Common organisation of the markets in agricultural products 2014-2020. Single CMO Regulation

2011/0281(COD) - 12/10/2011 - Legislative proposal

PURPOSE: to reform the Common Agricultural Policy (CAP) after 2013 (Single CMO).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the Commission presents a set of regulations laying down the **legislative framework for the CAP in the period 2014-2020**. The current reform proposals are based on the Communication on the CAP towards 2020 that outlined broad policy options in order to respond to the future challenges for agriculture and rural areas and to meet the objectives set for the CAP, namely (1) **viable food production**; (2) **sustainable management** of natural resources and climate action; and (3) **balanced territorial development**.

A common theme that has emerged throughout this process is the need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy, keeping the structure of the CAP **around two pillars** that use complementary instruments in pursuit of the same objectives.

- **Pillar I** covers direct payments and market measures providing a basic annual income support to EU farmers and support in case of specific market disturbances.
- **Pillar II** covers rural development where Member States draw up and co-finance multiannual programmes under a common framework.

The framework set out in the Commission proposal for the multiannual financial framework for the years 2014-2020 (MFF) proposal foresees that the CAP should maintain its two-pillar structure with the budget for each pillar maintained in nominal terms at its 2013 level and with a clear focus on delivering results on the key EU priorities.

- Direct payments should promote sustainable production by assigning 30% of their budgetary envelope to mandatory measures that are beneficial to climate and the environment.
- Payment levels should progressively converge and payments to large beneficiaries be subject to progressive capping.
- Rural development should be included in a Common Strategic Framework with other EU shared management funds with a reinforced outcome-orientated approach and subject to clearer, improved ex-ante conditionalities.
- Finally, on market measures the financing of the CAP should be reinforced with two instruments outside the MFF: (1) an emergency reserve to react to crisis situations; and (2) the extension of the scope of the European Globalization Adjustment Fund.

On this basis, the main elements of the legislative framework for the CAP during the period 2014-2020 are set out in the following regulations:

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');

- **Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation) ('the Single CMO regulation')**;
- Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');
- Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');
- Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

The rural development regulation builds on the proposal presented by the Commission on 6 October 2011 that sets out common rules for all funds operating under a Common Strategic Framework. A regulation will follow on the scheme for most deprived persons, for which funding is now placed under a different heading of the MFF.

In addition, new rules on the publication of information on beneficiaries taking account of the objections expressed by the Court of Justice of the European Union are also under preparation with a view to finding the most appropriate way to reconcile beneficiaries' right to protection of personal data with the principle of transparency.

IMPACT ASSESSMENT: the **three scenarios** elaborated in the impact assessment are:

- **an adjustment scenario** that continues with the current policy framework while addressing its most important shortcomings, such as the distribution of direct payments;
- **an integration scenario** that entails major policy changes in the form of enhanced targeting and greening of direct payments and reinforced strategic targeting for rural development policy in better coordination with other EU policies, as well as extending the legal base for a broader scope of producer cooperation; and
- **a refocus scenario** that reorients the policy exclusively towards the environment with a progressive phasing out of direct payments, assuming that productive capacity can be maintained without support and that the socio-economic needs of rural areas can be served by other policies.

The impact assessment concludes that the **integration scenario** is the most balanced in progressively aligning the CAP with the EU's strategic objectives. It will also be essential to develop an evaluation framework to measure the performance of the CAP with a common set of indicators linked to policy objectives.

LEGAL BASIS: the first subparagraph of Article 42 and Article 43(2) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the Single CMO regulation lays down rules for the common organisation of agricultural markets, with the aid scheme for the most deprived to be placed under a separate instrument.

Dairy sector:the 2008-2009 dairy crisis showed the need to maintain an effective safety net mechanism as well as to streamline available tools. The discussions in the High Level Expert Group on Milk that

followed also pointed to the need to improve the functioning of the food chain. The regulation thus aims to streamline, expand and simplify provisions on the basis of experience to date with public intervention, private storage, exceptional/emergency measures and aid to specific sectors as well as to facilitate cooperation through producer and interbranch organisations.

Sectoral aids: certain sectoral aids are removed (e.g. skimmed milk, hops and silkworms). The milk quota system and the wine planting ban are set to expire under existing legislation which is thus left unchanged in this respect. Sugar quotas are set to expire by 30 September 2015. A single animal disease / loss of consumer confidence provision and a general market disturbance clause are provided with the latter expanded to cover all sectors in the current Single CMO.

Producer organisations and their associations: the product coverage for recognition of producer organisations and their associations as well as interbranch organisations by Member States is expanded to all sectors in the current Single CMO. Support for the setting up of producer groups in the fruit and vegetable sector is moved to rural development.

Compulsory written contracts: the Regulation reflects the proposal already made for the milk sector that set out basic conditions if Member States make written contracts compulsory with a view to strengthening the bargaining power of milk producers in the food chain. It also reflects the proposal already made on marketing standards in the context of the quality package.

From a **simplification** perspective, doing away with certain sectoral aids, the decoupling of the aid scheme in the silk worm sector, ending the sugar quota system and removing the requirements for registration of supply contracts and for attestation of equivalence in the hops sector will positively impact the burden on Member States and red tape for operators. It will no longer be necessary to maintain a capacity to implement the sectoral aid schemes and to allocate resources to control them.

BUDGETARY IMPLICATION: in current prices, it is proposed that the CAP should focus on its core activities with **EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II** over the 2014-2020 period.

The Pillar I and Pillar II funding is complemented by **additional funding of EUR 17.1 billion** consisting of:

- EUR 5.1 billion for research and innovation,
- EUR 2.5 billion for food safety and
- EUR 2.8 billion for food support for the most deprived persons in other headings of the MFF,
- EUR 3.9 billion in a new reserve for crises in the agricultural sector,
- up to EUR 2.8 billion in the European Globalization Adjustment Fund outside the MFF, thus bringing the total budget to EUR 435.6 billion over the 2014-2020 period.

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Distribution of support among Member States: it is proposed that all Member States with direct payments below 90% of the EU average will see one third of this gap closed. The national ceilings in the direct payments regulation are calculated on this basis.

Rural development aid: this is based on objective criteria linked to the policy objectives taking into account the current distribution. As is the case today, less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain measures such as knowledge transfer, producer groups, cooperation and Leader.

Lastly, some **flexibility** for transfers between pillars is introduced (up to 5% of direct payments): from Pillar I to Pillar II to allow Member States to reinforce their rural development policy, and from Pillar II to Pillar I for those Member States where the level of direct payments remains below 90% of the EU average.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.