

Common agricultural policy (CAP), reform: direct support schemes and support schemes for producers

2003/0006(CNS) - 21/01/2003 - Legislative proposal

PURPOSE : to establish common rules for direct support schemes and support schemes for producers of certain crops. **CONTENT :** this legislation is part of the reform of the Common Agricultural Policy. It follows the conclusions of the Brussels Summit in October 2002. The reform encompasses the following:

- enhancing the competitiveness of EU agriculture by setting intervention as a real safety net measure, allowing EU producers to respond to market signals while protecting them from extreme price fluctuations.
- promoting a more market-oriented sustainable agriculture by completing the shift from product to producer support with the introduction of a decoupled single farm payment, based on historical references and subject to compliance with environmental, food safety and animal welfare requirements. This will improve the efficiency of income payments to farmers.
- providing a better balance of support and strengthen rural development by transferring funds from the first to the second pillar of the CAP via the introduction of an EU-wide system of modulation and expanding the scope of currently available instruments for rural development to promote food quality, meet higher standards and foster animal welfare. This proposed Regulation establishes:

- common rules on direct payments under support schemes in the framework of the common agricultural policy which are financed by the "Guarantee" Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), except those provided for under Regulation 1257/1999/EC;
- an income support for farmers (the "single payment scheme"). This system combines a number of existing direct payments received by a producer from various schemes in a single payment, determined on the basis of previous entitlements, within a reference period, adjusted to take into account the full implementation of measures introduced in the framework of Agenda 2000 and of the changes to the amounts of aid made by this Regulation.
- support schemes for producers of durum wheat, protein crops, rice, nuts, energy crops and potato starch. In order to avoid land abandonment as a result of the decoupled single farm payment, the Commission has clarified that farmers will have to meet stringent land management obligations as part of the new cross-compliance requirements. Sanctions will be applied in the case of non-compliance. The penalty will take the form of a partial or full reduction of the aid. By providing greater farming flexibility, decoupling will improve the income situation of many farmers in marginal areas. The proposals establish a system of transfers of payment entitlements. Each entitlement is calculated by dividing the reference amount by the number of hectares, which gave rise to this amount in the reference years. Payments will only be made to farmers actively producing or maintaining land in good agronomic condition, maintaining the link to land. Specific arrangements are established for livestock production taking place without a corresponding land basis. As regards WTO aspects, the new single farm payment will be green box compatible. Since the benefits in terms of administrative simplification will increase if many sectors are included the scheme covers, in a first stage, all products included in the arable crops regime as well as grain legumes, seeds, beef and sheep. The inclusion of beef and sheep makes it necessary to extend the scheme to the outermost regions and Aegean islands. The revised payments for rice and durum wheat as well as the payment in the milk sector are also integrated into the scheme. Payments for starch potatoes and dried fodder are included in the scheme, while separate payments for the processing industry are maintained. The proposals also deal in detail with the following matters

- the fixing of a ceiling for agricultural market expenditure implies that the mechanism for shifting between budget headings cannot be implemented before the start of the next financial perspective. The Commission therefore proposes introducing a system of modulation from the start of the next financial perspective to improve the balance of support between market expenditure and rural development.
- this shift to the second pillar will be achieved through a new system of degression. This system introduces the principle of progressive contributions according to the overall amount of direct payments received by a farm in order to ensure that reductions in direct payments are balanced and simple to apply.
- the farm

advisory system will be mandatory for certain farmers as part of the cross-compliance requirements. This service will provide advice through feedback to farmers on how standards and good practices are applied in the production process. - Producers currently subject to the set-aside obligation will be obliged to continue set-aside on an area equivalent to 10% of their current area as a condition for receipt of the single farm payment. Organic farming will not be subject to this obligation for the area concerned. - the integrated administration and control systems will be adapted on the basis of the new provisions relating to direct aid. Controls relating to cross compliance are also covered by the new IACS. For EU-15, the proposed measures involve a saving which is estimated at 337 Mio EUR for the financial year 2006 and of about 186 Mio EUR as from 2010. However, for the new accession countries, the financial impact in 2010 is for an additional expenditure of around 88 Mio EUR which increases annually to reach 241 Mio EUR in 2013, as a result of the increasing share of direct aids in their total expenditures. In order that total expenditures remain within the new ceiling decided at the Brussels Summit for the financing of market measures and direct aids for an enlarged Europe of 25 Member States, a reduction in the direct aids for EU-15 is proposed, as from the financial year 2007.