

Quick guide

CAP Reform Post 2013

February 2010

1. What is the Common Agricultural Policy?

The Common Agricultural Policy (CAP) is a system of EU agricultural and rural development subsidies and programmes. Funding under the Common Agricultural Policy is delivered via two Pillars. **Pillar One**, otherwise known as the **Single Payment Scheme**, provides income support to farmers who must keep their land in Good Agricultural and Environmental Condition (GAEC). **Pillar Two**, otherwise known as the **Rural Development Pillar**, provides support to farmers and land managers to deliver environmental goods and support to rural economies and communities.

The **annual budget** for CAP is currently **€55 billion annually** and accounts for 40 per cent of the total EU Budget.¹ According to the European Commission this equates to each citizen in the European Union contributing €2 per week to finance the CAP.² However, the CAP share of the budget has declined significantly since its creation in the 1960s when it represented two-thirds of the EU budget. Since the 1980s the CAP share of EU public expenditure has declined rapidly.

Wales receives approximately **€330 million under Pillar One³ annually** and has received **€376.7 million for the Rural Development Plan⁴** under Pillar Two for the period 2007-13. For the majority of Welsh farmers the CAP continues to account for the largest proportion of farm profitability.⁵

2. What is the history of CAP Reform?

When the CAP was originally established in the **early 1960s** the aim of the policy was to encourage farmers to produce more by offering them subsidies and putting systems in place that would **guarantee farmers a high price** for their produce. However, by the

¹ European Commission '[The Common Agricultural Policy Explained](#)' Website [Accessed 3 February 2010]

² *ibid.*

³ Figure based on the exchange of the Welsh Government's estimation of total amount of Single Payment received in Wales annually (approximately £292 million) at euro exchange rate of €1.14 to £1 on 11 February 2010.

⁴ European Commission Press Release, '[Rural Development Plan for Wales](#)', 20 February 2008 [Accessed 11 February 2010]

⁵ Welsh Assembly Government, '[Farming, Food and Countryside: Building a secure future Annex1: Industry Challenges](#)', May 2009 [Accessed 10 February 2010]

1980s this has led to **large surpluses** of products and calls for reform. As a consequence several minor reform and adjustments of the CAP took place in the 1990s culminating in 1999 with the introduction of **2000 Reform Agenda**. This led to the last **major reform** of the CAP in **2003**.

The main aspect of the 2003 reform was the replacement of numerous income and production subsidy schemes with the **Single Payment Scheme**. This meant that payments to farmers under Pillar One were no longer linked to production or the number of animals kept. Instead a form of basic income support is given to farmers who maintain their land according to **agricultural and environmental compliance requirements**.

In 2008 the Commission decided to undertake a 'Health Check' of the 2003 reforms to assess whether they had been successful or whether further reforms were required. Some further adjustments were made to the scheme although these were not fundamental reforms of the CAP. Some of the most important adjustments were:

- A move from the historic model for the calculating payments under the Single Payment Scheme (SPS) to **payment on an area basis**;
- **Amendments to the good agricultural and environmental standards** that farmers have to meet to receive payments from the Single Payment Scheme;
- **Setting of upper and lower limits** on support that farmers are able to access under the Single Payment Scheme;
- **Increases in the amount of funding for Pillar Two** Rural Development schemes by increases in the rates of 'compulsory modulation', which is a mechanism for shifting funds from Pillar One to Pillar Two and;
- Establishment of a **new 'challenge agenda'** focussing on issues such as climate change, soil protection and water conservation for programmes under Pillar Two.

3. CAP Reform Post 2013: What are the key Issues?

The Post-2013 reform of the CAP is expected to result in more **fundamental changes** of policy than the 2008 adjustments. Negotiations on the reform will be influenced by discussions on the EU Budget Review which will determine the budget for CAP for the period 2013-2020. Unlike past reforms of the CAP, both the Council and the Parliament will have to reach joint-agreement on any legislative proposals for reform (see question 7).

The key debating points that are likely to form the basis of discussions on proposals for reform are:

- **Convergence between 'old' and 'new' Member States:** There is likely to be some debate about the current distribution of payments between Member States. New Member States in particular have called for a Single Payment mechanism which is more uniform across all Member States.
- **Maintenance of direct income support:** There is some debate about the extent to which farmers should continue to receive direct income support under Pillar One with

some arguing that funds should be coupled to the delivery of public goods and more funding being delivered via Pillar Two.

- **Updating the objectives of the CAP:** The new ‘challenge agenda’ focussing on issues such as climate change, renewable energy and soil and water protection put forward in 2008 indicated that discussions on reform will include a focus on the development of new objectives for CAP. How CAP should address the issues of food security and food safety in the context of climate change are also likely to be key debating points.
- **Globalisation and Food Market volatility:** Discussions on CAP Reform Post-2013 are likely to be influenced by ongoing trade negotiations about the liberalisation of markets at the World Trade Organisation (WTO). In addition expectations that food markets and prices will become more volatile with the further globalisation of agriculture and agricultural commodities may influence discussions.
- **Re-nationalisation Vs a Community Framework:** While there is general acceptance of the continued need for a European Community policy for agriculture and rural development, there is some debate about which elements of the policy should be funded on a Community scale and which elements should be dealt with at a Member State level.

4. What are the Welsh and UK Government positions on CAP Reform?

The **Welsh Government** has **not yet published a position** on the CAP Reform Post-2013 but had made reference to its likely impact in relevant policy documents and announcements. In the Welsh Government’s strategy for farming, ***Farming, Food and Countryside: Building a Secure Future***, the Government states:

Following the 2003 reforms there is an increased impetus towards rural development support rather than direct payments to farmers. It is likely after 2013 the pace of this change will accelerate. Welsh farmers will have to adapt their production systems to the realities of the marketplace while at the same time exploiting opportunities supported by rural development measures.⁶

The Welsh Government is currently introducing a new agri-environment scheme under Pillar Two of the CAP. The **new Glastir scheme** will be in operation from 2012 and is intended to be aligned with the ‘challenge agenda’ identified as part of the 2008 Health Check.

The **UK Government** has published a ***Vision for the Common Agricultural Policy*** which sets out the reforms and changes that it would like to see over the next ten to fifteen years.⁷ The Vision states that the CAP in its **current form is inefficient** and increasingly out of step with the need to respond to the challenges of globalisation. It calls for the

⁶ Welsh Assembly Government, ***Farming, Food and Countryside: Building a secure future Annex1: Industry Challenges***, May 2009 [Accessed 10 February 2010]

⁷ Defra and HM Treasury, ***A Vision for the Common Agricultural Policy***, December 2005 [Accessed 10 February 2010]

integration of agriculture into EU competition policy and for a **considerable reduction in Pillar One activities** and market interventions and a significant reduction in the CAP budget in general. Instead the UK Government would like to see a CAP that is focused on Pillar Two measures which centre on maintaining the environment and promoting sustainable rural development.

5. What other views are emerging?

Alongside the position by the UK Government a number of other 'blocs' of Member States are beginning to emerge. The **largest 'bloc'** is becoming known as the **G22** and includes twenty-two Member States who are arguing the case for **maintenance of the current CAP** budget and a strong community based policy Post-2013. The 'bloc' emerged from the recent dairy crisis. Concerned Member States came together to lobby the Commission to intervene and provide support to the European Dairy Sector following a long-period of low milk prices. The G22 group have already met to develop a common position on the reform Post-2013. The **UK is not part of this 'bloc'**.

A **second strong 'bloc'** has emerged of **nine 'new' Member States** who in addition to calling for a strong CAP are also calling for the system of farm subsidies and income support to be simpler and fairer. The 'bloc' would like to see an end to historical criteria being used to calculate direct aid and the adoption of a uniform approach across all Member States.

6. What is the timetable for discussions on CAP Reform Post-2013?

An anticipated timetable for discussion on CAP Reform Post-2013 is outlined below:

- **February 2010:** New Commission elected 9 February.
Spanish Presidency of European Council discussion document on future of market elements of CAP.
- **March 2010:** Vote by the European Parliament's Agriculture and Rural Development Committee on an own initiative report on EU agriculture and climate change.
- **May-June 2010:** Spanish Presidency of European Council to hold informal discussions on CAP Reform Post 2013.
- **Autumn 2010:** Consultation on first Commission Communication on proposals for reform of CAP.
- **Summer 2011:** Publication of legislative proposals for reform of CAP by the Commission.
- **Autumn 2011-**
December 2012: Negotiations on the legislative proposals between the Council, Parliament and Commission with a view to reaching an agreement by the end of 2012.

7. What is the role of the European Institutions?

- **Commission:** The Commission will be responsible for the drafting of the **First Communication** and completing the consultation on this Communication. It will also be responsible for the **drafting of the legislative proposals** and play a conciliatory role in the negotiations.
- **Council of the European Union:** Member State discussion on the proposals for CAP Reform Post 2013 will be **led by the countries holding the rotating Presidency** of the Council. The countries that will hold the presidency during the development and agreement on the Reform proposals are: Spain, Belgium, Hungary and Poland. The majority of the formal and informal discussions between farm and agriculture Ministers will take place through the **Agriculture and Fisheries Council**.
- **European Parliament:** Following the ratification of the Lisbon Treaty the **Parliament will have equal status with the Council** in the negotiations on reform. The Parliament's **Agriculture and Rural Development Committee** will lead on the development of the European Parliament's position.
- **Co-decision procedure:** Any legislative proposals on the Reform of the CAP Post 2013 will be subject to co-decision procedure where the **Council and the Parliament will have to come to an agreed position**. The Commission will send the legislative proposals to the Council and the Parliament who will hold two successive readings each. If they cannot reach an agreement after two readings then a **Conciliation Committee** will be established with an equal number of representatives from both institutions. Once this Committee has reached an agreement then the text returns to both the Parliament and the Council for a third reading for it to be adopted as a legislative text.

8. Where can I get further information?

For further information on CAP Reform Post 2013, please contact **Nia Seaton** (Nia.Seaton@wales.gsi.gov.uk), Members' Research Service.

For further information on the topics below, double click on the links.

European Commission Website on [Common Agricultural Policy Post 2013](#)

Welsh Government Website on the [Common Agricultural Policy](#)

European Parliament [Agriculture and Rural Development](#) Committee Website

[Council of the European Union](#) Website

[EU Budget](#) Website

Defra Website on the [Common Agricultural Policy Reform](#)

Institute of European Environmental Policy Website [CAP 2020: Debating the Future of the Common Agricultural Policy](#)

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