

Common agricultural policy (CAP): direct payments to farmers under support schemes 2014-2020

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The Presidency presented to the ministers its progress report on the reform of the common agricultural policy (CAP) ([8949/12](#)).

Member states broadly welcomed the progress report and overall considered it a fair and accurate reflection of the debate in the Council, which would lay a solid foundation for the next steps in the process under the Cypriot and Irish Presidencies. They also noted that the next presidencies had to deepen discussions on the open issues. Some delegations commented on issues of importance to them, particularly in relation to **capping, convergence of direct payments and greening**.

This progress report highlights the progress achieved during the first half of 2012 on the CAP reform proposals. It has been drawn up under the responsibility of the Presidency on the basis of the positions expressed within the Council and its preparatory bodies during this semester. It makes clear that nothing is agreed until everything is agreed.

The report highlights the efforts made by the Presidency, especially on increased flexibility, simplification and greening. It indicates the main amendments suggested to the Commission proposals and on which the Presidency has noted broad support from delegations.

The Presidency's suggested amendments aim to resolve a number of issues raised by delegations, particularly with a view to ensuring that future CAP legislation is workable in practice and can be implemented in a cost-effective manner.

This report also identifies for each of the proposals the key issues which remain outstanding as at June 2012, including issues contained in the negotiating box for heading 2 of the Multiannual financial framework (MFF).

The report distinguishes between three categories of issues:

- issues on which there is broad support among delegations for the amendments suggested by the Presidency to the Commission proposals;
- issues which remain outstanding as at June 2012;
- issues which are included in the negotiating box of the Multi-Annual Financial Framework and which the European Council will ultimately decide upon.

Direct payments proposal: the key issues raised on the proposal are :

- convergence of direct payments between Member States,
- better targeting,
- 'greening' of direct payments,
- simplification of direct payments for small farmers,
- the establishment of a new basic payments scheme,
- reaching a uniform level of direct payments within Member States and the possibility of transfers of funding between pillars.

The issue of convergence of direct payments between Member States is included in the Negotiating Box for Heading 2 of the Multiannual Financial Framework (MFF). The Presidency has noted broad support for the principle of some convergence. Delegations' views however differ on the model of convergence. Some delegations support the model proposed, others find the model too limited and others consider the model goes too far suggesting ceilings on losses, linear financing etc. Several delegations considered that this issue should be seen together with the future allocation of rural development funds, while others take the opposite view.

The Commission proposes a number of measures to **better target direct payments**:

- special schemes for **young farmers**,
- **small farmers** and **farmers in areas with natural constraints**,
- limiting direct payments to '**active farmers**',
- **capping** of direct payments for large farms and granting **voluntary coupled support** under certain conditions.

While the special scheme for **young farmers** is broadly welcomed, a majority of delegations want a voluntary scheme, leaving Member States to decide whether to operate the scheme and how to shape it according to their needs, while other delegations could support the proposed mandatory scheme. Delegations support the proposed voluntary scheme for support to **farmers in areas with natural constraints**. On the definition of '**active farmer**', there is broad support to focus eligibility more on the land than on the applicant. Applicants should carry out the minimum activity on their areas which are naturally kept in a state suitable for grazing or cultivation to qualify for direct payments. There is also broad support to allow Member States to go further in order to exclude those applicants who are economically only marginally engaged in agricultural activity either on the basis of a negative list partly decided at EU level or to use their own objective and nondiscriminatory criteria. Nevertheless, a few delegations prefer mandatory EU criteria to be established.

The principle of **capping** of direct payments for large farms is included in the Negotiating Box for Heading 2 of the Multiannual Financial Framework (MFF). Some delegations oppose the principle of capping.

While the special scheme in favour of **small farmers** is broadly welcomed as a major simplification, a clear majority of delegations want a voluntary scheme, leaving Member States to decide whether to operate it and how to shape it according to their needs. A few delegations find the allocation of 10 % to the scheme insufficient. A number of delegations question whether small farmers should be completely exempt from cross compliance requirements.

The principle of "**greening**" and the proposed 30 % proportion of direct payments subject to greening is included in the Negotiating Box for Heading 2 of the Multiannual Financial Framework (MFF). Some delegations asked for a lower level than 30 %.

All delegations have called for a flexible and cost-effective approach to greening, so as to achieve maximum environmental benefits while preserving the economic viability of holdings and keeping the administrative burden and control requirements to a minimum, and to respond to different environmental and agronomic circumstances in individual Member States.

A large number of delegations consider **7 % ecological focus area too high**. A number of delegations requested to widen the scope of the ecological focus area for example by taking landscape features on permanent grassland into account. Generally, there is broad support that most of the Presidency's suggested amendments are a step in the right direction towards

improving the Commission's proposed approach on greening, while some of the suggested amendments require further discussion. Delegations also welcomed as a step in the right

direction the additional flexibility envisaged by the Commission with regard to the application of greening.

The Presidency has noted broad support for its suggested amendments concerning the **basic payment scheme**, particularly those giving Member States flexibility on the reference year and thus eligibility for farmers to participate in the scheme and those aiming to allow Member States with a regional model to continue with existing payment entitlements, to exclude certain surface areas and to limit the risk of unused funds and flexibility in the use of the national reserve. A few delegations with concerns about the impact of the end of the special payment entitlements on livestock farmers, request a transitional arrangement. Some delegations request to exclude more areas from the basic payment scheme.

Most delegations from Member States applying the **Single Area Payment Scheme (SAPS)** want to continue with this system after 2013. In case of a shift to a new direct payments scheme, most of these delegations would like to have the possibility to establish differentiated payment entitlements on the basis of their coupled payments, specific support payments,

separate payments and national top-up payments in their future payments.

On the proposed aim to reach a **uniform level (or value) of payment entitlements** under the basic payment scheme at national or regional level by 2019, a number of delegations question the overall objective of the proposal in an almost fully decoupled system and request flexibility. Several delegations have concerns about the impact of reallocation of decoupled funds on individual farms as well as on sectors and regions and suggest a mechanism limiting the extent of gains and losses to individual farms. Some delegations want a possibility to differentiate the value of payment entitlements based on arable land and permanent grassland. Most delegations applying a historic or hybrid model want a much more gradual and back-loaded adjustment process and a later end date than 2019.

The issue of **flexibility between pillars** is included in the Negotiating Box for Heading 2 of the Multiannual Financial Framework (MFF). This instrument is broadly welcomed by delegations. Several delegations want the funds transferred from Pillar I to Pillar II to be without national co-financing with some Member States considering the possibility of an annual transfer. Some Member States with low direct payments reject the possibility to transfer from Pillar II to Pillar I.