central and Eastern Europe in 2004.

Direct payments to farmers and remaining market support are described as 'Pillar 1' of the CAP. Another important change in the Agenda 2000 reforms was to bring together agri-environment schemes and support for farming in Less Favoured Areas (LFAs) with other rural development measures in a rural development regulation. This rural development policy is commonly described as 'Pillar 2' of the CAP.

In the WTO terminology, subsidies which are trade distorting are known as "amber box" payments, and the WTO agreement limits the amount signatories can spend on this type of payment. Subsidies which would distort production, but which are subject to production limits e.g. quotas or set-aside are classed as "blue box". At present there are no limits on spending on blue box subsidies. Subsidies which have no effect on trade are known as green box, and are not subject to limits. The headage and area payments used by the EU were categorised as "Blue box" and were not subject to payment limits.²

² i.e. payments made according to the head of livestock of certain kinds kept on a farm

Fischler, decoupling and the introduction of Single Farm Payments (2003)

The next major change in the policy was agreed in the 'Fischler' reforms of 2003. The reform was meant to be a mid-term review of the Agenda 2000 deal which was to run until 2006, but the reforms ended up being the most radical since the inception of the policy.

The Commission successfully argued that rather than a mid-term review, more radical reform was needed in order to strengthen the EU's hand in the forthcoming Doha round of WTO negotiations. In previous negotiations the Commission had spent much of its time defending the CAP, so reform would allow the Commission to push for a better deal on access to other markets, which would benefit the EU. The centrepiece of the reform was to combine previously separate subsidy schemes into a Single Farm Payment (SFP) which would be 'decoupled' from production.

The rationale for this approach is that by removing the incentives created by some of the previous subsidy schemes, e.g. the headage payments for sheep, farmers will align their production more closely to what the market wants - they will no longer have a reason to keep more animals than they would otherwise keep just to claim the subsidy on them. As they are not linked to production, the EU argues that Single Farm Payments are not trade distorting, and are therefore "green box". The WTO round was set to conclude in 2003, but agreement has never been reached, and agreement on farm subsidies remains one of the outstanding areas. Talking about the prospect of achieving a deal at the Bali Ministerial in December 2013, WTO Director General Pascal Lamy recently said "the glass is two-thirds full".³

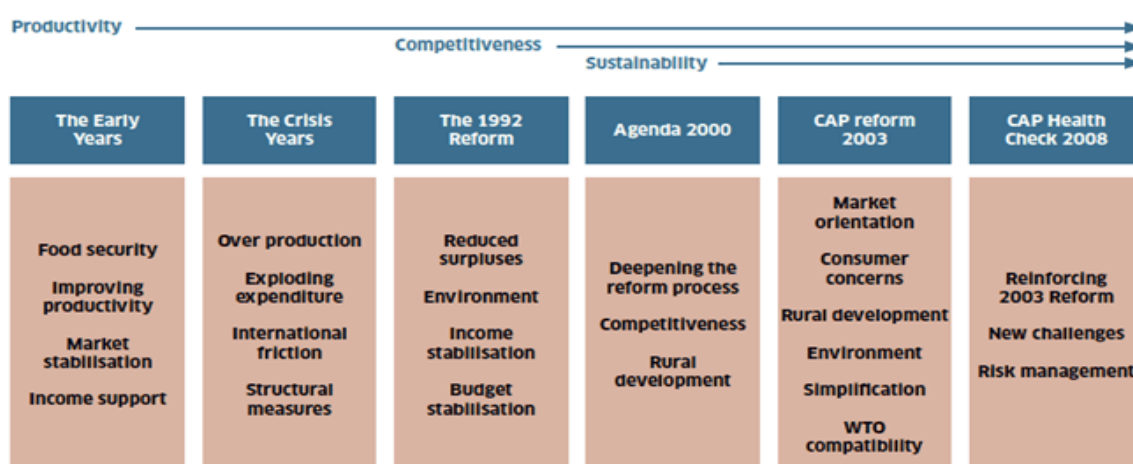
To receive the Single Farm Payment farmers must keep their land in Good Agricultural and Environmental Condition (GAEC), and respect EU laws on biodiversity, animal welfare, and the water environment – criteria known as "cross compliance". Single Farm Payments in the 10 Central and Eastern European Countries which joined the EU in 2004, and in Romania and Bulgaria which joined in 2007, have been made as a flat rate area payment, with rates increasing in steps to reach equivalent levels in the other Member States by 2013.

³ [Lamy "Clearer" road to Bali Ministerial, though work remains](#), *Bridges Weekly*, 25 July 2013

Health Check (2008)

The most recent changes to the policy (before the current reforms) were agreed as part of a 'Health Check' in 2008. The extent to which subsidies could continue to be coupled to production was reduced, set aside was abolished, and the transfer of resources from Pillar 1 to Pillar 2 of the CAP (modulation) was increased. However, the fundamental features of the policy agreed in 2003 and the decoupled Single Farm Payment remain.⁴ The evolution of the CAP from its inception to date is summarised in the Figure 1 below. The bar chart in Figure 2 below gives a graphical illustration of the way CAP reforms over the last 30 years have changed from supporting prices to supporting producers.

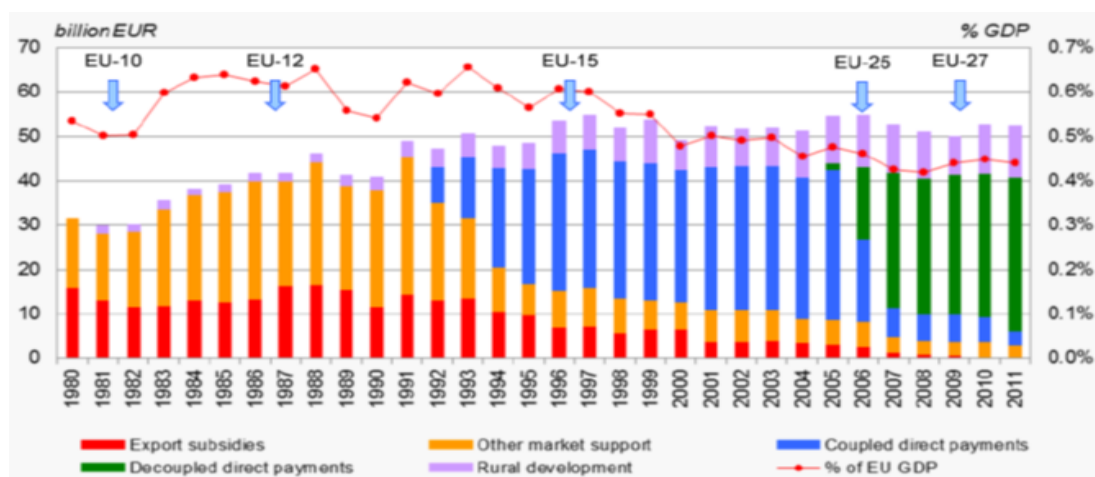
Figure 1: Historical development of the CAP



Source: Scottish Government (2010a)

⁴ European Commission, *Health Check of the CAP – Before and After*, March 2009

Figure 2: Evolution of CAP expenditure 1980-2011



Source: [European Commission](#), March 2013

1.2. Farming in the UK and in Ireland

The current CAP reforms which are being finalised allow for a great deal of flexibility of implementation for Member States. This will allow them to customise the reform package to best fit their different farming priorities. Table 1 (overleaf) provides a range of data comparing the key features of the farming systems in the four countries of the UK and in Ireland which illustrates their different approaches and priorities

The data show that:

- England has a markedly different farm sector from the other countries of the UK and Ireland. Only 17% of England is designated as LFA compared to >70% in the other four countries. Around half of farmland in England is cropped, which explains the large hectareage devoted to growing combinable crops (wheat, barley and oilseed rape). Maize is a crop which is growing in importance, especially in England, where more land is now put into maize than potatoes. It is mainly used for making into silage for animal feed.
- The particular challenges of farming in Scotland are revealed by the fact that around two-thirds of farmland in Scotland is rough grazing.
- The importance of cattle farming in Ireland is shown by the fact that it has approximately the same number of dairy cattle and more beef cattle than England but less than half the area of farmland. Likewise, the importance of the beef sector in Scotland is shown by the fact that it has more than twice as many beef cattle as dairy cattle. Wales, Ireland and Northern Ireland have about the same number of beef and dairy cattle, while England has more dairy than beef cattle.

- Sheep production is important in Wales. Its breeding ewe flock numbers are over 4m, 1.5m more than in Scotland, on one third of the farmed area. The larger proportion of better quality pasture in Wales allows higher stocking rates.
- England dominates in pig, poultry meat and egg production.
- England and Scotland have much larger farms on average, at around 100ha, than Ireland, Northern Ireland or Wales, where the average farm size is 30-40ha. This, together with the greater proportion of more productive land in England, helps to explain the higher gross output of English farms, and the lower reliance on subsidies than the other four countries. In spite of having larger farms, the average output per farm is lower in Scotland than in Northern Ireland, and Scotland has the lowest output per ha compared to all four UK countries and Ireland.
- Total employment in agriculture as a percentage of total workforce is highest in Ireland and Northern Ireland, highlighting the importance of the agriculture sector to these economies.

Table 1: Selected farming facts and figures 2012

	England	Ireland⁵	Northern Ireland	Scotland	Wales
Total agricultural area (ha) (% of total land area)	9,384,082 (72)	4,530,000 (66) ⁶	1,027,827 (73)	6,187,800 (79)	1,748,919 (84)
Number of farms	103,804	139,860 ⁷	24,285	52,625	41,277
Total employment in agriculture (% of total workforce)	307,000 (1.1)	103,400 (5.6) ⁸	30,000 (3.7)	41,000 (1.7)	28,000 (2.1)
% designated as Less Favoured Area (LFA)	17	75	70	85	81
Crops: Grass: Rough grazing (% of total farmed area)	47 : 43 : 10	8 : 81 : 11 ⁹	5 : 77 : 18	10 : 24 : 66	5 : 71 : 24

⁵ 2011 except where stated

⁶ Irish Department of Agriculture, Food and the Marine, [*Fact Sheet on Irish Agriculture - October 2013*](#)

⁷ *Ibid* (2010 figure)

⁸ *Ibid* (2012 figure)

⁹ *Ibid*

	England	Ireland ⁵	Northern Ireland	Scotland	Wales
Average Farm Size (ha)	90	32.7 ¹⁰	42	118	42
Wheat (ha)	1,856,229	98,000 ¹¹	9,395	100,637	25,614
Barley (ha)	622,787	192,800	25,533	332,039	21,825
Oilseed rape (ha)	740,459	12,400	813	336,611	5,628
Maize (ha)	143,066	N/A	1,937	1,913	10,802
Potatoes (ha)	112,150	9,000	4,150	29,536	2,935
Beef cows	742,260	1,063,300	279,195	452,438	226,150
Dairy cows	1,120,536	1,055,300	285,369	182,184	274,686
Breeding ewes	5,445,748	2,524,200	806,092	2,623,656	4,169,279

¹⁰ *Ibid* (2010 figure)

¹¹ *Ibid* (for wheat, barley & potatoes)

	England	Ireland ⁵	Northern Ireland	Scotland	Wales
Breeding pigs	351,175	147,700	38,331	31,881	4,474
Broiler chickens	74,271,691	72,609,900 ¹²	13,459,392	9,074,234	5,752,630
Laying hens	33,508,797		5,287,041	5,516,547	2,320,561
Gross output (£m)	18,034	5,462 (€6,303)	1,720	2,785	1,388
Gross output per farm (£)	173,731	52,007 (€60,010)	70,826	52,922	33,626
Gross output per ha (£)	1922	1304 (€1,504)	1673	450	794
Gross value added at basic prices 2012 (£m)	7,226	1,505 (€1,737)	321	844	214
Total subsidies 2012 (£m)	2,055	1.428 ¹³ (€1,790)	298	578	332

¹² Total volume of poultry in 2011. Available in: [Annual Review and Outlook for Agriculture, Food and the Marine 2012/2013](#), p. 31

¹³ [Annual Review and Outlook for Agriculture, Food and the Marine 2012/2013](#) states that direct payments to farmers totalled €1,790 million. This figure excludes afforestation grants and premia, all on farm investment grants and payments to retired farmers under the early retirement scheme (pg. 10)

	England	Ireland ⁵	Northern Ireland	Scotland	Wales
Subsidies as % of TIFF	54	81 ¹⁴	208	91	268
Net Farm Income, average all farm types 2011/12	53,000	20,300 (€25,483)	27,100	35,200	29,900

Sources: DEFRA, [Agriculture in the United Kingdom 2012](#); Scottish Government, [Economic Report on Scottish Agriculture 2013](#); Scottish Government, [Agricultural Facts and Figures 2013](#); Department of Agriculture, Food and the Marine, [Compendium of Irish Agricultural Statistics 2013](#) (except where stated). Conversions from € to £ have been made using the official UK Rural Payments Agency exchange rate for the relevant year.

¹⁴ [Fact Sheet on Irish Agriculture - October 2013](#) states that "In 2012, subsidies net of levies, accounted for 73% of operating surplus. On a per farm basis, the [National Farm Survey Estimates for 2012](#) indicate that average family farm income for 2012 was €25,483, direct payments per farm were on average €20,534 for 2012. As such, direct payment comprised 81% of farm income on average for 2012

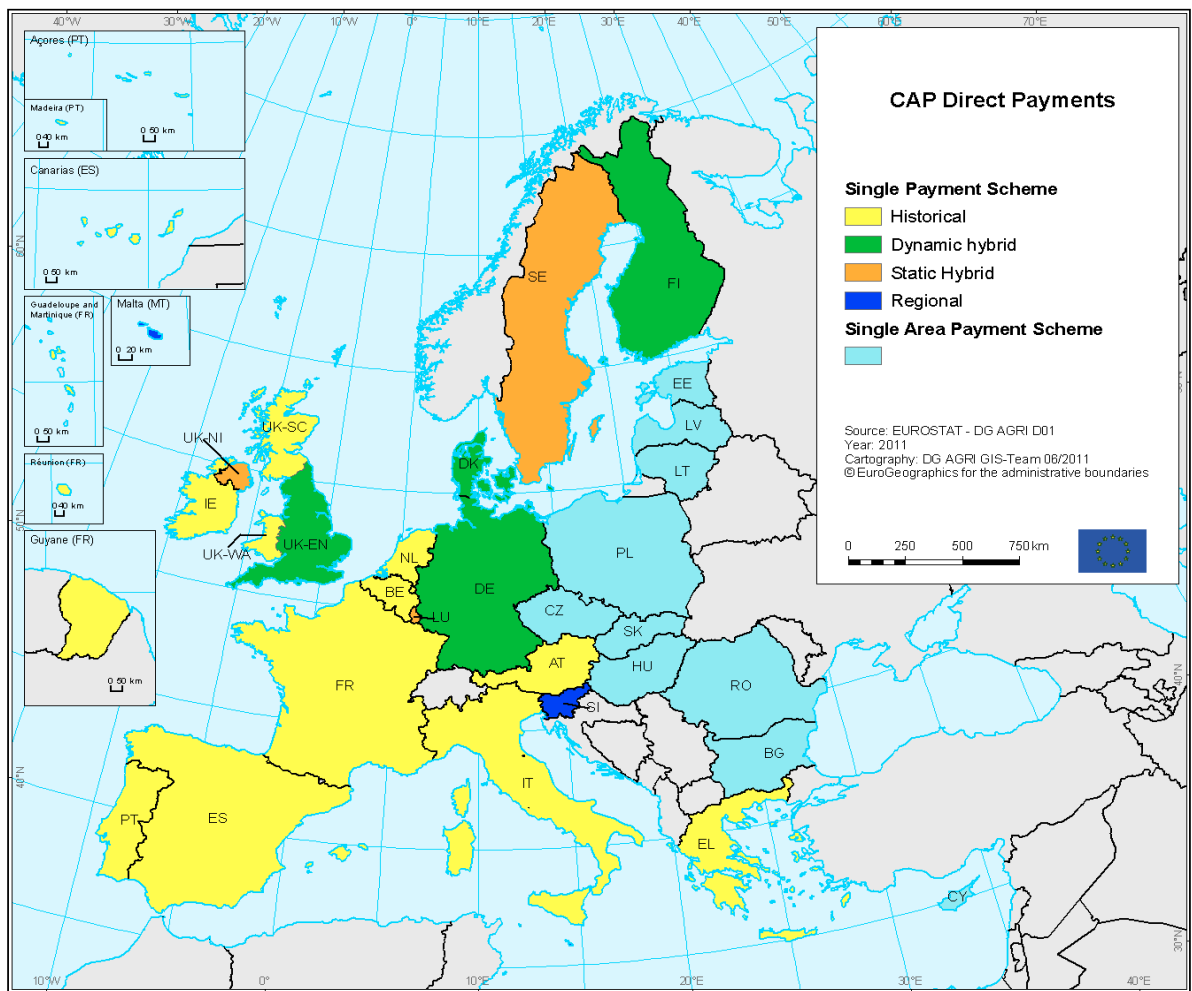
2. Implementation of the CAP 2005-2013 – the Single Farm Payment

Implementation decisions taken in the last CAP reform leave Member States and the countries of the UK in different starting positions for the latest round of reforms.

In the last reform, Member States had a choice of how to implement the Single Farm Payment. They could choose to implement it in either: 2005, 2006 or 2007. They could choose to make the payments on either the historical basis, in which case they would be based on the average amounts farmers received under previous schemes in a 2000-02 reference period, or on an area basis, in which case farmers would get a flat rate payment for each hectare of land they farmed. Area payments could vary depending on the type of land.

Payments could also either be a fixed proportion of historic to area payments (static hybrid), or an area payment could be introduced gradually over time, with a corresponding reduction in the amount of historic payment (dynamic hybrid). Some of the previous subsidy schemes could also be retained, or “coupled” to production. Member States could also set up new schemes using a “national envelope” of up to 10% of payments to all sectors or an individual sector. These payments must contribute to the environment or to quality food production. Member States which have joined the EU since 2004 have operated a different scheme called the Single Area Payment Scheme. The map overleaf shows where the five different options for implementing the Single Farm Payments have been used.

Figure 3: Map showing models used to implement the Single Farm Payment



Source: [European Commission 2011](#)

Table 2 looks at the ways the four countries of the UK and Ireland chose to implement the Single Farm Payment. All five countries chose to implement Single Farm Payments in 2005.

Table 2 - Implementation of the Single Farm Payment in the UK and in Ireland

	Model used	Coupled payments retained?	National Envelope used?
England	<p>Dynamic hybrid</p> <p>Payments moved from 90% historic basis: 10% area basis in eight steps to reach a 100% area payment by 2012.</p> <p>Different payments are set for three types of land: moorland; upland land that is not moorland; other land. The same rate applies for each type of land throughout the country.</p> <p>This approach has been very complex to administer and widely agreed to have contributed to the failures of the Rural Payments Agency which led to a failure to pay farmers on time in March 2006.¹⁵</p>	No Government committed to total decoupling. ¹⁶	No

¹⁵HC 107-I, Third Report of House of Commons Environment, Food and Rural Affairs Committee (Session 2006-07), [*The Rural Payments Agency and the implementation of the Single Payment Scheme*](#), March 2006, para 36

¹⁶ *Ibid* para 5

	Model used	Coupled payments retained?	National Envelope used?
Ireland	Historic basis	No	Yes. Under Article 68 of Regulation 73/2009, Ireland re-allocated funds to support a grassland sheep scheme, some dairy quality and efficiency programmes and the Burren Farming for Conservation Programme (formerly BurrenLIFE). ¹⁷

¹⁷ DG for Internal Policies, 2010. [*The Single Payment Scheme after 2013: new approach, new targets*](#) page 43

	Model used	Coupled payments retained?	National Envelope used?
Northern Ireland	<p>Static hybrid</p> <p>The motivation for adopting a static hybrid model was equity considerations – ensuring that those who benefited from coupled support in the past should benefit, in broadly equal measure, from decoupled support in the future.</p> <p>Payments are made up of a historic component (78%) and an area payment (22%) For the historic component, these are based on payments in the 2002-2002 reference period, but for dairy farmers 2005 data were used. The area payment is based on area claimed in 2005.</p>	No	No
Scotland	<p>Historic basis</p>	No	In the beef sector. Maximum permissible 10% of payments under previous beef sector schemes used for Scottish Beef Calf Scheme. This is a headage scheme which gives a payment per beef calf. The amounts given per year vary depending on the total number of calves claimed in Scotland. To support smaller producers there is a higher payment for the first ten calves claimed under the scheme.
Wales	<p>Historic basis</p>	No	No

3. The June 2013 Agreement on the CAP for 2014-20

The current round of CAP reforms has been debated over the last four years. The European Parliament's Agriculture Committee published an [own-initiative report](#) on CAP reform in July 2010.¹⁸ This was followed by a [Communication](#) from the European Commission setting out its initial thinking in November 2010.¹⁹ The Commission then published [legislative proposals](#) in October 2011.²⁰ Following the ratification of the Treaty on the Functioning of the European Union (the Lisbon Treaty), EU laws on agriculture are subject to the ordinary legislative procedure. This means that the European Parliament and the Council of the European Union must agree on the legislation before it is adopted.

A key backdrop to this CAP reform has been the negotiations over the EU budget, because the CAP continues to make up such a high proportion of EU spending (around 40% of the EU budget in 2013), and because it is difficult to decide how to spend the money until you know how much money there is to spend.²¹ The European Council reached a political agreement on the EU budget for 2014-20 in June 2013.²² As well as setting the overall budgets for Pillar 1 and Pillar 2 of the CAP, the deal done by the Heads of State and Government also went into more detail on some areas of CAP spending. The European Parliament has since approved the budget in its Plenary of 19 November 2013 and a review of the Multi-Annual Financial Framework (MFF) in 2016.²³

The European Parliament agreed a mandate for MEPs from the Parliament's Agriculture Committee to negotiate with the Council in March 2013. In the same month, the Agriculture / Fisheries Council agreed a "general approach" on the proposals for CAP reform. While there were many areas of broad agreement between the two institutions, there were other areas where they took different positions. More than 40 'trilogue' discussions took place between Council, Commission and Parliament negotiators between April and June 2013.²⁴ This work allowed the Council and Parliament to reach an agreement on most aspects of the current CAP reform in June 2013, in line with the Irish Presidency's ambitious timetable.

¹⁸ European Parliament Committee on Agriculture and Rural Development, [Report on the future of the Common Agricultural Policy after 2013](#), 21 June 2010.

¹⁹ European Commission, [The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future](#), 18 November 2010.

²⁰ European Commission, [Legal proposals for the CAP after 2013](#), 12 October 2011.

²¹ European Commission website, Financial programme and budget page, [Budget 2013 in figures](#) as on 19 November 2013

²² European Commission Newsroom Highlights, [Multi Annual Financial Framework 2014-2020](#) as on 13 November 2013

²³ European Commission Press Release, [One trillion euro to invest in Europe's future- the EU's budget](#), 19 November 2013

²⁴ Updated: Most CAP Reform for 2014-2020 agreed, *Agra Europe*, 27 June 2013

The trilogue reached political agreement on the few outstanding issues (in the context of the Multiannual Financial Framework [MFF]) on 24 September 2013. It is hoped that legislative texts can be formally adopted before the end of 2013.²⁵ This will then allow the relevant Implementing and Delegated Acts to be completed in 2014 which will contain the more detailed rules on implementation. The table overleaf shows what was agreed in June and September 2013. A European Commission press release of 24 October 2013 provides a round-up of the overall agreement.²⁶

²⁵ European Commission Press Release, [*Reform of the Common Agricultural Policy \(CAP\): Political agreement reached on last remaining points*](#), 24 September 2013.

²⁶ European Commission, [*MEMO/13/937 25/10/2013 CAP reform- an explanation of the main elements*](#), 25 October 2013

Table 3 - Summary of the June & September 2013 Agreements on CAP Reform

Pillar 1 Items agreed in June 2013²⁷	
Pillar 1 Budget	The budget for Pillar 1 will be €277.8 billion for 2014-20 (in 2011 prices) ²⁸ , 77% of the total CAP budget (a cut of 14% compared to 2007-13). ²⁹ “National ceilings” i.e. allocations of the Pillar 1 budget between Member States have been published. The change in direct payment allocation for the UK and Ireland compared to the amount received in the last Multiannual Financial Framework is -2.5% and -3.3% respectively. ³⁰
Regional Implementation	The four countries of the UK are classed as regions for EU purposes. All elements of the reformed CAP can be implemented regionally, so within the UK England, Northern Ireland, Scotland and Wales can take different decisions. For “Member State” also read “region” in the table.
Internal Convergence	<p>Member States which have used the historic basis for the Single Farm Payment must begin to shift towards an area payment. It is up to Member States to devise their own schemes for area payments e.g. setting different rates for different land types. Member States which do not have area payments at present can either introduce them in full in 2015, introduce them in equal steps, so that they are introduced in full by 2019. Or, as a derogation from this they can partially introduce area payments.</p> <p>This option requires that: farmers who currently receive less than 90% of the average payment will close the gap between their payment and 90% of the average by one third by 2019; additionally all farmers must receive a minimum of 60% of the average by 2019; payments to farmers who receive over the average will reduce to fund this; Member States can choose to limit the reductions in payments to 30% of what farmers currently receive, and this can take precedence over increasing payments to farmers who receive below average payments.</p>
Cross compliance	In order to receive the direct payments farmers will have to continue to comply with a suite of EU laws on biodiversity, animal welfare, and the water environment, and keep their land in Good Agricultural and Environmental Condition.

²⁷ Sources: Agrafacts 25, 26 and 28 June 2013; European Commission Press Release, [CAP Reform – an explanation of the main elements](#), 26 June 2013; [CAPReform.eu](#) website; Council of the European Union, [Consolidated draft direct payments regulation](#), 6 September 2013 – the document shows the Commission’s legal proposal revised with the changes agreed by the trilogues.

²⁸ European Council (EUCO 37/13), [Conclusions on the Multiannual Financial Framework](#), 8 February 2013

²⁹ This is based on the European Commission’s €322 billion figure for 2007-13 in 2011 prices set out in European Commission, [The Multiannual Financial Framework 2014-2020](#), 30 June 2011

³⁰ DG Internal Policies Policy Department B, structural cohesion policies, [European Council Conclusions on the Multiannual Financial Framework 2014-2020 and the CAP](#), Note, Table 12 p.44

Pillar 1 Items agreed in June 2013²⁷	
Active farmers	<p>Member States can set minimum activity requirements (e.g. a minimum stocking rate) for land which is naturally in a state suitable for grazing or cultivation.</p> <p>An EU wide "negative list" of activities which are not eligible for CAP payments has been drawn up. This includes airports, railway services, water works, real estate and sports grounds. Member States can add to this list.</p>
Greening	<p>30% of the Pillar 1 budget will be used for a greening payment. Member States can choose how to implement the greening payment, either as a flat rate per hectare, calculated by dividing 30% of the direct payment ceiling by the total area of land claimed under the Basic Payment Scheme (BPS) within the region each year, or the greening payment would be 30% of the payment entitlements activated by each farmer each year.</p> <p>Farmers will have to comply with three criteria to get the payment (where applicable):</p> <ul style="list-style-type: none"> • Farmers with between 15 and 30ha of arable land must grow two arable crops, with no crop constituting more than 75% of the total area. Farmers with more than 30ha of arable must grow three crops, with one crop no more than 75% and two crops no more than 95%. Winter and spring sown crop varieties are counted as separate crops. • Farmers may convert no more than 5% of permanent pasture to arable. Permanent pasture is defined as land that has been grassland for 5 years or more. This need not be applied at farm level if there is no more than 5% conversion at national level. • Farmers with more than 15ha of arable land must use at least 5% as an ecological focus area (EFA) by 2015, rising to 7% by 2017 (subject to review). Field margins, hedges, woodland, fallow land, landscape features (e.g. archaeological sites, drystone walls), buffer strips and ponds can count towards the EFA. <p>As an alternative to the above requirements, Member States can choose to adopt a national certification scheme(s) containing equivalent and additional practices which offer some additional flexibility to the greening requirements (in the negotiations the UK government argued for this flexibility).</p> <p>Organic farmers and participants in the Small farmer scheme will be exempt from greening.</p> <p>Farmers who do not comply with the greening requirements will lose their greening payment. From 2017 farmers who do not comply with greening requirements will also lose an additional amount equivalent to 20% of their greening payment, rising to 25% for 2018 and subsequent years.</p>

Pillar 1 Items agreed in June 2013²⁷	
Double funding	There is a risk that farmers who are in agri-environment schemes and get a greening payment could be paid twice for doing the same thing. Payments from agri-environment schemes for measures equivalent to greening will be reduced to avoid the risk of double funding.
National reserve	Member States must create a national reserve which will be used to provide payments for new entrants. Up to 3% of the national ceiling can be used for this. The reserve can also be topped up by top-slicing transfers of entitlements without land.
Young farmer top up	New entrants under 40 must receive a top up of 25% on their payments per ha for up to 5 years or until they turn 40 up to a maximum of 90ha. Up to 2% of the national ceiling can be used for young farmer top up payments.
Small farmer scheme	Member States can choose to introduce a 'simplified' payment scheme for farmers as an alternative to direct payments to be known as the Small Farmers Scheme. The maximum annual payment for farmers in the scheme would be €1,250 per year. Participants would be exempt from greening and some of the cross-compliance requirements. Up to 10% of the national ceiling can be used for the Small Farmers Scheme.
Coupled support	Member States currently spending less than 5% of their national ceiling on coupled payments (the UK) could increase this to 8%. Member States currently using 5-10% could increase this to 13%. Member States using >10% could increase to >13% with Commission approval
First hectares top up	Member States can use from 30% of their national ceiling for area payments for the first 30ha farmed (or up to the average farm size in the Member States, which is 54ha in the UK and 32ha in Ireland). The payment per hectare can be any amount up to 65% of the national average payment per hectare in the Member State and is applied as a 'flat rate' irrespective of the value of the farmer's entitlements.

Pillar 1 Items agreed in June 2013 ²⁷	
Less Favoured Area / Areas of Natural Constraint top up	Member States can make additional payments to farmers in the LFA. They can use up to 5% of their national ceiling for this.
Basic payment scheme	<p>Member States will distribute part of their Pillar 1 budget through a basic payment scheme. Member States which have joined the EU since 2004 will continue with a Single Area Payment Scheme until 2020. The amount available for the basic payment scheme will be the national ceiling minus the greening payment (30% of national ceiling) and other deductions :</p> <p>Optional: Small Farmer Scheme (<10%); transfers to Pillar 2 (<15%), Area of Natural Constraint (ANC) top up (5%); first hectares top up (30%);</p> <p>Required: creation of a national reserve (<3%); young farmer top up (<2%);</p> <p>In order to receive the basic payment in 2015 farmers must either have been in receipt of Single Farm Payments in 2013, or they must be able to demonstrate that they were engaged in agricultural activity in 2013.</p> <p>Member States which may see a large increase in the eligible area can limit the increase to either 135% or 145% of the area claimed in 2009 and scale back payments accordingly.</p>
Publication of data - CAP beneficiaries	Data on recipients from the CAP was published in 2008 and 2009, but following a court case in 2010 data about payments to individuals was withdrawn and published payment data for 2010-2012 was linked to a postcode prefix instead. ³¹ As part of CAP reform Member States will again publish data on all CAP beneficiaries, except farms eligible for the Small Farmers Scheme (SFS).

³¹ Data was still published for 2010, 2011 and 2012 in the UK on the size of the payments but where the named beneficiary was a natural person (rather than a business) their name and address was redacted and only their postcode prefix was identified.

Pillar 1 Items agreed in September 2013³²	
Capping payments and degressivity	<p>The European Commission originally proposed that direct payments should be capped. As part of an overall compromise, European Agriculture Ministers agreed a provision allowing either a redistribution method and/or reduction method to reduce payments going to the claimants receiving the largest payments.</p> <p>Direct basic or single area payments of above €150,000 to an individual farm (excluding Greening payments) will be reduced by at least 5%. To take into account employment, salary costs can be deducted before the calculation is made. This reduction does not need to apply to Member States which apply the “redistributive payment” under which at least 5% and up to 30% of their national envelope is held back for redistribution on the first hectares of all farms.</p> <p>Funds “saved” under this mechanism stay in the Member State and go to Pillar 2 and can be used without any co-funding requirements.</p>
External convergence	<p>The national envelopes for direct payments for each Member State will be progressively adjusted such that those Member States with direct payments per hectare below 90% of the EU average will close one third of the gap between their current direct payments level and 90% of the EU average. It is guaranteed that every Member State will reach a minimum level by 2019. The amounts available for other Member States who receive above average amounts will be adjusted accordingly.</p>
Transferring funds between pillars	<p>Member States will have the possibility of transferring up to 15% from Pillar 1 to Pillar 2. These amounts will not need to be co-funded. Member States will also have the option of transferring up to 15% from Pillar 2 to Pillar 1, or up to 25% for those Member States that get less than 90% of the EU average for direct payments.</p>
PILLAR 2	
Pillar 2 Budget	<p>The budget for Pillar 2 for 2014-20 will be €84.9 billion (in 2011 prices), 23% of the total CAP budget (a cut of 12% compared to 2007-13)</p>

³² European Commission Press Release, [Reform of the Common Agricultural Policy \(CAP\): Political agreement reached on last remaining points](#), 24 September 2013

Spending options	<p>Spending options are broadly similar to those available from 2007-13. They are now grouped into six “priority areas” as opposed to the previous four axes.</p> <p>A minimum of 30% of Pillar 2 budgets must be spent on agri-environment / climate / forestry / Natura 2000 / LFA measures, and a minimum of 5% must be spent on LEADER programmes (Links between the Rural Economy and Development Actions).³³</p> <p>(The amount of match funding Member States will have to provide for each option is still to be agreed by the Parliament and Council- see below)</p>
Areas of Natural Constraint (formerly LFA)	<p>LFA will be redefined as Areas of Natural Constraint. The definition will be based on 8 biophysical criteria. At least 60% of a farm’s area must qualify. The redefinition must be done by 2018, Member States can choose to do it earlier.</p>
Pillar 2 Items agreed in September 2013³⁴	
Member State allocations	<p>Rural Development allocations per year per Member State for 2014-20 are set out in the EU Rural Development Regulation. Ireland has been allocated a total of €2.19 billion and the UK €2.58 billion (in current prices). These amounts include an estimate of the amount of funds that will be transferred to rural development arising from the application of the 5% reduction on payments above €150,000.³⁵</p>
Co-funding rates	<p>The maximum EU co-funding rates will be up to 85% in less developed regions, the outermost regions and the smaller Aegean islands, 75% in transition regions, 63% in other transition regions and 53% in other regions for most payments, but can be higher for the measures supporting knowledge transfer, cooperation, the establishment of producer groups and organisations and young farmer installation grants, as well as for LEADER (rural development) projects and for spending related to the environment and climate change under various measures.</p>

³³ The LEADER programme is one of the four axis of the Rural Development Programme for 2007-2013

³⁴ *Ibid*

³⁵ Council of the European Union. [Consolidated draft Rural Development Regulation](#), 26 September 2013, p.171-72

4. Reaction to the Agreement

4.1. England

UK Government

The UK Government views the new CAP deal as “acceptable” and an improvement on the European Commission’s original proposals but “feels that more could have been done to reform CAP”.³⁶ The UK’s key aims for the reform negotiations were to: increase the reliance, market orientation and international competitiveness of EU agriculture, to improve the CAP’s capacity to deliver environmental outcomes; and to simplify the CAP for farmers and authorities.³⁷ In a letter to MPs and Peers, Secretary of State for Environment, Food and Rural Affairs Owen Paterson credited the UK as “working with its allies” to stop a whole raft of “regressive proposals which would harm UK farmers”.³⁸

The Secretary of State has also acknowledged that some aspects of the new CAP are more complicated than those that they replace. He has said that where the UK has domestic implementation choices it will consider “simplicity, affordability and effectiveness”.³⁹ Views were sought in September 2013 on how best to implement CAP reform so that it is simple for farmers as part of the [red tape challenge review for the farming and forestry sector](#).⁴⁰ The Department for Environment, Food and Rural Affairs (Defra) is now [consulting](#) on the implementation of CAP reform in England until 28 November 2013 (see Section 7).

Stakeholders

The National Farmers Union (NFU) expressed disappointment with the final CAP deal concerned that the degree of flexibility afforded to the UK Government will penalise English farmers compared to European counterparts. This is because of the Government’s enthusiasm for using its options of voluntary modulation to reduce direct payments and to maximise support for rural development and agri-environment schemes in England.⁴¹

However, many environmental organisations have come out strongly in favour of such transfers, including the RSPB which is now urging the devolved administrations to make similar commitments.⁴² A coalition of 18 farming and

³⁶ .GOV.UK, Policy: [Reforming the Common Agricultural Policy to ensure a fair deal for farmers, consumers and tax payers](#), updated on 12 August 2013 viewed on 24 September 2013 and “Dear Colleague” letter from Rt Hon Owen Paterson MP, Secretary of State for Environment, Food and Rural Affairs to MPs and Peers, 4 July 2013

³⁷ [HL Deb 30 July 2013 c.1634](#)

³⁸ “Dear Colleague” letter from Rt Hon Owen Paterson MP, Secretary of State for Environment, Food and Rural Affairs to MPs and Peers, 4 July 2013

³⁹ *Ibid*

⁴⁰ [Defra launches fresh red-tape drive](#), *Farmers Weekly*, 17 July 2013

⁴¹ NFU Bulletin, [Defra CAP plans will damage English farming](#), 26 June 2013

⁴² RSPB Press Release, [Secretary of State makes the right decision on crisis facing English farmland wildlife](#), 19 July 2013

environmental organisations, including the Scottish Crofters Federation, South West Uplands Federation and Foundation for Common Land, have also argued that the UK's CAP budget should prioritise spending on targeted Rural Development Programmes in order to support High Nature Value farming systems.⁴³

The NFU has been especially concerned that the UK Government will 'gold-plate' the greening requirements and that some of them, such as a requirement to grow three crops, are impractical. Defra's October 2013, [Implementation of CAP reform in England](#) consultation paper confirms that the UK Government is looking to "adhere to the measures set out in the direct payments Regulation" and not implement greening through a Certification Scheme.⁴⁴ This avoids the "gold-plating" criticism but the NFU wants to seek an alternative cross diversification option despite the European Commission making it clear that there is no flexibility in this requirement.

Meanwhile, many environmental groups see the new greening measures as a missed opportunity having been watered down from the Commission's initial aspirations to make environmental requirements central to CAP payments.⁴⁵

The House of Commons Environment, Food and Rural Affairs Committee is currently conducting an [inquiry on CAP reform implementation](#) and is seeking to report its findings in time to feed into the UK Government consultation on implementation measures.⁴⁶

Links to further information

- NFU Online News, [*Make sure English farmers are not shafted*](#), 17 July 2013
- [Oral evidence from Peter Kendall \(NFU President\), Martin Haworth \(Director of Policy, NFU\) and David Baldock \(Executive Director, IEEP\)](#) to the House of Lords EU Select Committee: Agriculture, Fisheries, Environment and Energy (Sub-Committee D) regarding its inquiry on reform of the CAP, 11 September 2013
- RSPB, [*Farming reform signals tough times ahead for wildlife*](#), 26 June 2013
- [Wildlife and Countryside Link](#) (whose members include Greenpeace, Friends of the Earth and the Council for the Protection of Rural England) [*Briefing for MEPs: Funding for more sustainable agriculture: modulation and co-financing*](#), August 2013

⁴³ Federation of Cumbria Commoners press release, [New Coalition to campaign for High Nature Value Farming](#), 6 June 2013

⁴⁴ Defra, [Implementation of CAP reform in England: Consultation document](#), October 2013, Section 3

⁴⁵ See for example, Wildlife and Countryside Link, [Briefing for MEPs: Funding for more sustainable agriculture: modulation and co-financing](#), August 2013

⁴⁶ House of Commons Environment, Food and Rural Affairs Committee, [New inquiry launched on CAP implementation 2014-2020](#), 18 July 2013

4.2. Northern Ireland

Ministerial response

Department for Agriculture and Rural Development (DARD) Minister, Michelle O'Neill welcomed the CAP reform outline agreement reached in June 2013.⁴⁷ The Minister believed that the outline agreement met many of the modifications that she had wished to see made to the original proposals in order to better meet the needs of the local industry and other rural stakeholders.

The Minister identified the following elements as particular positives for Northern Ireland:

- The transition of support towards a flat rate regime, the agreement will allow DARD to plot an orderly movement towards flat rate support which balances the various sectoral interests;
- The greening arrangements are much more suited to the needs of grass based agriculture. The ability to monitor permanent grassland at regional level rather than at individual farmer level as originally proposed, avoids an unnecessary bureaucratic burden for both farmers and administrators;
- The increased thresholds for crop diversification and Ecological Focus Areas, are much more suited to the circumstances of grassland agriculture; and
- The ability to take implementation decisions at a regional level, meaning that decisions can be taken locally without impinging on decisions being taken in other regions and vice versa, which also enables the shaping of the implementation of the support framework to meet the balance of local needs.

Despite these 'wins', the Minister also expressed her disappointment at the failure to restrict agricultural support to genuinely active farmers. Minister O'Neill also made it clear that she intended to undertake public consultation exercises on policy options for Pillar 1 (Direct Payments) and Pillar 2 (Rural Development Programme) prior to DARD making any final decisions on implementation.

Stakeholders

In general terms, the finalised CAP deal has been viewed as a better deal for Northern Ireland's farmers than what was originally proposed. The Ulster Farmers' Union (UFU) welcomed what they described as a 'workable' deal for Northern Ireland, which would '...ensure that our farmers continue to receive vital financial support at a time when the market is failing to deliver.'⁴⁸

Building on themes covered by Minister O'Neill, the UFU and others have welcomed changes to the original proposals in the areas of direct support

⁴⁷ Northern Ireland Executive (News), [CAP reform deal struck in Luxemborg](#), 26 June 2013

⁴⁸ Ulster Farmers' Union, [Finalised CAP deal workable for N. Ireland](#), 27 June 2013

transition, greening, ploughing of carbon rich soils and the regional flexibility built into the deal. Many farmers however still believe that more needs to be done on the active farmer issue to ensure that support goes to those actually involved in production. The UFU and other farming organisations have also continued to express concern around the reduced Pillar 1 budget, and the potential transfer of money from Pillar 1 to Pillar 2 is an issue that has generated significant opposition.

From an environmental perspective, local representative bodies have generally expressed disappointment with the finalised CAP deal due to what they see as the watering down of environmental protection/enhancement measures. In addition and more specifically, the likely significant reduction to the Pillar 2 budget in Northern Ireland has been met with concern at the potential impact on agri environment schemes. The potential for transferring money from Pillar 2 to Pillar 1 has also raised concerns for many of the environmental organisations, who believe any such transfer would further degrade the ability for Pillar 2 to deliver environmental protection/enhancement.

Links to Further Information

- [Northern Ireland Environment Link, Agricultural Policy pages](#)
- [Ulster Farmers Union](#)
- [Northern Ireland Agricultural Producers Association](#)

4.3. *Scotland*

Scottish Government

Speaking in a debate in the Scottish Parliament on the 3 October 2013 the Cabinet Secretary for Rural Affairs and the Environment in the Scottish Government, Richard Lochhead MSP gave an assessment of how Scottish Government's priorities were reflected in the agreement on CAP reform.⁴⁹ He said that the agreement would allow the Government to reduce red tape; clamp down on slipper farming; provide support to new entrants; and address declining livestock numbers through coupled support – all things that the Government had wanted. On greening, he explained that changes to the original proposals now meant that roughly 5,000 arable farmers in Scotland already complied with the rules, and only around 800 farmers would have to plant an additional crop in order to comply.

⁴⁹ Scottish Parliament, [Official Report of 3 October 2013](#): Cols 23303-59

The Cabinet Secretary expressed disappointment with the outcome on coupled support. He said he thought it was unfair that there were two tiers on coupled support, and that Scotland would only be allowed to use 8% of its ceiling for coupled support, which despite that being nearly double our existing coupled support under the beef scheme, was less than the 10 to 15% that the Government had sought. The Cabinet Secretary expressed particular disappointment at the outcome on the budget:

In the new CAP, Scotland will probably have lower rates per hectare in both pillars than every other member state in Europe. That is even worse than what we get today. If Scotland had been a member state, we would automatically have got an uplift to €196 per hectare in Pillar 1. As I have said before, that would bring in an extra €1 billion up to 2020. We could also have negotiated an uplift in Pillar 2, in the same way as 16 other member states have done. Finland got a €600 million uplift, Portugal got €500 million, Slovenia got €150 million, Lithuania got an extra €100 million, and so on. However, the UK Government took the decision not to press Scotland's case.⁵⁰

Stakeholders

The National Farmers Union of Scotland (NFUS) has called on the Scottish Government to clarify as soon as possible how it intends to implement the change from historic to area-based payments in Scotland. It has suggested that area payments should be weighted towards productive land, but with a sufficient level of coupled support to livestock producers, especially those on less productive land, to prevent destocking. It has explained that it clarified with the European Commission during CAP reform negotiations that it was up to the UK Government to decide whether to allow the Scottish Government to use up to 8% of the UK ceiling for coupled support, and it has called on the UK Government to allow Scotland to do that, to increase the options for providing coupled support in Scotland.

It has also called on the UK Government to allocate the CAP budget between the countries of the UK in such a way as to ensure arable producers in Berwickshire receive the same level of support as those in Norfolk or hill farmers in the Highlands get equivalent support to those farming in the Lake District. With the Pillar 1 budget being top-sliced for greening payments, coupled support, and to create a national reserve and provide young farmer top-up payments the NFUS has called for a maximum of 4% of Pillar 1 funds to be transferred to Pillar 2, which is significantly less than the 14% that are transferred currently. It called for any transfers to be match-funded.⁵¹

⁵⁰ *Ibid*

⁵¹ NFUS News Release, [*All must seize CAP window of opportunity*](#), 3 October 2013 and NFUS News Release, [*Union calls for fair deal as CAP deadlines loom*](#), 8 October 2013.

Scottish Environment Link, a consortium of over 30 Scottish environment bodies has made a number of calls on implementation of the CAP in Scotland. It points out that the current distribution of the Single Farm Payment in Scotland follows historic patterns of production and results in the highest levels of public support being given to the most economically viable businesses while the most economically vulnerable and frequently environmentally important farm businesses – primarily extensive livestock producers – receive low levels of support. It has therefore called for area payments under the basic payments scheme to be targeted towards High Nature Value farmland.

Link estimates greening payments in Scotland will be worth c. £130m per year, around three times current expenditure on agri-environment schemes. Link is disappointed at the EU's lack of ambition for these payments, and the fact that farm level requirements for many farmers in Scotland who are not arable farmers look likely to be non-existent. Link considers there may be scope to develop an alternative green payment model designed to maintain green infrastructure/landscape features, improve water and soil quality and reduce GHG emissions, but notes the challenge of developing this by 2015. It has called for the transfer of 15% of Scotland's Pillar 1 budget to Pillar 2, and for 50% of Scotland's next Rural Development Programme to be used for agri-environment-climate and organic farming measures (not counting support for Areas of Natural Constraint).⁵²

4.4. Wales

Welsh Government

The Minister for Natural Resources and Food, Alun Davies, published a [consultation document in July 2013](#) which outlined his intentions for the implementation of Pillar 1 direct payments in Wales and his rationale for the selection of some elements over others. The consultation will close on 30 November 2013 with the Minister expected to make an announcement on its conclusions in January 2014.

In relation to Pillar 2 and the rural development plan, the Welsh Government has established a rural development plan advisory group to identify and development priorities for the new planning period. In addition, it issued a [consultation in January 2013](#) on its proposed headline priorities for a new plan. These included considering the use of new financial instruments such as loans to support on-farm investments and non-agricultural diversification and on-farm and community based renewable energy. A number of themed consultation events with stakeholders on the possible content of the plan have also taken place. The

⁵² Scottish Environment Link. [Parliamentary briefing on CAP Reform](#), 3 October 2013.

Minister for Natural Resources and Food has stated that he will outline his indicative proposals for Pillar 2 in the New Year and will consult on the details of the new scheme in Spring 2014.

Stakeholders

Stakeholders in Wales have welcomed the fact that a political agreement has been reached but continue to express concern about further potential delays to the adoption of a final agreement and the time Member States will have to prepare for implementation of the reforms. In addition, there has been a mixed reaction to the extent of flexibility provided to Member States and regions within the reforms. While some have welcomed the opportunity to tailor the requirements to the needs of the agricultural industry in Wales, others have expressed concern about the impacts on the relative competitiveness of Welsh farmers both within the UK and across the EU.

On the whole farming organisations in Wales have stated that the content of the final reforms agreed will be less detrimental to the industry than those originally proposed by the Commission. They have continued to express concern about the impact of a reduced CAP budget in Wales and have urged the Welsh Government not to transfer any funds from Pillar 1 to Pillar 2 rural development programmes.

Environmental organisations have expressed disappointment that a number of the greening elements have been watered down. However, they have also stated that the flexibility provided to Welsh Ministers by the reform offers an opportunity through careful implementation to deliver some of the greening ambitions originally expressed by the European Commission.

Further information on the responses of Welsh stakeholders can be found below. The responses of UK organisations with member bodies in Wales may also be of interest.

Links to further information:

- National Assembly for Wales, Environment and Sustainability Committee CAP Reform Round Table Discussion: [Record of Proceedings 17 July 2013](#)
- [National Farmers Union Cymru](#)
- [Farmers Union of Wales](#)
- [Countryside Land and Business Association Wales](#)

4.5. Ireland

Irish Government

As holders of the EU presidency for the first half of 2013, Ireland was at the centre of negotiations. Simon Coveney TD, Minister for Agriculture, Food and the Marine, considers the CAP reform deal to be a “very balanced package” and feels it delivers “a policy that I [the Minister] believe secures the sustainable development of the sector up to 2020 and beyond”.⁵³

The redistribution of direct payments had been identified as the most difficult issue for Ireland and the Minister is “very pleased that the final agreement will allow for us to achieve the twin objectives of making the direct payments system fairer while not undermining the efforts of those in receipt of higher payments to develop their farming enterprises.”⁵⁴

The Minister “welcomed the outcome of the negotiations on the greening of the CAP”. He also emphasised the need for more generational change in farming throughout Europe stating, “Positively favouring young farmers was one of my priorities”.⁵⁵

The Department of Agriculture, Food and the Marine issued a [consultation paper](#) in July 2013 on the application of the Direct Payments Regulation (Pillar I) under the CAP reform. Submissions were sought by 20th September 2013. Public and stakeholder consultation in relation to Rural Development (Pillar II) commenced in 2012. Further consultation is envisaged before the end of 2013 but the exact format has not been decided yet.⁵⁶ Further information is available in Section 5.5 of this paper.

Stakeholders

Farming organisations have welcomed the agreement reached as it brings a level of certainty to farmers. While there is disappointment over certain aspects, the IFA and other farming associations feel that the outcome is less damaging than original proposals by Ciolos for active productive farmers. They argue that the focus must be on giving priority to active and progressive farmers across Pillars I & II. The IFA, ICMSA and ICSA have all publicly opposed cuts to the SFP to fund coupled payments. Macra na Feirme (an association for young farmers) consider the reform has not gone far enough to encourage active farmers and emphasises the need to effectively target and reward active farmers through the SFP.

⁵³ Minister’s online newsletter, Issue 8, 24 September 2013. Available at: <http://www.agriculture.gov.ie/media/migration/aboutus/ministersnewsletters/MinisterFinal240913.pdf> [accessed on 26.09.2013]

⁵⁴ *Ibid*

⁵⁵ *Ibid*

⁵⁶ Irish Department of Agriculture, Food and the Marine, [Summary of additional stakeholder and public consultation process on preparation of the rural development programme \(RDP\) 2014-2020](#), September 2013

BirdWatch Ireland is disappointed in the outcome of the CAP negotiations and considers that the reform “goes against all attempts to foster greater sustainability of farming in Ireland and across Europe”.⁵⁷

Alan Matthews, Professor Emeritus of European Agricultural Policy at Trinity College Dublin and President of the European Association of Agricultural Economists has published his submission to the consultation on the Direct Payment Scheme (see link to full text below). The Professor argues against coupled support for Ireland and is of the view that ideally Ireland should use the full flexibility to transfer funds from Pillar 1 to Pillar 2. He further states that there is “no case for setting a maximum reduction on the payment per hectare”.

Links to further information

- Irish Farmers Association (IFA): [*IFA Council endorses position on CAP consultation paper*](#) 19 September 2013
- Irish Creamery Milk Suppliers Association (ICMSA): ICMSA Newsletter Summer 2013, [*The post-agreement debate*](#) 25 July 2013
- Irish Cattle and Sheep Farmers Association (ICSA): [*Agreement on CAP welcomed but compromise is far from ideal*](#) 26 June 2013
- Macra na Feirme: [*Macra not happy with lip service on active farmers*](#) 24 September 2013
- Alan Matthews, CAP Reform.eu, [*Consultation process on Direct Payments Regulation*](#) n.d, 20 September 2013
- BirdWatch Ireland, [*Final CAP deal stripped of environmental benefits*](#) 26 June 2013

4.6. European Organisations

The agreement reached was broadly welcomed by all three EU institutions. The European Commissioner for Agriculture, Dacian Cioloș, has outlined his belief that the reforms will lead to far reaching changes in the CAP and contribute to fairer and greener direct payments, the strengthening of farmers’ position in the food supply chain and increase transparency.⁵⁸

In addition to welcoming the agreement, the European Parliament has stated that the negotiation process has demonstrated the importance of the co-decision procedure. The Chair of the Agriculture Committee in the European Parliament,

⁵⁷ BirdWatch Ireland, [*Final CAP deal stripped of intended environmental benefits*](#), 26 June 2013

⁵⁸ European Commission Press Release, [*Political agreement for new direction on Common Agricultural Policy*](#), 26 June 2013

Paulo De Castro, has stated that the Parliament were able to both improve the reform package and to act quickly to ensure successful outcomes.⁵⁹

Irish Minister Simon Coveney who led the negotiations on behalf of the Irish Presidency of the Council welcomed the June agreement as ‘historic’ and ‘balanced’. The Minister stated that the reforms would secure the sustainability of the sector up to 2020.⁶⁰ The Lithuanian Presidency who led the negotiations on the final elements in September welcomed the clarity and security the agreement on the final elements will provide to farmers.⁶¹

European stakeholder organisations have put forward broadly similar view to those of national stakeholders. Copa-Cogeca the representative body for farming unions and farming cooperatives has welcomed the outcome of the reforms as an improvement on the Commission’s original proposals but have expressed disappointment about the agreement of the budget for the CAP. In general the environment sector has expressed disappointment at the outcome. The European Environmental Bureau has stated that the green aims of the reform have been left in ‘tatters’. The Bureau has stated that the reforms agreed will not lead to a fairer or greener CAP. The [Institute for European Environmental Policy](#) (IEEP), believes that the environmental element of the agreement has suffered from political compromise and short term thinking. The IEEP particularly cites the reduction in cross-compliance requirements, a “disproportionate reduction” in the rural development budget compared to that for Pillar 1 and the options for governments to move a large proportion of their rural development budget to support direct payments.⁶²

⁵⁹ European Parliament Press Release, [New farm policy clears key hurdle: Agriculture MEPs endorse CAP reform deal](#), 30 September 2013

⁶⁰ Irish Presidency EU 2013 Press Release, [Historic day for Common Agricultural Policy as Irish Presidency steers European institutions to landmark reform deal](#), 26 June 2013

⁶¹ Lithuanian Presidency EU 2013 Press Release, [New Rules on Common Agricultural Policy Reform approved](#), 8 October 2013

⁶² IEEP, [Environment undermined in CAP deal](#), 26 June 2013

Links to further information

- [Copa-Cogeca](#)- Farming union and farming cooperative representation body
- [CEJA](#)- European Council of Young Farmers, [*CEJA hails historic political agreement on strong young farmers' measures in CAP reform*](#), 26 June 2013
- European Environmental Bureau, [*Irish Presidency green credentials blemished by disastrous CAP agreement*](#), 28 June 2013
- [ARC2020](#)- coalition of civil society networks and organisations
- Friends of the Earth Europe, [*CAP reform failure for environment and small farmers*](#), 26 June 2012
- WWF Europe, [*Environment in danger because of EU agriculture deal*](#), 26 June 2013
- [Institute of European Environmental Policy](#) e.g. IEEP, [*Political Agreement on the CAP – is this really a paradigm shift for the environment?*](#) 3 July 2013

5. Transitional arrangements for 2014

The reformed CAP was initially intended to come into place from 1 January 2014. However, while political agreement on the future rules of CAP was reached in June 2013, agreement on the Multiannual Financial Framework (MFF), the overall EU budget of which the CAP budget is a part, was only approved by the European Parliament in July 2013. Agreement at EU level had taken more than six months longer than was initially intended. This was too late for implementation in 2014.

Political agreement on the few outstanding issues (in the context of the MFF) was reached under the Lithuanian Presidency on 24th September 2013. Following this accord it is hoped that legislative texts and the 2014 transitional (interim) arrangements can be formally adopted before the end of the year, to apply from 1 January 2014.⁶³

The Council's Special Committee on Agriculture approved the deal on 7 October 2013. A plenary vote in the European Parliament took place on 19 November 2013.⁶⁴ Under the interim (transitional) measures, the existing Single Farm Payment will continue for 2014. The reforms will now be fully implemented in 2015.

5.1. *England*

The UK Government plans to begin a new Rural Development Programme in England on 1 January 2015. This will be managed by Defra and proposals will be submitted to the Commission in the first quarter of 2014.⁶⁵ It has set out the likely targets for funding in the 2014 transition period between rural development programmes in England in order to offer some clarity to farmers. This package is subject to agreeing detailed rules at EU level and includes:⁶⁶

- ***New Higher Level Stewardship (HLS) agri-environment agreements*** costing about £26m per year This includes offering Higher Level Stewardship agreements to those with eligible expiring old style 'classic' agreements and new agreements for Sites of Special Scientific Interest, and other high priority cases and to meet Water Framework objectives including those related to Natura 2000 sites.

⁶³ European Commission Press Release, [*Reform of the CAP: Political agreement reached on last remaining points*](#), 24 September 2013

⁶⁴ European Commission Press Release, [*One trillion euro to invest in Europe's future-the EU's budget*](#), 19 November 2013

⁶⁵ Memorandum from the Department of Environment, Food and Rural Affairs to the House of Commons Food and Rural Affairs Committee inquiry into implementation of the Common Agricultural Policy 2014-2020, 18 October 2013, p.13

⁶⁶ Defra, [*CAP reform in England: Status report on the new Rural Development Programme*](#), 12 August 2013, p.5

- ***Uplands and Organic Entry Level Stewardship (ELS)***. Plan to offer ELS for land coming out of 'classic' schemes in 2014 that does not qualify for HLS (costing around £4m per year). This is intended to ensure a smooth transition for areas that have been under environmental management for a long time.
- ***Catchment sensitive farming capital projects and advice*** of up to £14 million, including for Water Framework Directive-related action on Natura 2000 sites.
- Up to £0.5 million to *fund essential one-off capital investments for forestry grants*.
- Up to £1m to potentially ***continue some existing strategic projects*** Up to £3 million in 2014 to help ***maintain LEADER*** local delivery capacity and expertise from the current programme.
- ***Continued support through the Campaign for the Farmed Environment.***
- ***No Energy Crops Scheme***. Ministers do not wish to incentivise energy crops through the RDP, favouring a greater use of waste in bioenergy (particularly in anaerobic digestion).

5.2. Northern Ireland

Given the ongoing nature of the detailed transition negotiations at an EU level, the Department for Agriculture and Rural Development (DARD) has yet to formally agree the CAP transition arrangements which take effect in 2014, in advance of the implementation of the new CAP mechanisms in 2015.

With this caveat in mind however, DARD currently envisages the following:

- Pillar 1 (direct payments) will roll over and continue in 2014, but there will have to be readjustment given the reduced budget. The new single payment will then commence in 2015.
- The Less Favoured Area Compensatory Allowances Scheme (LFACA) will continue in 2014 within Pillar 2.

DARD will not extend Agri-environment contracts which are set to expire on the 31st December 2013

5.3. *Scotland*

The Scottish Government has [announced](#) the following transitional arrangements for Scotland for 2014:

- 'Pillar 1' of the CAP (direct payments to farmers) – Single Farm Payments and the Scottish Beef Calf Scheme will remain in place for 2014.
- The Less Favoured Area Support Scheme will continue in 2014.
- Agri-environment contracts (including organic agreements) that were due to expire on December 31, 2013 will be extended for another year.
- Forestry payments – Woodland creation and woodland management projects will be able to go ahead in 2014-15 under contracts being approved up to the end of 2013.
- The main elements of the Crofting Counties Agricultural Grant Scheme (CCAGS) will continue under a state aid scheme.
- The Scottish Government is making a case for transition regulations to allow continued support for Scotland's LEADER scheme, which has invested around £60 million to support rural communities, and the EU-funded £10 million Food and Drink scheme. A decision is expected from Europe in November 2013.
- There will be no new Land Managers Options (LMO) applications for 2014 as this type of non-competitive support will not be permitted under the new regulatory framework put in place by the European Commission.⁶⁷

5.4. *Wales*

As highlighted in the previous section, the Minister for Natural Resources and Food, Alun Davies, published a [consultation document in July 2013](#) which outlined his intentions for the implementation of Pillar 1. The consultation will close at the end of November 2013. In addition, the Welsh Government issued a [consultation in January 2013](#) on its proposed headline priorities for a new plan but consultation on detailed plans will not take place until 2014. Schemes under the current RDP 2007-2013 are subject to an N+2 arrangement. This means that Member States and Regions will have until the end of 2015 to spend their 2007-13 financial envelopes.

The Welsh Government has stated that it will only move forward and make arrangements for the transitional year once the regulations have been agreed by the European Union.

⁶⁷ Scottish Government Press Release, [Rural support schemes to continue](#), 20 September 2013

5.5. Ireland

Pillar 1: Decisions on the application of the Direct Payment Regulation in Ireland will be taken by the Minister for Agriculture, Food and the Marine. A consultation process was initiated in July with a closing date for submissions of 20 September. The consultation took the form of a questionnaire which, in particular, outlined the flexibilities allowed to each Member State. Decisions on these issues will produce the final shape of Direct Payments in Ireland. The Department has analysed the submissions received and a decision is expected in late November / early December this year when the Minister will announce the final shape of Direct Payments in Ireland.⁶⁸

Pillar 2: In relation to existing schemes in the current RDP 2006-2013 there is an N+2 arrangement in place. This means that Member States have until the end of 2015 to spend their 2007-13 financial envelopes. Ireland is currently in the process of developing a new RDP for 2013-2020 and does not at present intend to have a separate suite of new interim measures for 2014. Certain existing RDP schemes will however still be issuing payments in 2014 under the N+2 rule (including the Agri-environment schemes, REPS and AEOS and targeted agricultural management schemes [capital investment]). As identified in Section 4.2 of this paper public consultation on Pillar 2 commenced in 2012. There has been no decision yet in relation to the next phase of Pillar 2 consultation.⁶⁹

⁶⁸ Personal communications with the Department of Agriculture, Food and the Marine (DAFM), 31 October 2013

⁶⁹ *Ibid*, 1 November 2013

6. Distribution of the CAP budget

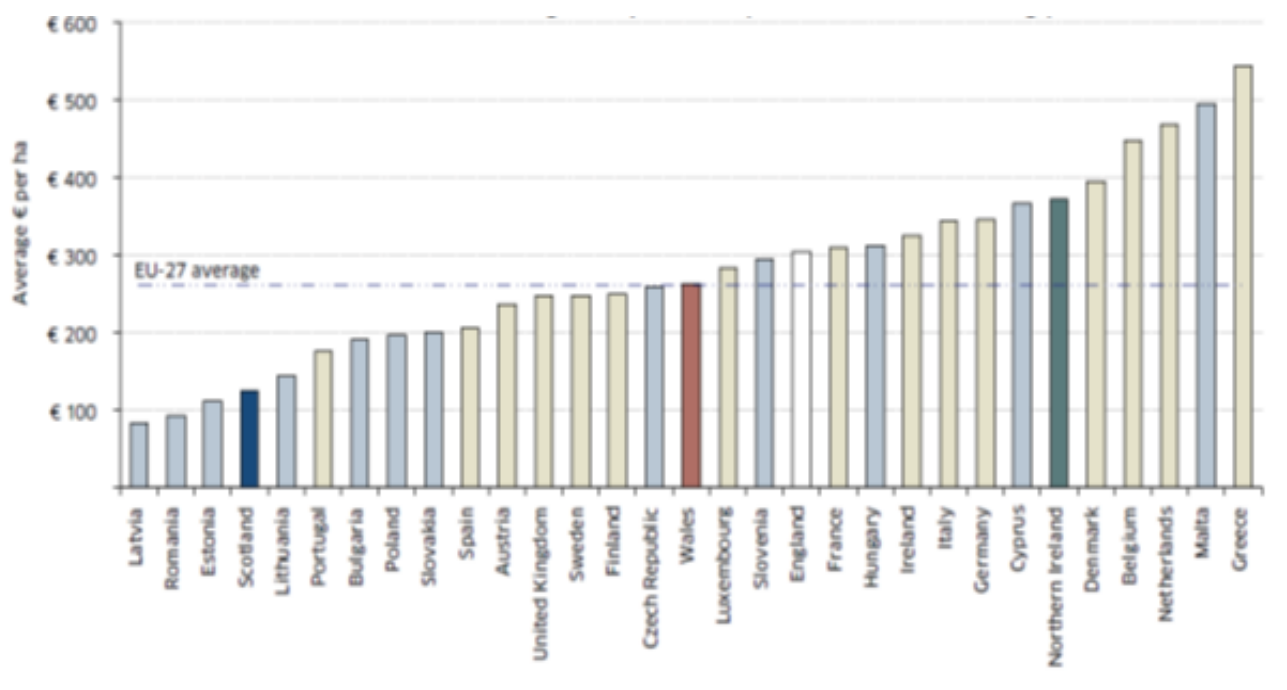
The current payment levels across the UK and in Ireland will very much influence many of the implementation decisions taken by the relevant administrations. Within the UK, the announcement by the UK Government that CAP allocations will remain the same for the next round of funding will also set the boundaries within which the decisions on resources can be made.

The reform package requires some kind of levelling out of payments either by reduction or redistribution of Pillar 1 payments and decisions regarding how much can be taken from Pillar 1 to fund Pillar 2 objectives. There are also options to transfer money from Pillar 2 to Pillar 1 and options to help small farmers etc. Therefore, a good deal of modelling has to be done to assess the optimum outcomes.

6.1. Current payment levels

The Pack report published in 2010 on the future of agricultural support for Scotland included figures on the average payment per hectare Member States and the UK's devolved administrations received under Pillar 1 of the CAP.

Figure 4 – Average Single Farm Payment per hectare 2009



Source: Scottish Government, [The Road Ahead For Scotland: Final Report of the Inquiry Into Future Support For Agriculture In Scotland](#)

The figures included in the report showed that in 2009 under Pillar 1 England, Ireland and Northern Ireland received above the EU 27 average per hectare with Northern Ireland receiving the highest amount per hectare. Wales received payments in line with EU average per hectare and Scotland received significantly less than the average per hectare. The table below updates these figures for 2012, and also calculates the average Pillar 1 funds per claimant.

Table 4 - Average Pillar 1 payment per hectare 2012

Country	Total Pillar 1 Envelope €m	Number of Eligible Hectares (million)	Pillar 1 € /ha hectare (% of EU average)	Number of eligible claimants	Pillar 1 € / eligible claimant
England	2615	8.7	301 (115%)	103,952	25,162
Ireland	1320	4.7	280 (107%)	132,031	9,976
Northern Ireland	351	0.95	369 (141%)	37,420	9,390
Scotland	653	4.48	146 (56%)	18,670	35,020
Wales	357	1.38	258 (99%)	16,550	21, 544

Source: Derived from Rural Payments Agency (personal communication); Department for Agriculture, Food and the Marine (personal communication); Department for Agriculture and Rural Development (personal communication); Scottish Government (personal communication), figures for eligible recipients is for Single Farm Payment; and Welsh Government (personal communication)

Calculating an accurate average per hectare comparative figure for Pillar 2 support is complex as many rural development plans contain schemes that aren't distributed on a land basis (i.e. schemes that support rural SMEs). For this reason these figures haven't been included within this paper.

6.2. *Future distribution of the CAP budget within the UK*

On the 8th November 2013, and following intensive negotiations, the UK Government formally announced that farmers in England, Northern Ireland, Wales and Scotland would receive the same proportion of the UK's overall 2014-20 Common Agricultural Policy (CAP) budget as they currently receive. This means that the reductions in CAP funds will be shared equally between England, Northern Ireland, Scotland and Wales. Owen Paterson, UK Secretary of State for the Environment said that the UK Government had worked closely with farmers and ministers across the devolved administrations to "make sure that this is fairly allocated across the UK".⁷⁰

Over 2014-2020 the UK is expected to receive €25.1 billion in direct payments and €2.6 billion in Pillar 2 funds for the environment and rural development.⁷¹ The allocation of this funding, within the UK, is set out below in Table 5. These allocations represent a reduction in real terms of 12.6% and 5.5% respectively as compared with CAP payments to the UK in the period 2007-13.⁷² Final allocations will be subject to agreement with the European Parliament over the 2014-2020 EU Budget.⁷³

The UK will receive an uplift in its Pillar 1 budget from 2014-20 under the external convergence mechanism, where Member States that receive less than 90% of the EU average payment per hectare close the gap between their average payment and 90% of the EU average by one-third by 2019. This uplift is worth around €10m in 2015 rising to €60m in 2019, a total of €230m over the period.

This uplift somewhat complicated the intra-UK negotiations as the Scottish Government had been arguing that the full uplift should be allocated to Scotland because it is Scotland's own existing low payments which enable the UK to qualify for the uplift. DARD Minister Michelle O'Neill reported how "negotiations were difficult and protracted" because of Scotland "pushing hard for an increased share".

The agreement reached has been welcomed by both the Northern Ireland and Welsh agriculture ministers but the Rural Affairs Minister for Scotland, Richard Lochhead, has called the settlement 'disgraceful'.⁷⁴ The reactions to the intra-UK allocations are described below.

⁷⁰ .GOV.UK Press Release, [UK CAP allocations announced](#), 8 November 2013

⁷¹ *Ibid*

⁷² *Ibid*

⁷³ *Ibid*

⁷⁴ Scottish Government News Release, [Scotland's CAP budget cut](#), 8 November 2013

Table 5: UK CAP allocations 2014-2020

	Pillar 1 / € million (approx non-inflation adjusted) (Direct subsidies)	% share	Pillar 2 / € million (approx non-inflation adjusted) (Environment and Rural Development)	% share
England	16,421	65.5	1,520	58.9
Northern Ireland	2,299	9.2	227	8.8
Scotland	4,096	16.3	478	18.5
Wales	2,245	8.96	355	13.7
Total UK allocation	25.1 billion		2.6 billion	

Note: Figures are in nominal terms (i.e. they have not been adjusted for inflation over the period)
Source: UK Government, November 2013⁷⁵

6.3. *England*

English farmers seem to agree with the UK Government that the CAP allocations within the UK are fair. England will receive a Pillar 1 (direct payment) allocation of around €16,421 million, and a Pillar 2 allocation around of €1,520 million equating to around 66.5% of the total UK Pillar 1 allocation and 59% of the total UK Pillar 2 budget.⁷⁶

⁷⁵ .GOV.UK Press Release, [CAP allocations announced](#), 8 November 2013

⁷⁶ *Ibid*

The Presidents of the NFU, NFU Cymru and the Ulster Farmers' Union welcomed the UK CAP allocation decision in a joint statement describing the decision as a "fair settlement for farmers across the United Kingdom" and one which allowed the four governments to now make further decisions on CAP implementation with a clear idea of available resources in the next seven year period. They were pleased that Ministers had listened to their representations and had decided to "to resist pressure from Scotland for an increased share that would have been at the expense of other parts of the UK".⁷⁷

6.4. Scotland

The Scottish Government has published an [analysis](#) of current and future average Pillar 1 and Pillar 2 allocations per hectare for each Member State, and for Scotland. This shows that currently only two Member States (Estonia and Latvia) receive a lower average Pillar 1 payment per hectare rate than Scotland, and that due to the external convergence mechanism their average payment will be higher than Scotland for 2014-20.⁷⁸

The Cabinet Secretary for Rural Affairs and the Environment, Richard Lochhead MSP, made a statement in the Scottish Parliament about the allocation of the CAP budget on Tuesday 12 November 2013.⁷⁹ The Cabinet Secretary said that the deal would leave Scotland with the lowest per hectare funding in Europe, lower than that of every Member State in both pillars of the CAP. He described this as an extremely serious situation which he said the Scottish Government deeply regretted.

He explained that the external convergence formula meant that, had Scotland been a Member State, it would have received an additional €1 billion in Pillar 1 CAP funding from 2014-20, because Scotland's average Pillar 1 payment is currently so far below the EU average payment per hectare. He highlighted that whilst Scotland's low average payment is offset by the higher average payments received by farmers in Wales, England and Northern Ireland, the UK would nonetheless receive €223 million from the external convergence mechanism, which, he argued was a direct result of the Scotland's low allocation. The Scottish Government has called for *all* of this money to be allocated to Scotland.⁸⁰ This call has received cross party support in the Scottish Parliament.⁸¹ The allocations announced on 8 November 2013 would see Scotland receiving just 16% of the additional funds the UK is receiving through external convergence.

⁷⁷ NFU Press Release, [Farming Unions joint statement to welcome CAP](#), 8 November 2013

⁷⁸ Scottish Government, [CAP Budget: Potential Funding Levels for Scotland for 2014-2020](#), 19 October 2013

⁷⁹ Scottish Parliament, [Official Report – Statement on CAP Budget Allocation](#), 12 November 2013.

⁸⁰ Scottish Government News Release, [Extra EU cash call](#), 3 October 2013.

⁸¹ Scottish Government News Release, [Cross-party CAP funding call](#), 14 October 2013.

The Cabinet Secretary explained that as a result of the decisions on the allocation of CAP funding within the UK, Scotland's Pillar 1 budget would fall from €597 million in 2013 to €580 million in 2014, and then increase slightly to €587 million by 2019. This would leave Scotland with an average payment of €128 per hectare in 2019 (less than half of the EU average). He pointed out that while the UK Government had sought to justify this on the basis that Scotland received more per farm, the UK Government had itself argued against using per farm comparisons in the EU negotiations as they were a "misleading and irrelevant measure".

The Cabinet Secretary told the Parliament that it had been agreed that there would be a review of the allocation of CAP funds in 2016-17, but that this would only consider allocations in the next EU funding period from 2021 onwards.

The Cabinet Secretary's statement also covered Scotland's allocation from Pillar 2. Scotland will receive €477.8 million or 18.5% of the UK's allocation. This is the same proportion as from 2007-13 and would give Scotland €12 per hectare from Pillar 2, one-sixth of the EU average, and 15 to 20 times less than the levels received by Austria and Slovenia.

The National Farmers Union of Scotland (NFUS) expressed "deep disappointment" at the outcome but said the commitment to a review "could bring real long-term benefits to Scottish farming." The NFUS called for this review to put in place a process that "will eventually see arable producers in Berwickshire receive the same level of support as those in Norfolk or hill farmers in the Highlands get equivalent support to those farming in the Lake District". The NFUS has written to the European Commission to ask for its view on the way the UK Government has chosen to allocate the additional funds that the UK is receiving through internal convergence, and it is also seeking legal advice on the UK CAP budget allocation.⁸²

6.5. Northern Ireland

Northern Ireland will receive a Pillar 1 (direct payment) allocation of around €2,299 million, and a pillar 2 allocation around of €227 million equating to around 9% of the total UK Pillar 1 allocation and 9% of the total UK Pillar 2 budget.

⁸²NFUS Press Releases, [No immediate uplift in CAP budget allocation](#), 8 November 2013 and [Union Seeks Commission Clarity on Convergence](#), 12 November 2013

DARD Minister Michelle O'Neill was "extremely pleased" to announce that Northern Ireland had succeeded in retaining its historic budget share – the outcome she had been seeking. This will deliver an additional €20million in support between now and 2019. She commented:

I believe that this represents the fairest possible outcome as the existing budget distribution reflects the nature and agricultural production characteristics across all of the regions.

I have already voiced my disappointment that the EU Budget deal will leave us with reduced budgets, but as a result of today's decision, the risk of any further reduction has been avoided. This provides welcome clarity on the CAP monies available in the north and now allows us to move on to decide how these should be best used for the long term benefit of the rural economy and environment."⁸³

The President of the Ulster Farmers Union (UFU), Harry Sinclair also welcomed the budget announcement as a "fair decision" and "good news for farmers here in Northern Ireland". The UFU had argued for the allocations to remain as they were as they were "broadly reflective" of the agricultural capacity of the area to which they were allocated. He stressed that the importance of the CAP, to Northern Ireland, could not be underestimated in terms of enabling farmers to produce affordable food, create jobs, look after the countryside and maintain rural communities.⁸⁴

6.6. *Wales*

Wales will receive a Pillar 1 budget of €322 million per annum by 2019 based on current prices. This will give Wales an 8.96 % share of the UK's budget ceiling. It will receive €355 for its rural development programme over the 2014-20 period.

The Minister for Natural Resources and Food, Alun Davies, has welcomed the decision as the 'best outcome for Wales'.⁸⁵ The Minister has stated that despite his regret over the position taken by the UK Government in the EU budget negotiations he is pleased that it has decided to be even handed across the UK.

⁸³ DARD Press Release, [*O'Neill successfully defends CAP budget allocation, DARD press release*](#), 8 November 2013

⁸⁴ Ulster Farmers' Union Press Release, [*Confirmation that CAP budget share retained in Northern Ireland*](#), 8 November 2013

⁸⁵ Welsh Government Cabinet Statement, Minister for Natural Resources and Food, Alun Davies, [*The Common Agricultural Policy budget for Wales 2014-2020*](#), 8 November 2013

NFU Cymru issued a joint statement with the NFU and the Ulster Farmers' Union (see section 6.3 above) which welcomed the decision. The Farmers' Union of Wales also welcomed the announcement. FUW President Emyr Jones stated:

"We welcome Defra minister Owen Paterson's announcement today even though we are well aware that the overall budget has been cut by 12.6 per cent in real terms, It was imperative that Wales, at the very least, maintained the same proportion of CAP Pillar 1 monies that it currently benefits from and we are pleased that the union's lobbying and the Welsh Government's negotiations has resulted in a fair deal for farmers in Wales."⁸⁶

⁸⁶ FUW News Release, *FUW welcomes retention of CAP funding allocation for Welsh farmers*, 8 November 2013

7. Implementation of the CAP in the UK and in Ireland

Following the agreement at EU level, Member States are now developing their plans to implement it. In the UK and in Ireland governments are developing proposals as follows:

- In England, Defra set out its [initial thinking](#) in August 2013, and published a [consultation paper](#) in October 2013. The consultation is open until the 28 November 2013.
- The Department for Agriculture and Rural Development (DARD) in Northern Ireland published a [consultation paper](#) on the 1 October 2013. The paper sets out proposals for a package to implement the CAP in Northern Ireland from 2015-20. The consultation runs until 7 January 2014.
- In Ireland the Department for Agriculture, Food and the Marine held a [public consultation](#) from July to September 2013, and is currently considering the responses it received.
- In Scotland the Scottish Government has said it will launch a public consultation on the implementation of the CAP towards the end of 2013.⁸⁷
- In Wales, the Welsh Government held an [initial consultation](#) on the Rural Development Plan from February to May 2013. It then published a [further consultation paper](#) on direct payments in July 2013, which set out the decisions it proposed to take to implement CAP reform. This consultation runs until 30 November 2013. A further consultation on a new rural development plan is scheduled for Spring 2014.

The table overleaf sets out the latest position in each country of the UK and in Ireland

⁸⁷ Scottish Government, [Scotland's CAP choices](#). News release of 3 October 2013; Scottish Parliament Rural Affairs, Climate Change and Environment Committee, [Official Report of 18 September 2013](#): Cols 2579-92; and Scottish Parliament, [Official Report of 3 October 2013](#): Cols 23303-59.

Table 6: Implementation of the CAP 2014-20 in the UK and in Ireland

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Eligibility	<p>Eligible land likely to be defined in similar way as now with certain features being ineligible. Set a threshold by area, rather than value, to avoid setting a lower threshold than currently exists except for moorland.</p> <p>Minimum claim size to be 5 ha to achieve best value for money. (The current minimum claim size for the SPS in England is 1 ha)</p>	<p>Should land where 'grasses & other herbaceous forage' are not predominant be considered as permanent grassland and as such eligible for direct payments?</p> <p>If so, should we apply a reduction co-efficient?</p> <p>Should a reduction co-efficient apply to permanent grassland located in areas of natural constraint?</p>	<p>Definition of land eligible for direct payments will differ little from that under the current system.</p> <p>Agreement includes a specific option to include within the definition of permanent grassland, land that can be grazed and which forms part of established local practices where grasses and other herbaceous forage are traditionally not predominant (i.e. grazed heather).</p>	<p>Yet to issue consultation and indicate initial views</p>	<p>The Minister has stated that he will use the discretion provided to him in the regulations to raise the minimum claim size for land from 1 hectare to 3 hectares but no alteration to the minimum claim level of €100.</p> <p>No indication provided on minimum stocking rates.</p>

⁸⁸ Defra, [Implementation of CAP reform in England: Consultation, October 2013](#), Defra, [CAP reform in England: Status report on Direct Payments](#), 13 August 2013, and [Common Agricultural Policy: how will it affect you?](#) 31 October 2013

⁸⁹ Proposals for implementation of CAP 2014-2020 not yet decided. The consultation paper of 29 July 2013 took the form of a questionnaire and DAFM sought responses on the questions asked. These questions are synthesised in Table 4.

⁹⁰ DARD, [Consultation on Policy Options Arising from the reform of the CAP \(Pillar 1 Direct Payments\)](#), 1 October 2013

⁹¹ Scottish Government and Scottish Parliament opp cit.

⁹² Welsh Government, [The Common Agricultural Policy Reform - Welsh Government's proposals for direct payments to farmers](#), 23 July 2013

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
	<p>Single Farm Payment Scheme entitlements (held on 31 December 2014) will be rolled forward into the new scheme.</p>		<p>DARD intends to utilise this option so that grazed heather continues to meet eligibility conditions.</p> <p>DARD does not intend to implement the option provided which would allow the application of a reduction coefficient to permanent grassland located in areas constrained by climatic conditions, soil quality, steepness and water supply for the purpose of establishing entitlements in 2015.</p> <p>DARD proposes to implement a 5ha minimum for both the establishment of entitlements and eligible claims</p>		

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Active farmers	<p>Will adopt a threshold of a €5,000 annual direct payment (the highest allowed) for applying the "negative list" of business types that will be ineligible for direct payments. Welcomes views but does not propose to use the option of adding to the "negative list".</p> <p>Defra believes that this would add extra administrative burdens on the Rural Payments Agency and the farmer especially if it captures a large number of genuine farmers who have to prove their eligibility.</p>	<p>Should other entities be added to the 'negative list' so as to exclude them from direct payments?</p>	<p>DARD consultation leaves options open</p> <p>Seeks agreement or rejection for proposal that additional non-agricultural businesses should not be added to the negative list.</p> <p>Also seeks views on the level at which a threshold for exempting businesses from the 'active farmer' test should be set (can be anything from €0 up to €5,000)</p>	<p>The Scottish Government intends to use the minimum activity rules in such a way as to exclude "slipper farmers" whilst still allowing hill farmers with very extensive systems (and hence low stocking rates) to continue to receive payments</p>	<p>No proposals to add to the common list of ineligible business activities.</p> <p>Support for allowing ineligible business receiving less than €5,000 to continue to receive payments.</p>

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Internal Convergence	<p>Maintain three regions as currently defined to avoid costly and complex mapping exercise and unnecessary complexity in the transition to the new direct payments system</p> <p>Consultation sets out the implications of two options. Option 1: No change - maintaining the current regional distribution</p> <p>Option 2: Increase in upland direct payments. Essentially compensating hill farming with some movement of basic payments 'uphill' from lowland to Severely</p> <p>Disadvantaged Areas (SDAs) and moorland to recognise sustainable</p>	<p>Questions DAFM raises in regard to calculating the Initial Unit Value (IUV) of entitlements in 2015 include:</p> <p>Should we increase all entitlements, with an IUV of <100% of the national average by at least one-third of the difference by 2019 or should 90% be used as the threshold? At what level should the minimum payment under the BPS be fixed?</p> <p>Should Ireland apply a maximum reduction by 2019 of 30% of IUV (2015) for those farmers whose payments will decrease over the period of the scheme</p>	<p>DARD proposes not to follow the "Irish tunnel" approach, i.e. increase the unit value of those entitlements below the regional average by one half of the difference between the initial value and 100% of the regional value, while respecting the condition that no entitlement should have a unit value lower than 60% of the regional average by 2019.</p> <p>This would be funded by applying a linear reduction to the portion of the unit value of entitlements above the regional average.</p>	<p>The Scottish Government has conducted detailed modelling work on a range of options for implementing the basic payment scheme on an area basis.</p> <p>A consensus is emerging on using either two or three payment regions. The two categories would be for arable / permanent and temporary grassland; and rough grazing, and three categories would be for arable and temporary grassland; permanent grassland; and rough grazing.</p>	<p>Preference for a two land category areas system for direct payments with completion of the transition to this mechanism by 2019.</p> <p>Proposals for an equal 20 per cent shift from historic payments to areas payments in each year up to 2019.</p> <p>No intention to limit losses on individual farms to 30 per cent.</p> <p>No need identified for a top-up payment on a farms first hectares.</p>

	England⁸⁸	Ireland⁸⁹	Northern Ireland⁹⁰	Scotland⁹¹	Wales⁹²
	<p>development benefits and ecosystem services despite lower productivity.</p> <p>Also recognising that funding for upland farmers via access to the Uplands Entry Level Stewardship agreements would end in the next CAP term.</p>		<p>The result would be to move all entitlement values half way towards a flat rate regime by 2019 - in line with the Department's policy position throughout the negotiations that area payments should be introduced over a 10 year transition period.</p>	<p>In the three land type model payments would be weighted so the highest payments went to the intermediate land type (the intention being to support beef production, as beef producers are likely to lose most with the transfer to area payments, and farm this intermediate land).</p> <p>Now that the final details of the CAP reform have been agreed the Government is conducting further modelling on these options.</p> <p>The Government has said that it favours a phased introduction of area payments, with full introduction by 2019.</p>	

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Greening	<p>Option to operate a national certification scheme initially seen as opportunity to offer greening measures more suited to England.</p> <p>However, has decided that the broad approach to greening should be to adhere closely to the measures set out in the direct payments Regulation.</p> <p>This includes the crop diversification requirements even though the Government assesses their benefit to be relatively small.</p> <p>Believe that additional potential benefits from a Certification Scheme are likely to be outweighed by the additional delivery risks, complexity and risks of disallowance.</p>	<p>Should the greening payment be made on a flat rate basis or as a fixed percentage of a farmers BPS?</p> <p>Should option of using 'equivalent practices' to meet greening measures requirements be restricted?</p> <p>Should a national certification scheme be used to enable farmers meet their greening measures requirements?</p>	<p>DARD proposes to implement the greening payment in the form of a percentage of the value of the BPS entitlements activated by the each claimant each year. This means that the value of the greening payment for each claimant would progress over time towards a flat rate payment per hectare in line with the progression of the claimant's BPS entitlements.</p> <p>DARD proposes to monitor the permanent grassland ratio at regional (Northern Ireland) level and not to impose restrictions at individual holding level.</p> <p>DARD is suggesting that it will not make use of the 'equivalence' option</p>	<p>The Government is considering whether to develop a greening scheme based on equivalence measures, especially if these can be designed to reduce GHG emissions, or whether to implement greening as prescribed in the regulations.</p>	<p>Preference for the three greening options to be implemented as set out in the regulation without any equivalence options.</p> <p>The current-agri-environment scheme, Glastir, will be designed to operate at a level over and above greening.</p>

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Small Farmers Scheme (SFS)	<p>No Small Farmer Scheme.</p> <p>The Government does not consider that farmers in receipt of public money should be exempted from cross compliance requirements, nor should resources be committed to implementing an SFS which would have that outcome.</p>	<p>Should a Small Farmers Scheme be applied?</p> <p>If so, should farmers with payments <€1250 be automatically included?</p> <p>How should payment be calculated?</p>	<p>DARD propose not to implement the Small Farmers Scheme if the minimum claim size limit is set at 5ha.</p> <p>If the claim size limit is not set at 5ha DARD could proceed with a SFS and would most likely propose paying an amount equal to the total value of direct payments the farmer would otherwise receive each year if not in the SFS. The maximum payment per holding would be set at €1,250 and the option to round up payments to €500 would not be applied</p>		<p>No Small Farmer Scheme will be adopted.</p>

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Young Farmers Scheme	<p>Government will develop a Young Farmers Scheme with those eligible receiving an additional payment broadly equivalent to 25% of their payment under the basic payment scheme for each of the first five years of the operation of their holding.</p> <p>Consulting on number of entitlements or hectares for which the claim can be made: 25 entitlements (lowest limit), 90 entitlements (highest limit), another option, or a limit of 54 entitlements (the average farm size in the UK).</p>	<p>The Minister states that young farmers will receive a top up of 25% on the first 32 ha (average farm size)</p> <p>What % of national ceiling (within defined limits) should apply to Young Farmers Scheme (YFS)?</p> <p>Should there be a requirement for appropriate skills / education?</p> <p>How should the payment be calculated?</p>	<p>DARD proposes to operate the mandatory Young Farmers' Scheme as a 25% top-up of the young farmers own average payment per hectare.</p> <p>Set the upper limit at 90ha (the maximum allowed).</p> <p>Make a Level III qualification in agriculture (or a closely related subject) an eligibility requirement of the Young Farmers' Scheme.</p>		<p>The Welsh Government has not provided details as of yet as to how the mandatory scheme will operate.</p> <p>The Welsh Government has indicated that it will also provide support to Young Farmers through the RDP.</p>

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
	<p>Preference is not to introduce additional criteria at this stage to demonstrate particular skills or training. Mainly because of the administrative costs of verification and difficulty of capturing informal skills acquired by those working on farms from an early age.</p>				
Coupled support	<p>No reintroduction of any coupled support schemes.</p> <p>It has been the policy of successive governments to oppose the use of coupled payments and none of the options in previous CAP regimes have been taken up in England.</p>	<p>Considering re-introduction of coupled support under Pillar I & II. No decision made</p>	<p>DARD suggests that whilst the evidence would not support the introduction of a coupled support option, they are seeking views on whether it should be used, in which sectors, and the percentage of the ceiling that could be allocated. No decision made.</p>	<p>Scottish Government has sought clarification from the UK Government as to whether it can use 8% of the UK ceiling for coupled support (whilst still making the payments from the Scottish ceiling), which would allow it to use significantly more money for coupled support.</p>	<p>Preference not to utilise coupled support option.</p>

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
				If the Scottish Government can only use 8% of the Scottish ceiling it has said that it is considering using the full amount to support the beef sector.	
Less Favoured Area / Areas of Natural Constraint top up	<p>"Open minded" on the eventual adoption of ANC's but believe that the current Severely Disadvantaged Areas (SDAs) are robust in relecting difficult hill farming conditions and therefore remain valid.</p> <p>Considering achieving the same effect i.e. more support by adjusting the amounts allocated to each direct payment region because land mapped as SDA is similar to ANC.</p>	<p>Should there be a top-up to areas of natural constraint (ANC) under the BPS?</p> <p>If so, what percentage of the national ceiling should be allocated to the scheme?</p> <p>Should there be a maximum area (ha) it applies to and if so, what maximum?</p>	<p>DARD is proposing that it is better to pursue ANC support via Pillar 1.</p> <p>At this stage the Department welcomes views on the approach to supporting these areas as well as opinions on what percentage scale back should be applied to direct payments to fund ANC support via Pillar I (maximum is 5%)</p>		Preference for any support for Areas of Natural Constraint to be provided through Pillar 2.

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Capping	<p>Preferred option is to apply the minimum level of reduction possible and to recycle any funds raised into the Rural Development Programme. Prefers <i>not</i> to implement the redistributive payment option.</p> <p>Seeking to minimise distorting influences on the decisions that farmers make about the management of their farms to avoid adversely affecting the competitiveness of the farming industry.</p>	<p>Should Ireland apply the redistributive payment?</p> <p>If so, what percentage of the national ceiling should be allocated? And to what number of hectares?</p>	<p>DARD proposal to cap payments under the Basic Payment Scheme at €150,000 per claimant - no business would receive more than €150,000 under the Basic Payment Scheme as there would be a 100% reduction applied to amounts above this threshold</p>	<p>The Government has said that “huge individual payments” should be addressed, but these may be reduced in any case with the move to area payments.</p> <p>It is considering the merits of further capping beyond the 5% degressivity, and the options to introduce “first hectares” top-up payments.</p>	<p>Proposal to adopt progressive capping above €200,000.</p> <p>Farmers in Wales receiving payments of €150,000-200,000 would be capped by 15 per cent, between €200,000-250,000 by 30 per cent, between €250,000-300,000 by 55 per cent and €300,000 by 100 per cent.</p>

	England ⁸⁸	Ireland ⁸⁹	Northern Ireland ⁹⁰	Scotland ⁹¹	Wales ⁹²
Transfers between pillars	<p>Government has indicated that it favours full modulation transfer (15%) from Pillar 1 to Pillar 2 but is consulting on 3 modelled scenarios: 1%, 9% (transfer in 2013) and 15%.</p> <p>Does not intend to transfer funds from Pillar 2 to Pillar 1.</p>	<p>Should Ireland transfer funds from Pillar 1 to Pillar 2 or vice versa? If yes, then how much?</p>	<p>Transfer from Pillar 1 to Pillar 2 appears more likely than Pillar 2 to Pillar 1 transfer, due to the likely reduction in the Pillar 2 budget. No decision made but will be informed by Pillar 1 and Pillar 2 policy option consultation responses.</p>	<p>Due to Scotland's "pitifully low" Pillar 2 allocation, the Scottish Government has ruled out transferring any money from Pillar 2 to Pillar 1. It will hold a separate mini-consultation on how much to transfer from Pillar 1 to Pillar 2 before the end of 2013</p>	<p>The Minister responsible has stated that he is minded to support the transfer for funds from Pillar 1 to Pillar 2 but he will make a final decision on the transfers between Pillars by January 2014. The Minister is not minded to support the transfer of funds from Pillar 2 to Pillar 1.</p>

8. The Future of the CAP

The UK Government has already said that beyond January 2015, it will be looking ahead to the next round of CAP negotiations; in particular what can be done to help ensure a better set of Commission proposals for the next CAP regulations post-2020.⁹³

The CAP is not on an obvious reform trajectory. A reduction in overall subsidies and decoupled payments and the delivery of environmental objectives seem to be bedding down as core themes. However, they are not unanimously supported to the same degree (even within the UK) and are subject to the political swings and roundabouts of the CAP negotiation process. The practical impact of the agreed 2014-2020 reforms will colour the next moves as will the rapidly changing scene of world trade, farming support and food production.

The OECD's latest report on state support for farming shows that farming support for agriculture in the world's leading farming nations rose during 2012, bucking a long-term downward trend and reversing historic lows recorded in 2011.⁹⁴ Farm support (as a percentage of overall farming receipts) rose in key emerging economies such as China (17%), Indonesia (21%) and Kazakhstan (15%) providing some of the largest increases in state support during 2012 as governments focused on self-sufficiency policies to boost agricultural production. The OECD notes that the EU's agreed CAP reforms "do not represent a major departure from either the current orientation or size of farm support in the 28 country bloc". Overall EU support has risen from 18 to 19% in 2012.⁹⁵

The OECD sees a generalised move away from support directly linked to production, but finds that support that distorts production and trade still represents about half of the total. While OECD countries are increasingly de-linking support from production, emerging markets are relying more on border protection and market price support measures that tax consumers.

The OECD continues to urge a reduction in subsidies and has indicated its preferred, future trends for farming support:

- More public investment for the farming sector overall. The OECD views innovation policy as the key to improving farm productivity highlighting investments in research and development, technology transfer, education and extension and advisory services as having high social returns in the long run.

⁹³ Memorandum from the Department of Environment, Food and Rural Affairs to the House of Commons Food and Rural Affairs Committee inquiry into implementation of the Common Agricultural Policy 2014-2020, 18 October 2013

⁹⁴ OECD, *Agricultural Policy: Monitoring and Evaluation 2013*, February 2013

⁹⁵ OECD Newsroom, *Support to agriculture rising after hitting historic lows OECD says*, 18 September 2013

- Further de-linking of farm support and production. The report identifies this as “necessary” and advises that there is “considerable scope” to re-orient spending towards specific goals such as those related to low incomes, rural community well-being and environmental sustainability.

The current CAP reforms have moved further towards these trends than away but there are more questions than answers about what a future reform round might look like: ⁹⁶

- How far will direct subsidies survive another reform? Will greening requirements take up an increasing proportion of Pillar 1 payments as the Commission sticks to the principle of ensuring that the direct payments are for the delivery of public goods? What will be the influence of the additional Member States coming under the full CAP requirements in future years (e.g. Bulgaria and Romania in 2016)? How isolated is the UK Government in wanting radical CAP reform and a more competitive farming sector, less-reliant on direct subsidies?
- Is Pillar 2 the way to protect the future health of the rural economy rather than over-reliance on direct subsidies? Will this reform help to illustrate which approach works best? The flexibility offered to switch funding between Pillar 1 and 2 will test if greater economic benefits can be achieved by supporting rural development in general and not farming in particular.
- Will the flexibility of implementation provided to Member States in this CAP reform be its making and therefore be replicated and/or increased in future reforms? Or will the individually tailored CAPs emerging in each Member State create a very uneven playing field? Will the move towards area based payments in all Member States, and external convergence temper this impact?
- Recent CAP reforms have allowed implementation to be regionalised within Member States, and this has been done in the UK with the devolved administrations developing their own policy. This is becoming increasingly embedded into the CAP. Will there be scope for additional regional flexibilities in future reforms?
- Will the new cross-sector working arrangements influence the next CAP reform with new joined-up thinking on supporting the agricultural sector?

⁹⁶ Issues and questions drawn from: European Movement, [The future EU budget – The Agricultural Dimension](#), September 2010; EurActiv.com, [How to kill off successful environmental schemes in Europe’s agricultural policy](#), 3 September 2013

- As the UK receives close to the EU average CAP payment the UK is only benefitting to a very limited extent from external convergence and so will remain a substantial net contributor. How will this affect the UK rebate debate?
- Following the European elections in 2014 and the appointment of a new Commission how will the European Parliament and the next EU Agriculture Commissioner influence the next CAP reform?
- Will there be a mid-term review of these reforms before 2020?
- What would be the impact of a 'no' vote if there were a UK referendum on EU membership?
- What would be the impact of Scottish independence on both the existing and future CAP programmes for both Scotland and the rest of the UK?
- Will there be an increasing focus on innovation within the CAP as Member States themselves are increasingly looking at innovation as part of their Pillar 2 programme?
- Will a further degraded environment force a rethink on CAP after 2020?
- What will be the influence of WTO and international trends in agriculture on the direction of the CAP?
- Will food security issues/considerations become more prominent over coming years and if so how will this affect both the existing and future CAP?

Appendix 1 – Glossary of CAP terminology⁹⁷

Term or abbreviation	Meaning/definition
Active farmer	<p>Following some concerns at EU level as to whether direct payments were being made to 'genuine farmers', a two-part active farmer test will now be applied.</p> <p>Member States can set minimum activity requirements (e.g. a minimum stocking rate) for land which is naturally in a state suitable for grazing or cultivation</p> <p>An EU wide list of activities which are not eligible for CAP payments has been drawn up. This includes airports, railway services, water works, real estate and sports grounds. Member States can add to this list.</p>
Agricultural activity	<p>"agricultural activity" means:</p> <ul style="list-style-type: none"> • production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or • maintaining an agricultural area in a state which makes it suitable for grazing or cultivation without any particular preparatory action going beyond traditional usual agricultural methods and machineries, based on criteria established by Member States on the basis of a framework established by the Commission, or • carrying out a minimum activity, to be established by Member States, on agricultural areas naturally kept in a state suitable for grazing or cultivation
Agricultural area	Any area taken up by arable land, permanent grassland and permanent pasture or permanent crops
ANC	Area of Natural Constraint – replaces the existing Less Favoured Areas land (LFA) classification and will be determined using specific biophysical criteria including climate, soil and slope

⁹⁷ The definitions given in this glossary are based on these given in the European Commission's [glossary of terms used in the CAP](#). Note that some terms are under revision since the reform of June 2013

Arable land	Land cultivated for crop production or areas available for crop production but left lying fallow (including set aside) in the current year or within the previous five years
BPS	Basic Payment Scheme – a key element of the new CAP package and a replacement for the current Single Farm Payment.
CAP	Common Agricultural Policy - This is the set of legislation and practices adopted by the European Union to provide a common, unified policy on agriculture. It aims to ensure that agriculture can be maintained over the long term at the heart of a living countryside.
CAP Health Check	Measures agreed by the EU Agriculture Council in 2008 to “modernise, simplify and streamline the CAP and remove restrictions on farmers”
Capping	Capping refers to the limitation of support that any individual farm may receive from the Basic Payment Scheme. The funds “saved” under this mechanism stay in the Member State/region concerned and are transferred to the Rural Development envelope
Co-decision	Known since the entry into force of the Treaty of Lisbon as the ‘ordinary legislative procedure’, co-decision is a term that describes the main procedure by which the European Union makes law. In simple terms this means that a legislative proposals requires the assent of both the European Parliament and the Council of the European Union in order to become a law

Co-funding/Co-financing	EU legislation requires Member States, or their regions, to contribute national Exchequer funding (taxpayers' money) in addition to the EU funds for each claim made by beneficiaries. The proportion of national and EU contributions is referred to as the co-financing rate. The level of national funding required depends on the activity funded and the source of the funds. Rates for CAP are part of the EU budget deal. Member States no longer have to co-finance a transfer from Pillar 1 to Pillar 2. ⁹⁸
Coupled Support	A payment directly linked to the volume of output of a specific agricultural product
Cross compliance	To receive direct payments and some other forms of financial support, farmers are obliged to comply with certain existing EU legislation relating to <i>inter alia</i> , food safety, animal welfare and the environment. They must also keep their land in Good Agricultural and Environmental Condition. A broad definition of GAEC is set at EU level which Member States can apply to local farming conditions
Degressivity	A reduction in support applied above a certain threshold(s) of CAP payments per farm
Direct Payments	European Union subsidies to farmers under Pillar I of the Common Agricultural Policy
EFA	Ecological Focus area – a key component of the greening measures within the CAP reform package. Farms with more than 15 hectares of arable land must maintain at least 5% of this land as EFA

⁹⁸ Defra, [Implementation of CAP reform in England: Consultation](#), October 2013,

Entitlements	These form the basis of payments to farmers under the Basic Payment Scheme — once activated each entitlement will have a value and can be used by a farmer to claim payment each year, subject to meeting the relevant scheme rules
Eligible land	In general terms ,within the CAP system land is eligible under the Basic Payment Scheme (BPSA) if it is arable, permanent grassland or pasture or permanent crops, but exceptions can and do apply
External convergence	Convergence in CAP receipts between Member States. This is being based on average receipts per hectare of eligible land
EU	European Union
EC	European Commission
EP	European Parliament
Greening	<p>Greening refers to the further enhancement of the environmental sustainability of farming in the European Union. Has 3 key elements under the new CAP package:</p> <ul style="list-style-type: none"> • Crop diversification • Permanent grassland retention • Provision of Ecological Focus Areas (EFAs)

Farmer	A natural or legal person, or a group of natural or legal persons whose holding is situated within the territory of the same Member State and who exercise agricultural activity
Flat rate	A payment structure under which all hectares of eligible land in region would attract the same level of support
Grasses or other herbaceous forage	All herbaceous plants that are traditionally found in natural pastures or normally included in mixtures of seeds for pastures or members in the Member States
Holding	All the units used for agricultural activities and managed by a farmer situated within the territory of the same Member State
Internal convergence	Under the historical basis for allocating Pillar 1 payments the amounts farmers receive are based on the average amount they received between 2000 and 2002. This means neighbouring farms with similar types of land <i>can</i> receive quite different levels of support. Internal convergence means equalising the amounts farmers receive per hectare either as a flat rate for all agricultural land, or for different types of agricultural land.
LFA	Less Favoured Area – areas of poorer agricultural land which qualify for special aid under EU schemes. Replaced by Areas of Natural Constraint within the new CAP.
Modulation	A transfer of funds from Pillar 1 to Pillar 2 of the CAP
National ceiling / national envelope	A Member State's allocation of the Pillar 1 budget

National reserve	In relation to the current Single Payment Scheme and future Basic Payment Scheme member states must create 'national reserves', using part of their national ceilings. These amounts are to be used for allocating payment entitlements, mainly to new entrants to farming in the event that they have not acquired payment entitlements when they acquired their land.
Permanent crops	Non-rotational crops other than permanent grassland and permanent pasture that occupy the land for five years or more and yield repeated harvest, including nurseries and short rotation coppice
Permanent grassland (including permanent pasture)	Land used to grow grasses or other herbaceous forage naturally (self seeded) and through cultivation and that has not been included in the crop rotation of the holding for five years or more. Member States/regions may include other land which can be grazed and which forms part of established local practices where the grasses and other herbaceous forage are traditionally not predominant in grazing areas (e.g. grazed heather under certain conditions)
Pillar 1	Payments to support farmers' incomes provided in the form of direct payments and market measures and entirely financed from the European Agricultural Guarantee Fund (EAGF)
Pillar 2	Support provided for the development of rural areas – support takes the form of Rural Development Programmes and is co-financed from the European Agricultural Fund for Rural Development (EAFRD)
SFP	Single Farm Payment - a key component of the CAP since the 2003 reform which sees farmers receive a decoupled Single Payment
Transition measures	The mechanisms by which agriculture and rural development initiatives will be administered/supported during 2014, in advance of the new CAP being implemented in 2015.

WTO	<p>The World Trade Organisation is an intergovernmental organisation. As of May 2012, 153 countries belonged to it - i.e. some three quarters of the countries of the world. WTO members recognise that they should work towards raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.</p>
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