



The CAP 2021-2027

Analysis of the proposals

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Pesaro, 16 October 2018

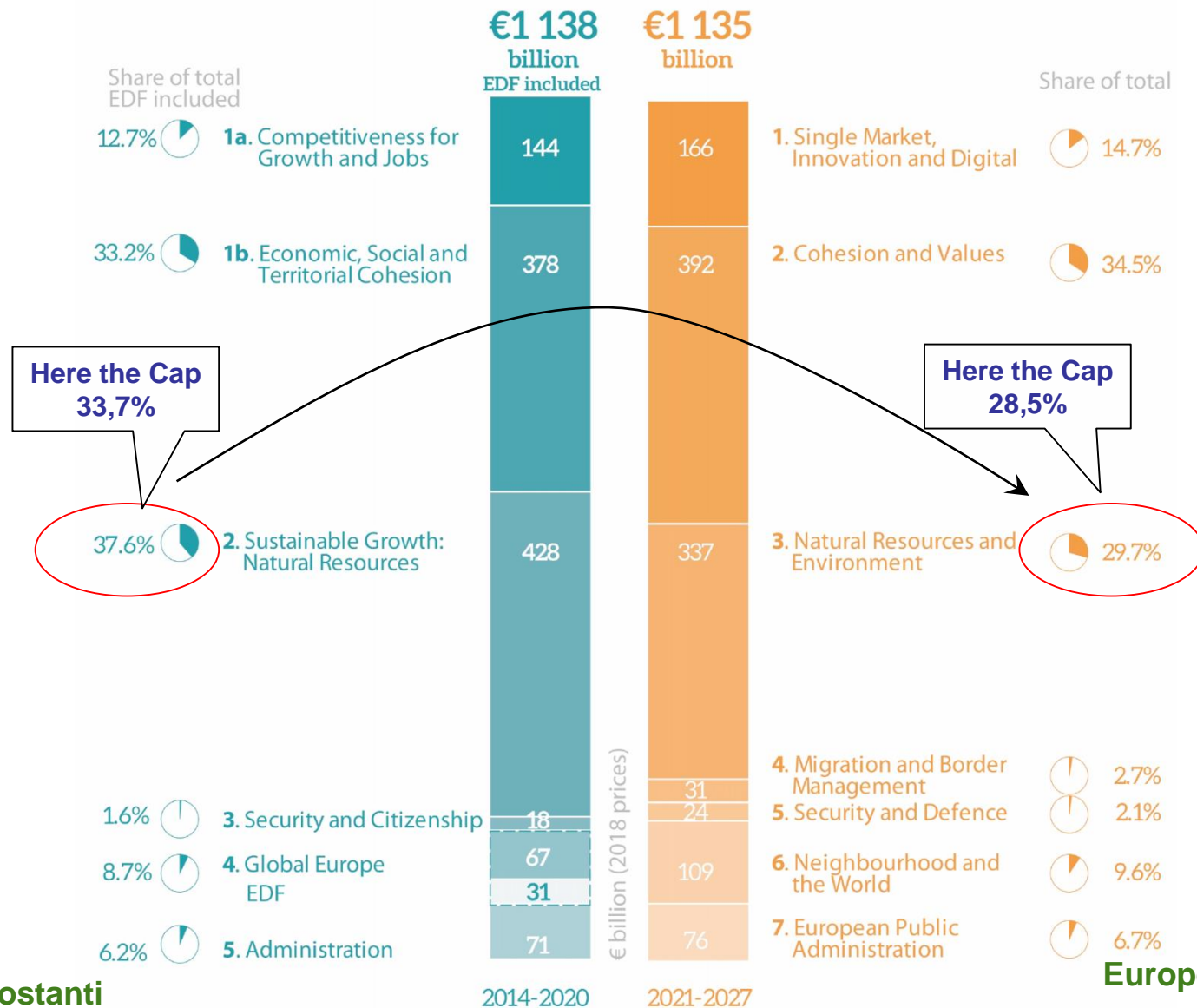




The budget



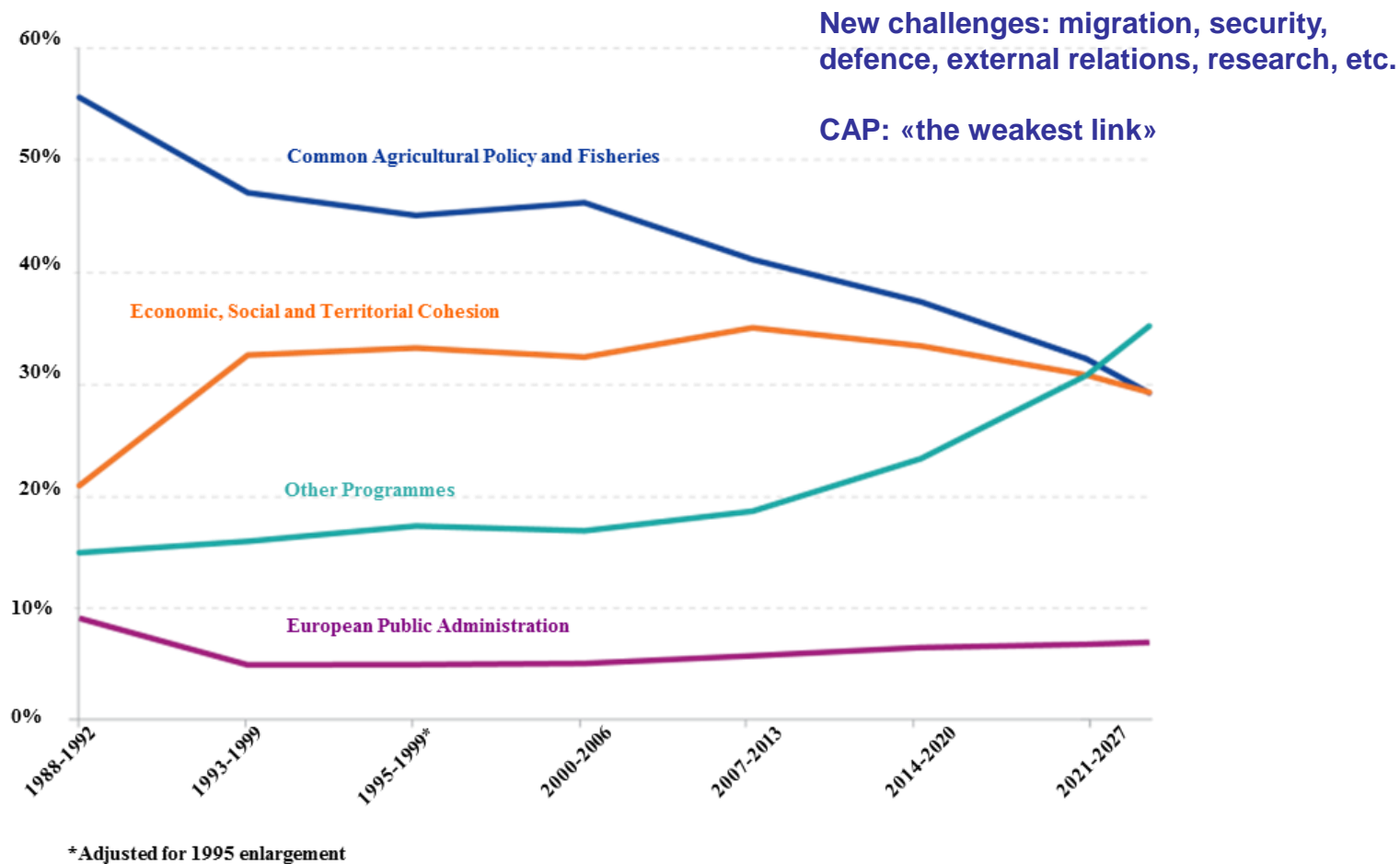
Proposed MFF 2021-2027



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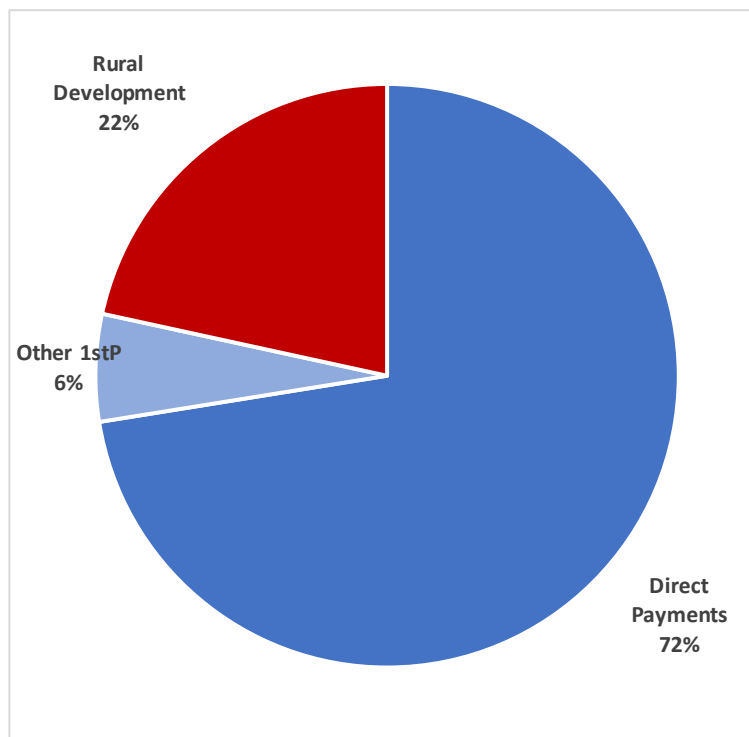
The fall of Cap budget over time





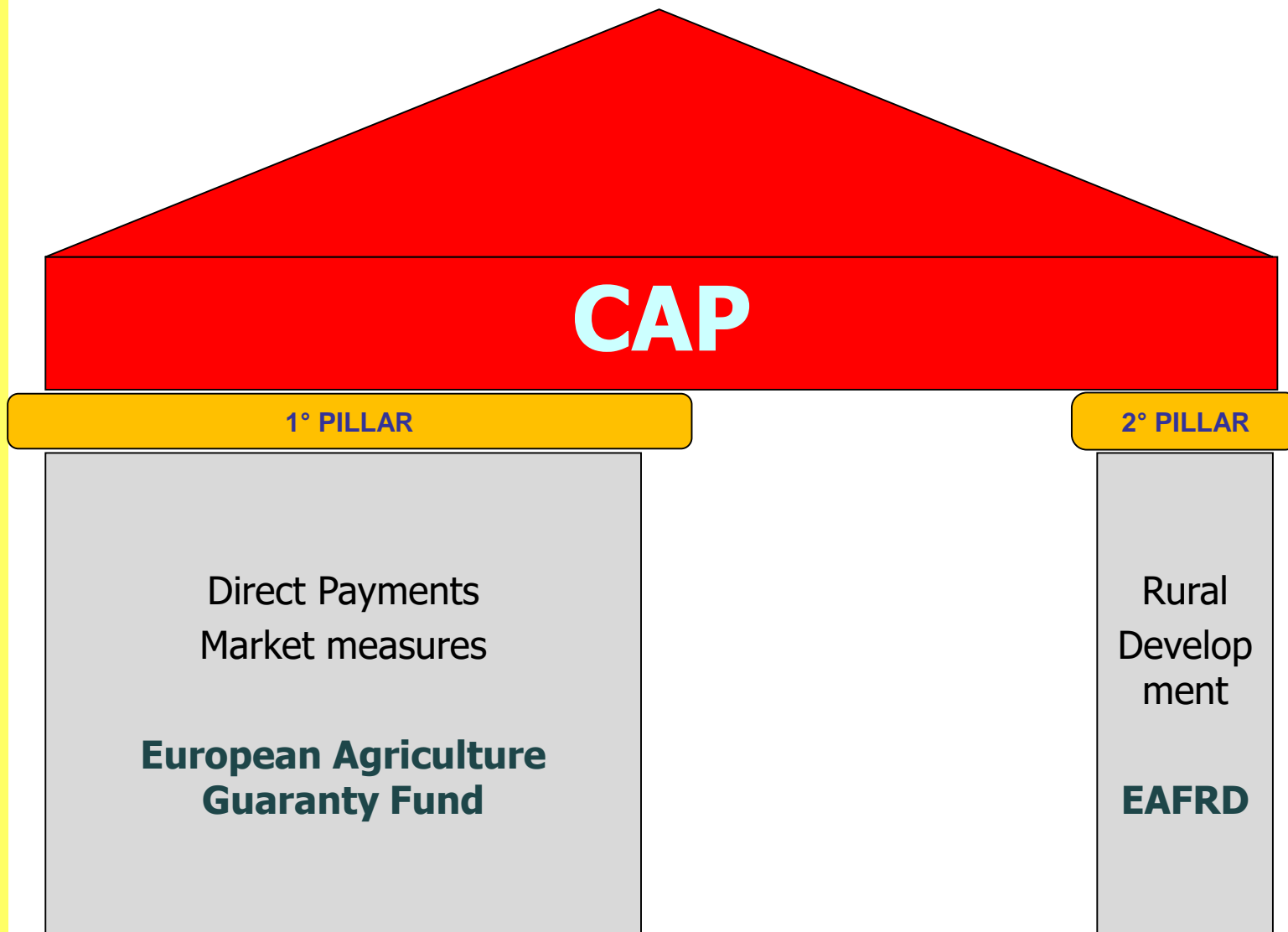
Budget CAP 2021-2027

	Direct Payments	Other 1st Pillar	Rural Development	Total
	EUR billion	EUR billion	EUR billion	EUR billion
EU27	264,5	21,7	78.8	365.0





Pillars and Funds of the CAP





Differences btw 1st and 2nd pillar

Characteristics	1 st Pillar	2 nd Pillar
Co-financement	No, only CAP budget	Yes, CAP + MSs (multiply & responsabilize)
Type of intervention	Annual payments	Multiannual payments
Management	Central EU (through national paying agencies)	Regional (multilevel governance)
Target beneficiary	Farm-Holdings It 2016: 865k benef.	Farm-Enterprises It 2016: 171k benef.
Systemic approach	No (each payment isolated from the context)	possible and desirable in the area / food-chain
Adaptability to local specificities	One size fits all	Adapted to territorial specificities
Selectivity	Non selective	Selective
Contractualised	No (cross comp only)	Yes
Unequivocal objectives	No (income, public gds, etc)	Yes (objective->measure)
Targeted	No (all eligible ha)	Yes (tenders/selection)
Tailored	No (flat x ha)	Yes (RDPs/tenders)
Time reference	Short term support	Long term support



The cut to the CAP budget

❖ Proposal on MFF :

- Cap funds = ↓ -5% (current prices)
- Estimates with constant prices 2018 = ↓ -15-16%
- ↓ rural Development funds > ↓ Direct Payments

❖ Different estimates similar conclusions

Authors	Direct Paymts	Rural Devel	Reference period
Matthews	-11,4%	-25,8%	2027 vs 2020
Bruegel	-13,0%	-23,0%	2021-27 vs 2014-20
Farm Europe	-15,0%	-21,0%	2027 vs 2020



Main features of the future CAP



Three Regulations

- CAP strategic plans
- Financing, management and monitoring of the CAP
- Common organisation of the markets



Objectives of the future CAP

Political priorities:
Sustainable Development Goals (SDGs) ONU
Paris Agreement on Climate

General Objectives	Specific Objectives
Economic Challenges	to ensure a fair income to farmers
	to increase competitiveness
	to rebalance the power in the food chain
Environment and climate related challenges	climate change action
	environmental care
	to preserve landscapes and biodiversity
Soci-economic challenges for agriculture and rural development	to support generational renewal
	vibrant rural areas
	to protect food and health quality

Transversal Objectives:
Sustainability
Simplification
Modernization



General features of the Proposal (1)

❖ Cap remain based on Two Pillars

- 1° Pillar Direct payments and Market measures
 - in proportion more Cap funds (73%)
- 2° Pillar Rural development
 - less funds but ↑ cofinancement MSs

❖ Direct Payments remain

- Conditionality reinforced (comply with law)

❖ Reduction of individual payments

- Reduction start >60k€; Capping to >100k€

❖ Further external convergence

- Increase for MSs <90% of EU DP/ha average
- Decrease MSs >EU DP/ha average (It=-3,9%)



General features of the Proposal (2)

- ❖ **Flexibility** (MS decision)
 - Funds up to 15% can be moved from 1° => 2° Pillar or viceversa
- ❖ **Sectorial Measures of single CMO included into CAP Strategic Plans**
- ❖ **Minimum area threshold** (MS decision)
- ❖ **From active to *genuine* farmers** (MS decision)



New delivery model

❖ New approach

- From a Cap based on **compliance** to rules defined in detail at EU level
- To a **result and performance oriented** Cap

❖ Each Member State => a CAP Strategic Plan

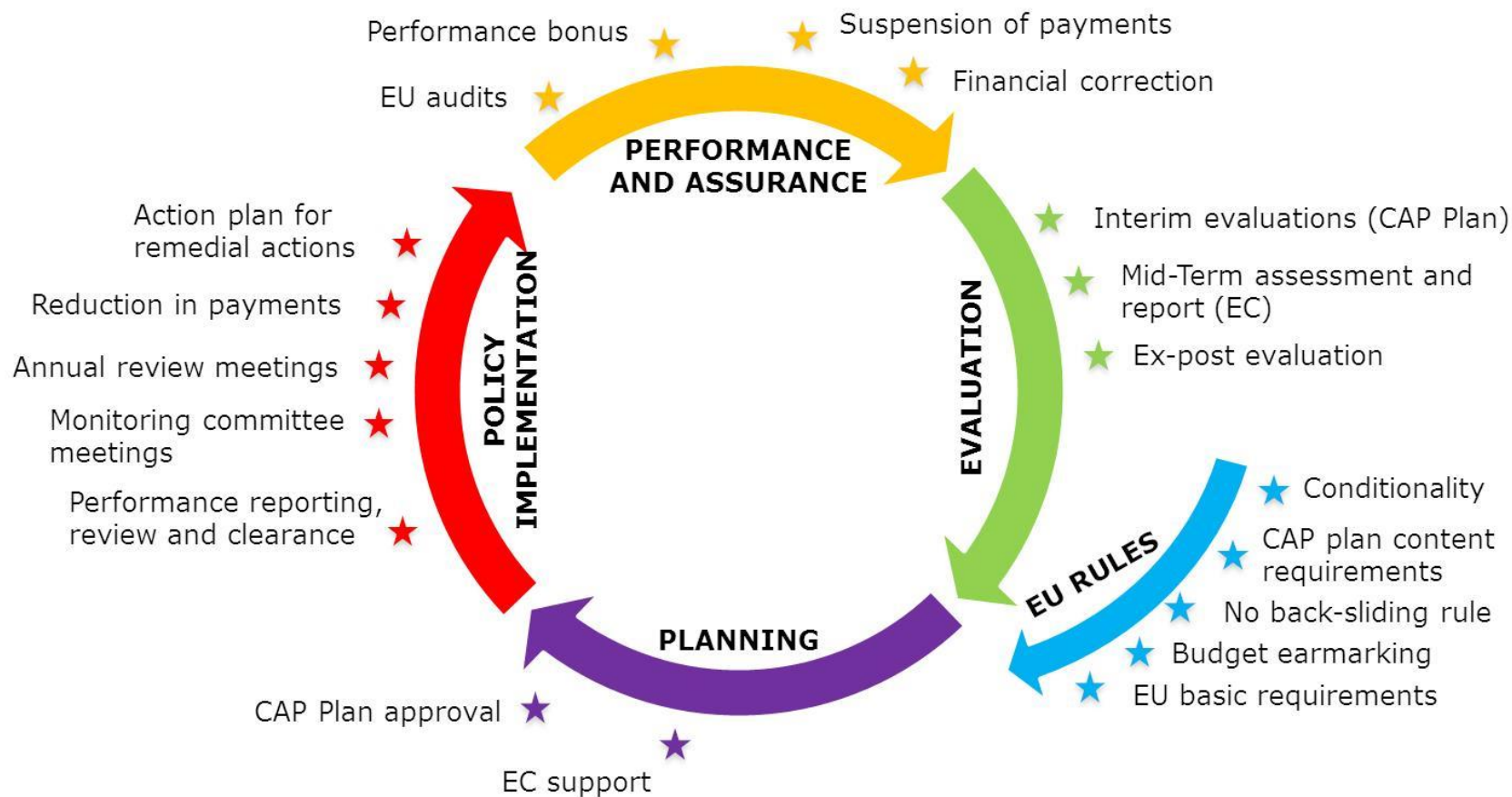
- For 1° & 2° pillar, to select measures and define operational rules, implement, submit annual performance reports

❖ Role of the EU Commission

- To establish common objectives, targets and **indicators**, broad types of interventions, **approve** Strategic Plans, **control** e sanction



Checks and balances of the policy cycle





Indicators for Cap SPs evaluation

Common Impact Indicators

Common Result Indicators

Common Output Indicators



CAP Policy Performance

Impact indicators are used to assess policy performance at the level of overall objectives (mid-term and ex-post).



CAP Plan Performance

Result indicators are used for target setting in CAP plans and monitoring progress towards those targets ("Annual Performance Review")



CAP Assurance

The output indicators serve the purpose of linking expenditure to output. They are used for annual performance clearance.

Context Indicators

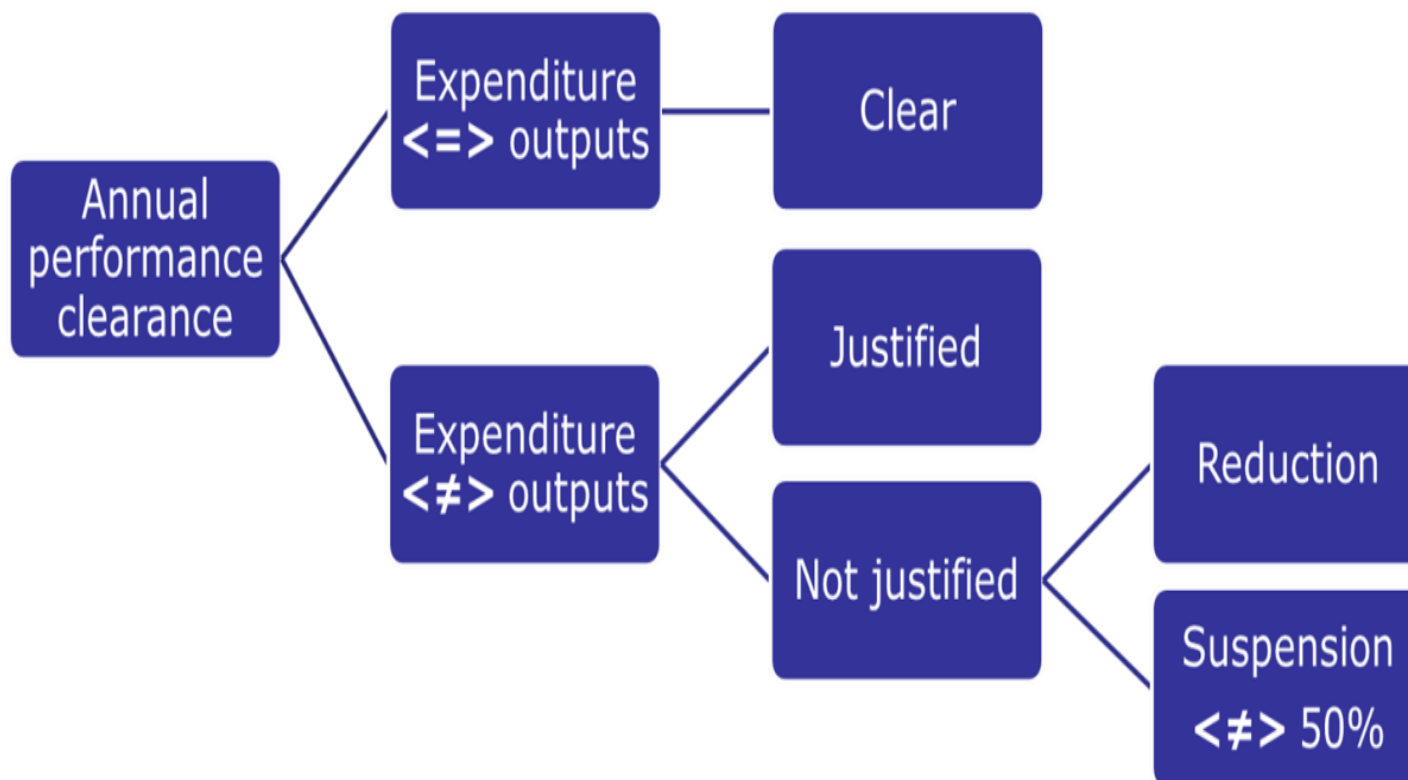


General context

Context indicators reflect relevant aspects of the general contextual trends in the economy, environment and society and are likely to have an influence on performance



Annual performance clearance





New direct payments (1)

❖ *Basic income support for sustainability (BISS)*

- Annual uniform payment per eligible hectare
 - MSs may differentiate amongst different territories with similar socio-economic or agronomic conditions
- Internal convergence (Irish method)
 - Maximum decrease 30% in 2026
 - Minimum amount 75% of average DP per ha in 2026
- Reinforced conditionality



New Direct Payments (2)

- ❖ Complementary redistributive income support for sustainability (CRISS)
 - Compulsory with funds cut by *capping*
 - redistribution from bigger to smaller farm
 - Additional payment for a limited no. of ha (SM decision)
- ❖ Complementary income support for young farmers (>2%)
 - In 1° Pillar as annual additional payment



New direct payments (3)

❖ *Scheme for the climate and the environment (Eco-scheme)*

- Voluntary for commitments > reinforced conditionality
- Annual payment decoupled and added to Basic Income Support for Sustainability
- Compensating for additional costs incurred and income foregone
- Beyond the reinforced conditionality
- Different from 2^o pillar payment for environment



New Direct Payments (4)

❖ Coupled income support

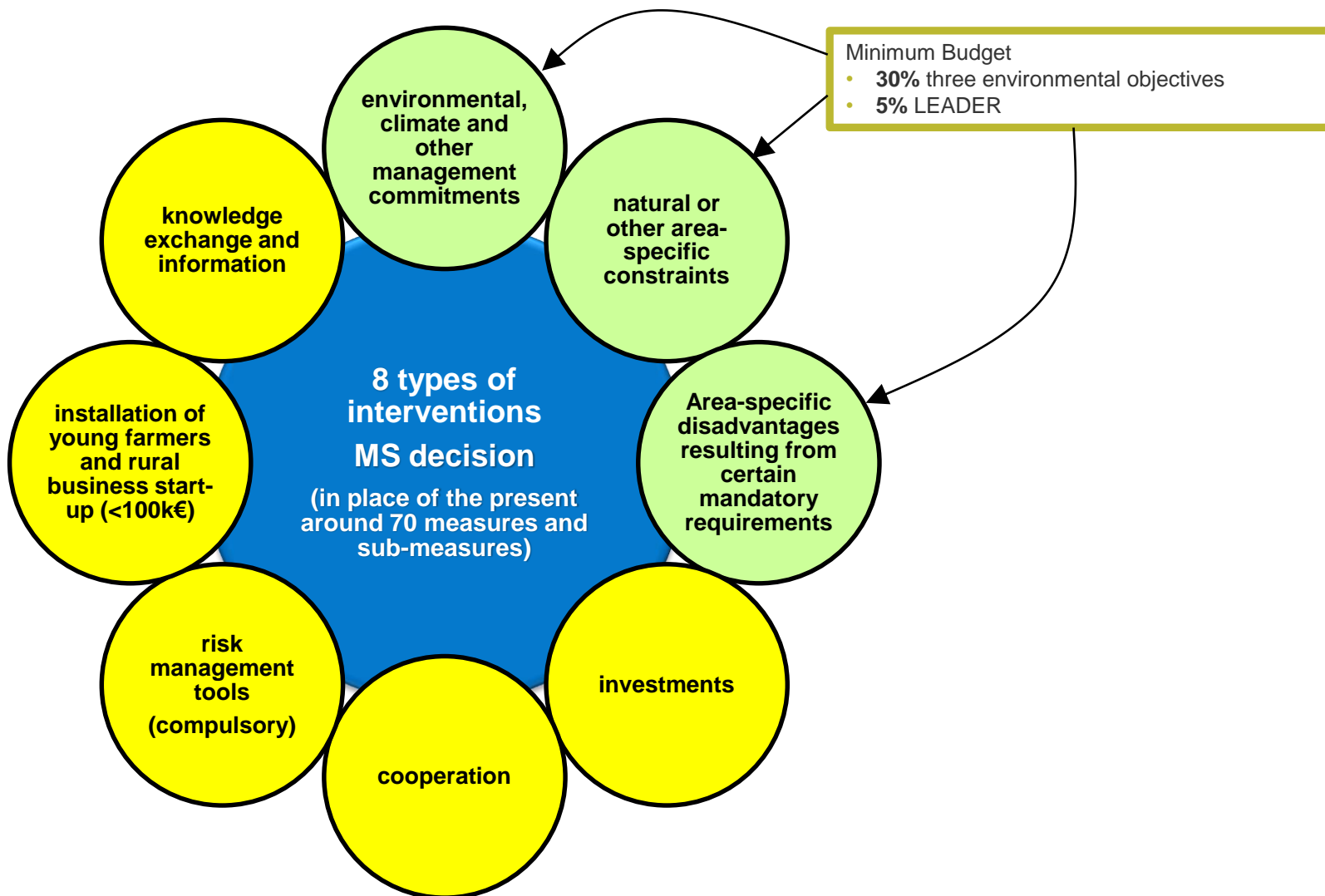
- annual additional payment per hectare or animal
- addressing the difficulty undergone by improving competitiveness, sustainability or quality

❖ **Small farmers** (MS decision)

- round annual payment replacing direct payments
- Optional for the farmer



Nuova politica di sviluppo rurale





Analysis



Analysis: still Direct payments

❖ Payments per hectare

- historical basis: one receives the same he/she received in the past
- In perspective: flat payment for all hectares

❖ “direct payments continue to serve several objectives: economic, climate and environmental, social”

❖ What the real nature of DPs?

- Support to income?
- Support to environment?
- or economic rent (payment per hectare)?



Analysis: Strategic Plan

❖ More subsidiarity?

- Subsidiarity: principle established in the Treaty
- Principles can not be extended or restricted they shall be applied

❖ Towards a re-nationalisation of the Cap?

- Today decisions are transferred to MSs
- Tomorrow even the financement ?
- One step towards re-nationalization?

❖ The death of the single market?

- 27 different CAP: the same farm can enjoy different support depending on the MS where operates
- what about fair competition ?



Analysis: New delivery model

❖ New governance

- Are all MSs in condition to cope with the complexity of the new delivery model ?
- Have they educated enough staff for the new governance based on performance, indicators and targets instead of compliance with rules
- Will the Commission be able to evaluate and control 27 Strategic Plans?



Analysis: from compliance to performance

❖ Focus on results

- Indicators of output/result/impact
- Which indicators for DPs if their nature is not clear?
 - Which indicators for eco-conditionality (with/without DPs)?
 - Which indicators for income support (with/without DPs)?

Type of indicator	Alternative Indicators
Output	Skewed territorial and sectorial distribution in relationship with declared objectives (where and whom DPs go?)
Result	Rent rates and prices of land (with/without DPs)
Result	Shift from labour intensive to capital/land intensive agriculture and impact on employment and fossil energy
Impact	Ageing and lack of turn-over due to entrance obstacles



Analysis: Capping e CRISS

- ❖ Reduction DPs >60k€, Capping >100k€
- ❖ + CRISS (Complementary Redistrib Income Support for Sustnbty?)
 - An inconsistent measure generated by the fuzzy nature of DPs
 - If they were really income support, the overall income of the beneficiary should be considered to tailor the support
 - If they were payment for public goods, there is no reason to exclude anybody to pay for them
 - The introduction of this measures suggests farmers
 - To split the big farms in small units
 - Forbidden but always possible to get away with it
 - Small farms non more stimulated to enlarge



Analysis: Environment and climat

❖ Sustainability

- Risk of duplication btw measures of the 1° and 2° Pillar
 - New reinforced conditionality
 - Eco-scheme in 1° Pillar
 - Measures for Climat and environment in 2° Pillar
- After the failure of greening in the present Cap
- Why all the measures aimed at sustainability have not been placed into the 2° Pillar?



Analysis: Support to turn-over

❖ Support to young and new farms (SM decision)

– 1° Pillar

- Additional payment to support young farmers (art.27)
 - Weak effect as small amount of money
 - More money where higher turnover (more young => more support)

– 2° Pillar

- Setting up of new young farmers (art.69)
- Start-up of new rural enterprises (agriculture /forestry /diversification)
- Start-up new non farm enterprises in rural zones

❖ But payments per hectare

- ↑ rent/price land
- Stimulate inefficient farms to remain in activity



Analysis: the Cap budget

❖ Cap Funds

- Proposed cuts: DPs -10/15%, RDP -20/25%
- External convergence

❖ Perspectives

- Total budget 2021-2027 proposed by the Commission higher than in 2014-2020 (net of Brexit)
- Risk new cuts: Cap «the weakest link»
- Revival of cofinancement also for 1° Pillar?



Analisi: the timing

Deadlines	Tempistica secondo programma
9 May 2019	EU Budget approval
within 2020	Approval of the 2021-2027 future CAP
1 Jan 2021	New CAP 2021-2027 starts on time
Deadlines	Alternatives
2019	No political agreement on EU Budget 2021-2027
2020	Extension of present Cap to 2022 with linear cut on the budget
1 Jan 2022	New Cap start postponed
1 Jan 2024	French Emendment in the Council: present CAP up to 2023
1 Jan 2025	EPP 2017 Copenhagen <i>“Rather than a hasty reform, the current Cap should thus continue to 2024. This would allow separating the Cap reform from the financial discussions”</i> New Cap start further postponement



References

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 - <http://capreform.eu/cap-strategic-planning-scope-and-implications/>
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