This briefing describes the European Commission’s proposals for the Common Agricultural Policy (CAP) after 2013. It updates SB11-06 CAP Reform: Proposals for 2014-20 to include the legislative proposals for the new CAP. The previous briefing should be referred to for background context and earlier reform proposals.
CONTENTS

EXECUTIVE SUMMARY ................................................................................................................3

BACKGROUND ..............................................................................................................................7

CURRENT SYSTEM OF SUPPORT ...............................................................................................9
THE EUROPEAN FRAMEWORK .....................................................................................................9
  Pillar 1 ........................................................................................................................................9
  Pillar 2 .......................................................................................................................................9
SUPPORT IN SCOTLAND .................................................................................................................10
  Pillar 1 ......................................................................................................................................10
  Pillar 2 .....................................................................................................................................11

EUROPEAN COMMISSION PROPOSALS .....................................................................................13
THE CAP BUDGET .........................................................................................................................13
PILLAR 1 .....................................................................................................................................14
  Rules applying to Direct Payments ..............................................................................................14
  Compulsory schemes within Pillar 1 ............................................................................................16
  Voluntary schemes within Pillar 1 ...............................................................................................17
  Market management measures ...................................................................................................18
PILLAR 2 .....................................................................................................................................18
  Overarching management changes .............................................................................................19
  The Rural Development Programme ........................................................................................19

DISCUSSION AND REACTIONS .................................................................................................21

NEXT STEPS ...............................................................................................................................27
  European Timetable .....................................................................................................................27
  UK Government ..........................................................................................................................28
  UK Parliament ..............................................................................................................................28
  Scottish Government ....................................................................................................................28
  Scottish Parliament ......................................................................................................................28

SOURCES ....................................................................................................................................30

RELATED BRIEFINGS ..................................................................................................................33
EXECUTIVE SUMMARY

The Common Agricultural Policy (CAP) is the European Union’s agricultural policy. Its objectives were first set out in the Treaty of Rome (1957) which established the then European Economic Community. The CAP makes up 41% of the EU budget. CAP funding is allocated to farmers and other land managers across the EU to support their incomes and encourage them to maintain food production and provide wider public goods.


The proposals can be summarised in terms of changes to the distribution of support, and modifications to the funding schemes. While an aim of CAP reform is simplification, the number of schemes and choices left to Member States mean that implementation of the new CAP has the potential to be administratively complex. The structure of the CAP, where support is allocated through two “pillars” has been retained, as have the relative sizes of the pillars. The overall budget has been frozen at almost €400bn for the 2014-2020 period.

Pillar 1

Pillar 1 is made up of annually distributed “direct support” to maintain farmers’ incomes. This is currently paid out through the Single Farm Payment (and Scottish Beef Calf Scheme) in Scotland. The proposed changes are described below.

Pillar 1 Support Distribution

The size of Pillar 1 payments vary considerably between Member States and individual farmers. The Commission has made a number of proposals to distribute support more equitably. These include moving to a flatter rate of support across the EU and within Member States between 2014 and 2020 and putting a limit on the size of payments received (capping large payments). In order to better target support, it is proposed that it should be allocated only to “active farmers”.

Pillar 1 Schemes

Pillar 1 would still be made up of an annual direct support payment and would still be funded entirely by the EU. However, some changes to the way support is allocated to farmers have been proposed. These are described in Table 1.
<table>
<thead>
<tr>
<th>Scheme name</th>
<th>Description</th>
<th>Requirement on Member State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Payment Scheme</td>
<td>Replaces the Single Farm Payment. Payment per hectare of farmed land.</td>
<td>Compulsory</td>
</tr>
<tr>
<td>Green Payment</td>
<td>Common greening measures (maintenance of permanent pasture, crop rotation, ecological focus area) which farmers would need to carry out to receive the both the Green Payment and the Basic Payment Scheme. 30% of the Pillar 1 Envelope.</td>
<td>Compulsory</td>
</tr>
<tr>
<td>Young Farmer Scheme</td>
<td>Farmers under the age of forty receive an additional 25% on their Basic Payment Scheme for their first five years after starting farming</td>
<td>Compulsory</td>
</tr>
<tr>
<td>Small Farmer Scheme</td>
<td>Farmers could choose whether to opt in to this scheme. They would receive an annual payment of between €500-1000. Those taking part would not be eligible for other Pillar 1 schemes. They would not have to comply with environmental measures.</td>
<td>Compulsory</td>
</tr>
<tr>
<td>Coupled Support</td>
<td>Support linked to production where types of farming or sectors are facing particular difficulties and are important for economic, social or environmental reasons.</td>
<td>Optional</td>
</tr>
<tr>
<td>Natural Constraints Support</td>
<td>Area payment to the Area of Natural Constraint (formerly the Less Favoured Area)</td>
<td>Optional</td>
</tr>
</tbody>
</table>

Over the past decade, most of the EU’s market management instruments for different commodities have been reformed and the proposals make minor adjustments to the common organisation of the market.

**Pillar 2**

Pillar 2 provides funding for the Rural Development Programmes. The aims of the RDPs are to encourage farmers and other land managers to improve the competitiveness of the industry and provide wider public goods such as environmental and social benefits. The programmes last for an EU funding period (currently seven years). They are funded through a mixture of EU support and co-financing from the Member State. In Scotland, Pillar 2 support is paid through the Scotland Rural Development Programme (SRDP).

**Pillar 2 Support Distribution**

The Pillar 2 payments per hectare also vary greatly between Member States. It is proposed that there should be some redistribution based on “objective criteria” linked to the aims of rural development. The Commission has not yet decided on how Member States’ contribution to the criteria would be measured.
Pillar 2 Rural Development Programmes

It is proposed that rural development support paid out through the European Agricultural Fund for Rural Development (EAFRD) should be better linked to other social and cohesion funds through a Common Strategic Framework.

Currently rural development support is paid through four axes which structure the policy and give payment thresholds for specific aims. These aims are to deliver a competitive industry; environmental benefits; and wider rural development (the fourth axis is the cross cutting LEADER axis which supports activities by local action groups).

It is proposed that the four axes should be scrapped and replaced by six broader priorities. The proposed priorities are:

- Fostering knowledge transfer and innovation;
- Enhancing competitiveness;
- Promoting food chain organisation and risk management;
- Restoring, preserving and enhancing ecosystems;
- Promoting resource efficiency and transition to low carbon economy;
- Promoting social inclusion, poverty reduction and economic development in rural areas.

In order to meet these priorities, Member States would choose from a list of measures specified in the regulation. The measures are similar to those currently available and include agri-environment and Less Favoured Areas (now called Areas of Natural Constraints).

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**Box 1: Useful Terminology**

**Agri-environment** – payments for farmers to maintain or improve the environment including water quality, climate change and biodiversity

**Article 68 or the National Envelope** – Payments from Pillar 1 which are coupled to producing particular agricultural, environmental or social goods.

**Axis 1** – Section of the EAFRD aimed at improving the competitiveness of the agricultural and forestry sector

**Axis 2** – Section of the EAFRD aimed at improving the environment and the countryside

**Axis 3** – Section of the EAFRD aimed at the quality of life in rural areas and diversification of the rural economy

**Axis 4** – Leader (local project based actions supported through the EAFRD)

**Co-financing** – Scottish Government must add a proportion of its own money to projects supported through the EAFRD. The regulation allows the rate to vary from 25% (Scottish Government pays 75%) to a maximum of 75% (Scottish Government pays 25%).

**Cross Compliance** – Rules which land managers must obey in order to receive direct support and land based rural development support. Cross compliance is made up of Statutory Management Requirements (SMRs) – a list of EU Regulations and Directives – and Good Agricultural and Environmental Condition (GAEC) – conditions to maintain farming and the environment which Member States can define based on an EU framework.

**Eligibility** – defines who can receive support. While direct payments are limited to farmers
carrying out agricultural activities, this does not necessarily involve producing agricultural goods.

Entitlement – farmer’s right to claim a specific payments per hectare. In order to receive support through the Single Payment Schemes, recipients must activate entitlements for particular sums of money against hectares of agricultural land.

European Agricultural Fund for Rural Development (EAFRD) – EU funding mechanism for rural development programmes (Pillar 2).

European Agricultural Guarantee Fund (EAGF) – EU funding mechanism for market measures and direct payments to farmers (Pillar 1 of the CAP).

Less Favoured Area Support Scheme (LFASS) – Scottish Scheme within the SRDP aimed at maintaining farming and environmental benefits in the Less Favoured Area. This will be replaced by a Natural Constraints Payment in the new regulation.

Measure – actions which can be funded through the EAFRD e.g. agri-environment, LFA support

Modulation – transfer of support from Pillar 1 to Pillar 2. In the new regulation reverse modulation (transfer from Pillar 2 to 1) may be permitted

Multiannual Financial Framework (MFF) – sets the maximum amount of spending in the EU budget each year for broad policy areas (“headings”) and fixes an overall annual ceiling on payment and commitment appropriations for a set seven year period.

National Reserve – Fund set aside to allow new entrants to agriculture (not linked to already existing entitlements)

Pillar 1 – the part of the CAP which regulates market measures and direct support to farmers.

Pillar 2 – the part of the CAP which regulates rural development. Payments are programmed and multi-annual.

Pillar 1/Pillar 2 Envelope – the overall amount of support allocated to a Member State

Rural Development Contracts (RDCs) – Land Managers Option (LMOs) and Rural Priorities (RPs) schemes. These offer a number of options across the rural development axes.

Scotland Rural Development Programme (SRDP) – a number of schemes (including Rural Priorities, Land Managers’ Options and the Less Favoured Area Support Scheme) within Pillar 2 of the CAP that aim to increase competitiveness, improve the environment and develop rural areas.

Scottish Beef Calf Scheme (SBCS) - Article 68 or the National Envelope as used in Scotland. The scheme aims to maintain beef production and the environmental benefits provided by beef cattle grazing.

Single Farm Payment (SFP) – the Single Payment Scheme as applied in Scotland. Scotland chose to allocate payments on a historic basis i.e. on the production support farmers received in the reference period 2000-2002.

Single Payment Scheme (SPS) – direct support to farmers as applied in the countries that were members of the EU before 2004 (and Slovenia and Malta). Member States can choose whether to allocate payments by area or on a historic basis. The new member states apply the Single Area Payment Scheme (SAPS) instead.
BACKGROUND

The Common Agricultural Policy (CAP) has evolved since its introduction in the Treaty of Rome in 1957. Its initial purpose was to increase food production while maintaining a fair standard of living for farmers. However, its aims have broadened considerably in response to the development of world trade agreements and environmental and social concerns. The current CAP has multiple aims including promoting wider rural development and encouraging good environmental management (see Edwards (2011) for a detailed history).

Figure 1. Changes to the CAP. Source: Scottish Government (2010b)


The Scottish Government contends that the Pack Inquiry put Scotland at the forefront of the CAP debate in Europe pointing to similarities between the architecture of the Commission’s CAP proposals and the suggestions included in the Pack Report. The Scottish Government's initial position on the future CAP proposals has much in common with the UK position. There are however differences on some important issues such as direct and coupled payments. The UK position is that Pillar 1 should gradually be phased out while Pillar 2 is strengthened to pay for public goods otherwise not supplied by the market (Defra 2011a). In January 2011, the devolved administrations in Scotland, Wales and Northern Ireland wrote to Defra and the European Commission setting out their priorities for reform. The Scottish Government said that “while there is a high degree of common ground between the devolved administrations' views on CAP reform, there are aspects of the emerging UK government position...which give the three administrations 'cause for serious concern’” Scottish Government (2011c). It asked Defra to prioritise the following issues:
- Securing a fair and proportionate share of the budget
- Flexibility to respond to specific local needs
- Simplification

The Scottish Parliament’s Rural Affairs and Environment Committee carried out a short inquiry into the proposals for the new CAP, which reported in March 2011. The inquiry took evidence from a round table of stakeholders, Brian Pack, George Lyon MEP and the Cabinet Secretary for Agriculture and Rural Affairs, Richard Lochhead. In its final report, the Committee supported the Scottish Government’s priorities as laid out above. Support was also expressed for maintaining the two pillar structure of the CAP and greening Pillar 1. The Committee Report conclusion strongly stressed the importance of Scotland receiving a fairer share of the CAP budget:

“The Committee’s hope is that the next CAP, from 2014-2020, and the administration of that by the UK and Scottish Governments, enables Scotland’s agricultural sector to produce food, both for the domestic and global markets, in an economically sustainable fashion which does not further disadvantage LFAs [Less Favoured Areas]. The next CAP must also enable Scotland’s farmers to contribute towards other public benefits, such as mitigating climate change, protecting and improving biodiversity and water quality, and ensuring sustainable rural economies and communities.”

“To enable this, the Committee sees the main priority for Scotland as the securing of a fairer share, within the UK, of both Pillar 1 and Pillar 2 funds, to redress the current, unacceptable situation, which sees Scotland receive the lowest per-hectare share of these funds in the UK and, in terms of Pillar 2, a lower share than any of the 27 Member States.”

Dairy cattle at show. Source: Liz Leyden / iStock image
CURRENT SYSTEM OF SUPPORT

THE EUROPEAN FRAMEWORK

While the CAP’s share of the EU budget has decreased, at 41%, it is still significant (European Commission 2011b). It is divided into two pillars as described below. The functioning of the CAP is covered by four main regulations:

- **Regulation 1234/2007** established a common organisation of the markets for particular agricultural sectors. It covers internal markets; trade with third countries and competition and state aid rules.

- **Regulation 1290/2005** on the financing of the Common Agricultural Policy, established a single legal framework for financing the CAP. It created two new funds. The European Agricultural Guarantee Fund (EAGF) supports market measures and direct payments to farmers (Pillar 1 of the CAP) while the European Agricultural Fund for Rural Development (EAFRD) finances rural development programmes and is the payment mechanism for Pillar 2.

- **Regulation 1782/2003** laid out common rules for direct support to farmers under the CAP and established the Single Payment Scheme (SPS) and the transitional Single Area Payment Scheme (SAPS) – the equivalent scheme for the New Member States. It was replaced by **Regulation 73/2009** after the 2008 mid-term review (known as the CAP Health Check).

- **Regulation 1698/2005** established the rules under which the EAFRD funds Rural Development Programmes across the EU.

**Pillar 1**

Member States were given some flexibility as to how they implemented the SPS which could be based on historic allocation, an area basis, or some hybrid of the two. Direct payments are distributed annually on completion of Integrated Administration and Control System (IACS) forms. In order to receive direct payments, farmers must respect cross compliance rules (obey a series of EU Directives and Regulations and maintain land in Good Agricultural and Environmental Condition). Member States were required to set up a Farm Advisory Service in order to communicate cross compliance rules to farmers. Rules on entitlement to and eligibility for payments were established as were general rules on monitoring and control. The regulation allowed the continuation of specific “coupled” (production linked) support for suckler cows, goats and sheep. Member States were also given the flexibility to siphon off a proportion of all support payments to provide a fund for new entrants to farming (known as the national reserve) or particular vulnerable sectors of the industry (article 68 or the national envelope allows support to be recoupled to sectors at risk of declining). A mechanism known as “modulation” moved funds from Pillar 1 to Pillar 2.

**Pillar 2**

Unlike Pillar 1, which is fully funded by the EU, Rural Development support must be co-financed – the Member State must contribute a share of the funding. Additionally Rural Development support follows a programming approach – a programme is developed for a seven year period.
with specific aims and outcomes built into it. Before establishing their programmes, Member States were required to produce a national strategy plan which had to fit with the community strategic guidelines on rural development policy. Programmes could be developed at the Member State or regional level and had to be consistent with the national strategy plan.

According to the Regulation, the EU Rural Development objectives are implemented through four “axes”.

- **Axis 1** - Improving the competitiveness of the agricultural and forestry sector;
- **Axis 2** - Improving the environment and the countryside;
- **Axis 3** - The quality of life in rural areas and diversification of the rural economy;
- **Axis 4** - Leader (local project based actions supporting the three axes above).

The axes attempt to balance the amounts of support given to different priorities through establishing a minimum spend of 10% of the EAFRD contribution on axes 1 and 3; 25% on axis 2; and 5% on axis 4. In addition, for each axis, Member States are given a choice of a number of measures which they can use to direct support. Member States can choose which of these measures to include in their programmes though it is compulsory for all programmes to contain the agri-environment measure and use the Leader approach.

The regulation establishes requirements for review and monitoring including setting up a Programme Monitoring Committee of government, agencies and stakeholders which should review the progress of the programme towards achieving its targets and approve revisions. Pillar 2 is monitored through the **Common Monitoring and Evaluation Framework** which sets a number of baseline, output, result and impact indicators which should be comparable across the EU in order to establish whether the programmes are delivering their objectives. In addition a European Network for Rural Development was established and Member States were required to set up National Rural Networks to help exchange ideas and expertise between rural actors.

**SUPPORT IN SCOTLAND**

**Pillar 1**

In Scotland, direct support is paid out through the Single Farm Payment (SFP). The Scottish Government chose to base payments on historic criteria rather than move to an area basis. Payments are made annually to farmers based on the amount of support they received between 2000 and 2002. The average area farmed in those years and the average amount received creates an entitlement per hectare. To receive their full entitlement farmers must continue to manage the same number of hectares though not necessarily in the same location and entitlements can be bought and sold. Eligible hectares must be used for “agricultural activity” which under the regulation means “the production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or maintaining the land in good agricultural and environmental condition”. There is therefore no obligation to continue to produce agricultural goods to receive support.

Scotland has a ceiling for the Single Farm Payment of €647 million, of which €82 million is deducted through “modulation” and used to fund the Scotland Rural Development Programme (SRDP). This leaves a total of €565 million. The amount paid out depends on the €:£ exchange rate\(^1\), in the 2010 scheme year c.£484m was paid out under the scheme to over 19,000 applicants.

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\(^1\) Farmers can elect to receive their payment in Euros
The Scottish Beef Calf Scheme (SBCS) is funded through the mechanism known as “the national envelope” or “article 68” through which Member States can choose to support sectors at risk of decline. A payment is given for each beef calf. The payment varies from year to year depending on the total number of calves claimed for in Scotland. To help smaller producers there is a higher payment for the first ten calves claimed. Recent changes mean that from 2012 the proportion of support to the first ten calves will increase. In the 2010 scheme year £19m was paid out to over 7000 applicants.

**Pillar 2**

The *Scotland Rural Development Programme* (SRDP) is funded through the EAFRD and co-financed by the Scottish Government. Between 2007-13 Scotland has a maximum of €680m of European funding. This must be allocated to projects before being drawn down from the European Commission. The European regulation allows the Scottish Government to vary the co-financing rate (the proportion of support that comes from national funds). Over the course of the programme, the Scottish Government has reduced the proportion of support coming from the Scottish budget. In order to draw down the same number of Euros, it has increased the co-financing rate from 25% in 2007 to 61% in 2011. The programme is therefore smaller in Euros than it would have been had the co-financing rate remained at 25% (an estimated €1.4bn compared to €2.4bn) (Scottish Government 2007, Scottish Government 2011e). However, the increase in the value of the Euro compared to the pound means that the total reduction in pounds is smaller (the initial estimated size in pounds was £1.6bn).

The SRDP is made up of a number of schemes as described in the table below. The total amounts of funding committed (up to 2010) are taken from the *SRDP Mid Term Evaluation* (Scottish Government 2010a)

**Table 2. SRDP schemes. Source: Scottish Government (2010a)**

<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>Description</th>
<th>Funding committed (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crofting Counties Agricultural Grant Scheme (CCAGs)</td>
<td>Support is available to crofters for land improvements, agricultural buildings, access and facilities for keeping livestock and grassland management. The aim of support is improving and sustaining the viability of rural business on crofts.</td>
<td>1.0</td>
</tr>
<tr>
<td>Food Processing, Marketing and Co-operation Grant Scheme (FPMC)</td>
<td>Support for sustainable economic growth of the food industry. Support is for greater co-operation and collaboration from primary production to final market; ensuring the long term viability of primary producers; and increasing export markets for Scottish produce.</td>
<td>23.1</td>
</tr>
<tr>
<td>Forestry Commission Challenge Funds</td>
<td>Two funds 'Woodlands In and Around Towns' (WIAT) and 'Forestry for People' (F4P) administered by the Forestry Commission with the aim of improving the condition of existing woodlands for the benefit of local people throughout Scotland.</td>
<td>1.2</td>
</tr>
<tr>
<td>The LEADER initiative</td>
<td>The initiative aims to communicate an integrated and innovative bottom up approach to rural development that will promote the sustainable development of rural communities. 20 LEADER</td>
<td>14.8</td>
</tr>
<tr>
<td>Scheme Name</td>
<td>Description</td>
<td>Support</td>
</tr>
<tr>
<td>-------------</td>
<td>-------------</td>
<td>---------</td>
</tr>
<tr>
<td>Local Action Groups (LAGs)</td>
<td>Develop projects. The LAGs cover 95% of Scotland's rural area.</td>
<td></td>
</tr>
<tr>
<td>Less Favoured Area Support Scheme (LFASS)</td>
<td>Area payment to livestock farmers per hectare of eligible land. The hectare payment depends on how remote the area is, the “grazing category” and the mix of cattle and sheep kept. 85% of agricultural land is eligible. Around 13,000 farmers farming 3m ha receive payment.</td>
<td>180.7</td>
</tr>
<tr>
<td>Land Managers' Options (LMOs)</td>
<td>Non-competitive scheme available to all land managers. 21 options are grouped around Axes 1, 2 and 3 of the EAFRD. Support is calculated based on “income forgone and additional cost” or a percentage of the costs of a particular activity.</td>
<td>10.7</td>
</tr>
<tr>
<td>Rural Priorities (RPs)</td>
<td>Competitive scheme with 75 different options available to land managers and rural communities. The options are organised under the same three axes as Land Managers Options and costs are calculated in the same way. In theory the scheme is regionalised: in each of eleven regions, Regional Project Assessment Committees (RPACs) decide on priorities and judge projects against them. The most popular activities are agri-environment and capital investment aimed at increasing competitiveness of agricultural businesses.</td>
<td>321.4</td>
</tr>
<tr>
<td>Skills Development Scheme</td>
<td>Support towards setting up and running skills development initiatives for land managers.</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Crofting landscape, Sutherland. Source: Iain Sarjeant/iStockphoto
EUROPEAN COMMISSION PROPOSALS


The launch of the European Commission’s legislative proposals on 12 October 2011 marked the start of the formal negotiating process. Before coming into force, the regulations must be agreed by the Council of Ministers and the European Parliament. While the overall structure of the proposals is likely to remain similar, important details may change.

The Commission proposals are made up of four basic Council regulations replacing the existing regulations described earlier:

- Single Common Market Organisation (CMO) Regulation
- A Horizontal Regulation for financing, managing and monitoring the CAP
- Direct Payments
- Rural Development

In addition, there are 3 smaller regulations to address transition arrangements to the new rules. The package also contains: An Explanatory Memorandum; Citizens Summary; and Annexes linked with different aspects of the Impact Assessment.

In its structure, the CAP therefore remains similar; however the payment schemes have been changed as described below.

THE CAP BUDGET

The proposals for funding for the reformed CAP are included in the Commission Communication on the budget for Europe 2020, announced 29 June 2011. The Communication lays out proposals for the Multi Annual Financial Framework (MFF) – the EU long term budget for 2014-2020. The total budget and budget for each pillar has decreased by around 9%. However, some funds previously included in Pillar 1 have been moved outside the MFF into an emergency mechanism to react to crisis situations (€3.5bn) and the European Globalisation Fund (up to €2.5bn) will also be extended to potentially support farmers reacting to new market systems resulting from globalisation. Support is also available for food safety (€2.2bn), most deprived persons (€2.5bn) and research (€4.5bn).

Table 3. Comparison between budgets for the Sustainable Growth (agriculture, environment, rural development and fisheries) Budget Heading, source: European Commission (2011e)

<table>
<thead>
<tr>
<th>Support area</th>
<th>Support Billion Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007-13</td>
</tr>
<tr>
<td>Pillar 1</td>
<td>313.1</td>
</tr>
<tr>
<td>Pillar 2</td>
<td>96.5</td>
</tr>
<tr>
<td>Total Sustainable Growth budget heading</td>
<td>421.1</td>
</tr>
</tbody>
</table>
PILLAR 1

The changes to Pillar 1 can be summarised in terms of changes to the overall allocation of Direct Payments (DP) to Member States and farmers, and changes to the schemes available for distributing that support. Member States must put in place a number of compulsory schemes (Basic Payment Scheme, Green Payment, the Young Farmer Scheme and the Small Farmer Scheme) and can choose whether or not to introduce voluntary schemes (Coupled Support and Natural Constraint Support). The changes are summarised by the Commission in the diagram below.

Figure 2. Proposed Pillar 1 support after 2013. Source: European Commission (2011c)

Rules applying to Direct Payments

Support distribution

Member States allocations of support (Pillar 1 envelopes) are variable (see figure 3). It is proposed that payments should be distributed more equitably with the stated aim of reaching an equal rate per hectare in every Member State after 2020. Member States with direct payments below 90% of the EU-27 average (Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Portugal,
Romania, Slovakia, Spain, Sweden and the United Kingdom) would gradually move towards the EU average. Over the 2014 to 2020 period they would close one third of the gap between their current level and 90% of the EU average.

Figure 3. Pillar 1 Envelopes for each Member State Euros/ha. Source: European Commission 2011c

Payments should also be distributed more equitably within a Member State. Member States will need to move away from historic allocations towards a uniform flat rate per hectare at the national or regional level by 2019.

Modulation

Member States will have the possibility of transferring up to 10% of their national envelope from Pillar 1 to Pillar 2. Member States below 90% of the EU average for direct payments (Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom) could transfer up to 5% of their Pillar 2 national envelope to Pillar 1. Member States must decide whether or not to use these provisions by August 2013.

Eligible hectares

2014 will be the new reference year for registering land to receive payments. Previous entitlements (entitlements are the farmer’s right to claim a specific payments per hectare) will be cancelled and new ones allocated based partly on the number of eligible hectares and partly on historical entitlement (the historical allocation would decrease over the funding period to zero in 2019). Farmers would need to have at least one entitlement activated in 2011 to receive payment entitlements in 2014. A national reserve worth up to 3% of the Basic Payment Scheme could provide support to new entrants without entitlements in 2014. Young farmers would be prioritised for this support.
Active farmers

Payments would not be granted to applicants whose CAP direct payments are less than 5% of total receipts from all non-agricultural activities, or if their agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation and they do not carry out the minimum activity required, as defined by Member States. There is a derogation for farmers who receive less than €5,000 in direct payments the previous year.

Capping

A cap of €300,000 per year would be placed on the direct payments that an individual farm could receive (excluding the Green Payment). The proposed cap is degressive (payments are reduced progressively): the payment per hectare would be reduced by 70% for the part from €250,000-300,000; by 40% for the part from €200,000-250,000, and by 20% for the part from €150,000-200,000. The holding could deduct the costs of farm workers’ salaries in the previous year before these reductions are applied. Where farmers make efforts to avoid the cap (e.g. by splitting holdings) they risk losing all payments. Funds saved through this mechanism would be used by the Member State for its Rural Development Programme (in the preamble it states that this money should be used for projects ‘with a significant contribution to innovation’).

It is suggested that Member States should not pay support worth less than €100 or support to applicants with less than 1 hectare of eligible land. Member States would be able to adjust these thresholds depending on their average farm sizes.

Cross Compliance

Statutory Management Requirements (SMRs) and Good Agricultural and Environmental Condition (GAEC) would continue to apply to those receiving direct payments (excluding those in the Small Farmer Scheme) and land based Rural Development support. The list of SMRs has been reduced with the removal of certain water quality, health and disease control SMRs and some articles from the Birds and Habitats SMRs. It is proposed that the Water Framework Directive and the Sustainable Use of Pesticides Directive will be included in the list of SMRs once they have been properly applied in all Member States. The number of GAEC measures has been reduced with the removal of all optional GAEC measures and measures on minimum maintenance. Some of these are effectively replicated with the rules on “active farmers” and the Green Payment.

Compulsory schemes within Pillar 1

It is proposed the following schemes would be compulsory for Member States:

Basic Payment Scheme

The Basic Payment Scheme would replace the Single Payment Scheme (SFP in Scotland) and the Single Area Payment. It would be a payment per hectare of farmed land. Farmers would be given new entitlements to be “activated” against the area farmed.

Green Payment

Member States would be obliged to use 30% of their national envelope for “greening measures” (to benefit the environment). All farmers wishing to receive support (except those in the Small
Farmer Scheme) would also have to carry out these measures or risk deductions to their payment. The system of penalties for non-compliance would be separate from cross compliance penalties and it appears the funds deducted would remain with the Member State rather than being returned to the European Commission. The Green Payment would not be capped.

The 3 measures foreseen are:

- maintaining permanent pasture
- crop diversification (a farmer must cultivate at least 3 crops on his or her arable land none accounting for more than 70% of the land, and the third at least 5% of the arable area)
- maintaining an “ecological focus area” of at least 7% of farmland (excluding permanent grassland) – i.e. field margins, hedges, trees, fallow land, landscape features, biotopes, buffer strips, afforested area

Organic producers would receive the Green Payment without having to comply with any additional requirements.

**Young Farmer Scheme**

Farmers under the age of forty would receive an additional 25% on their Basic Payment Scheme for their first five years after starting farming. A limit would be placed on the payment depending on the average farm size in the area. This could take up to 2% of a Member States Pillar 1 envelope.

**Small Farmer Scheme**

The Small Farmer Scheme will be open to any farm, regardless of size, that received support in 2014 and by October of that year chooses to opt into the scheme. The farmer will receive an annual payment set by the Member State between €500-1000. Those taking part in the scheme would not be eligible for other Pillar 1 schemes. They would not have to comply with the greening measures or GAEC. This could take up to 10% of a Member States Pillar 1 envelope.

**Voluntary schemes within Pillar 1**

Member States could choose to introduce the following schemes:

**Coupled Support**

Payments could be linked to production where specific types of farming or sectors are facing difficulties and are particularly important for economic, social or environmental reasons. This would be limited to 5% of the national envelope if the Member State currently provides 0-5% of coupled support, or up to 10% if the current level of coupled support is higher than 5%. The Commission may approve a higher rate if the Member States can show it is justified.

**Natural Constraints Support**

An additional payment for Areas with Natural Constraints (previously Less Favoured Areas) could be paid through Pillar 1. This could use up to 5% of a Member States Pillar 1 envelope. The Areas eligible for the payment would be defined through the use of 8 biophysical criteria.
Market management measures

The Common Organisation of the Market was one of the main aims of the CAP. Common Market Organisations (CMOs) were introduced for products or groups of products. Different mechanisms were used for different CMOs but all contained internal market measures (usually price setting and support) and measures relating to the trade regime with third countries (e.g. export subsidies). In the last round of CAP reform, a single set of cross cutting rules were introduced covering all agricultural sectors and the sectoral CMOs were repealed.

The importance of market related measures in the CAP has decreased from making up 100% of the expenditure before 1980 to less than 5% of the total now. The changes introduced by this reform are fairly minor. The last quotas (production limits) will be phased out and aid schemes to particular produce included in the CMO will be ended.

PILLAR 2

Figure 4. Proposed Pillar 2 support after 2013. Source: European Commission 2011c
Overarching management changes

Support distribution

There may be changes to Rural Development national envelopes to take account of criteria linked to the Rural Development objectives (see below). The Commission has not yet decided on how Member States’ contribution to the criteria would be measured though some options have been explored in the Impact Assessment. Envelopes would also take account of past performance (i.e. historic payment levels). The EU co-financing rates will be 85% in less developed regions, the outermost regions and the smaller Aegean islands, and 50% in other regions for most payments, but can be higher for innovation and knowledge transfer, cooperation, establishing producer groups, young farmer installation grants and LEADER.

Eligible hectares and active farmers

Most measures are targeted at active farmers. There are measures aimed at wider rural communities. Land managers other than farmers can receive support through some area (environment and forestry) payments where duly justified.

The Rural Development Programme

Common Strategic Framework

In an attempt to better link the various funding mechanisms across the EU, a Common Strategic Framework has been proposed. Common provisions would apply to the European Agricultural Fund for Rural Development Fund (EAFRD) but also the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF).

A Partnership Contract would be agreed between the Commission and each Member State. Around 5% of the funds would be held back in a "performance Reserve" paid out when it could be shown that progress towards meeting targets based on Europe 2020 – the EU’s strategy for growth – was being made.

National or regional rural development programme

Member States will be required to develop Rural Development Programmes on the national or regional level. Each programme should identify a strategy for meeting EU priorities for rural development, and a selection of measures. Member States and regions would have the option of developing thematic sub-programmes on particular issues such as young farmers, small farms, mountain areas and the creation of short supply chains. Support for thematic sub-programmes could be increased by up to 10% above the thresholds for the rest of the programme.

Rural Development priorities

The objectives of the EAFRD Regulation are as follows:

- competitiveness of agriculture;
- sustainable management of natural resources and climate action;
balanced territorial development of rural areas.

These are similar to the existing axes 1, 2 and 3 (competitiveness, environment and wider rural development). However, it is proposed that the axes should be replaced by six broader priorities. The priorities would have no minimum spending requirements but Member States would be required to maintain 25% of their Rural Development envelope on issues related to land management and the fight against climate change. The priorities are as follows:

- Fostering knowledge transfer and innovation;
- Enhancing competitiveness;
- Promoting food chain organisation and risk management;
- Restoring, preserving and enhancing ecosystems;
- Promoting resource efficiency and transition to a low carbon economy;
- Promoting social inclusion, poverty reduction and economic development in rural areas.

_Rural Development Measures_

In order to meet these priorities, Member States would choose from a list of measures. While the number of measures has been reduced from 40 in the current Regulation to 23, very few have actually been dropped (early retirement and two aimed at the transition of New Member States). Instead some measures are based on delivery mechanisms rather than outcomes e.g. capital payments for a variety of themes are combined into “Investments in physical assets” and there is a measure for “co-operation” across all the programme objectives.

There have been changes to some of the detail of the measures: “Areas Facing Natural Constraints” (formerly Less Favoured Areas) will be based on 8 bio-physical criteria; agri-environment has been renamed as “agri-environment-climate”; there will be greater levels of business aid available for young and small farmers.

New measures include a specific organics measure; a risk management measure including the establishment of insurance and mutual funds; and the transfer of support for Producer Organisations from Pillar 1.

Male Capercaillie. Source Donald Shields / iStock image
DISCUSSION AND REACTIONS

Perhaps inevitably, no Member State Government or stakeholder has expressed themselves as fully supportive of the proposals put forward by the European Commission. This section aims to describe some of the potential effects in Scotland, the reactions of a variety of interest groups and compare the proposals with what has been put forward by the Scottish Government or suggested in the Pack Review.

The Two Pillar Structure

The numerous leaks of the proposals and the original Commission Communication made it clear that the Commission favoured retaining the current structure of the CAP. It therefore came as no surprise that the two Pillars are retained despite the fact that the previous round of CAP reform, had appeared to set in place a process of reducing Pillar 1, while increasing Pillar 2 (modulation).

The maintenance of the broad two pillar structure of the CAP and the budget has been welcomed by farming interests and the Scottish Government and fits with what was proposed in the Pack Review. In its press release, the Scottish Government stated “there are elements which we are pleased with, including the retention of direct payments in a strong Pillar 1” Scottish Government (2011d).

The UK Government is less enthusiastic about the retention of the status quo in this respect: “The UK wants farm subsidies to steadily reduce in order to improve value for the taxpayer and help farming become more competitive to meet future demand for food as the global population increases.” (Defra 2011b).

Environmental organisations, while supportive of maintaining a large budget aimed at land management, are disappointed that there has been no transfer of support to Pillar 2 and indeed that the Pillar 2 budget has fallen in real terms.

Support distribution

The UK is one of the Member States receiving less than 90% of the EU average. However, the UK’s envelope is very close to 90% so the move towards a more equitable payment system will make very little difference in practice.

According to the Scottish Government’s analysis, Scotland’s average payment per hectare (€125 per ha) is significantly below 90% of the EU average. “In order to close a third of its gap during the period, Scotland would see its average payment increased to €162 per ha, which would require an additional €190 million on top of its baseline total direct payments allocation of €645 million (bringing its total allocation to €835 million)” (Scottish Government a).

The Commission’s intention seems to be that support should be paid on a flatter rate within Member States as well as between them. However, under the current proposals, Member States could set different rates in different regions. The historic imbalance between the UK countries could therefore be maintained.

Within Scotland itself, there are large variations in the payments per hectare between different regions. Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment explained the variation to the Scottish Parliament: “At a parish level, the highest payments in Scotland average £650 per hectare and the lowest payment is £3 per hectare. At individual field level, the highest payment in Scotland is £3,950 per hectare, whereas the lowest is 6p” (Scottish
Parliament 2009). While the Scottish Government sees such large differences as “unsustainable” it is not keen to move to a flat rate payment and is looking at a variety of methods of setting regional area payments within Scotland (Scottish Government a) (see workstream 1).

The National Farmers Union Scotland (NFUS) has consulted internally on ways to ring fence payments for particular regions. They see this as a way for support to continue to reflect the productive potential of farmland. The Scottish Crofting Federation (SCF), on the other hand would prefer to see a more even distribution of support, stating that “the whole argument of paying more (because of volatile markets) to those with the highest ability to produce for the market is weak” (SCF 2010). A similar position has been put forward by the Highlands and Islands Agricultural Support Group (2011) who would like to see an increased area payment to “vulnerable farming areas” at risk of abandonment.

Scotland’s Rural Development allocation is the lowest in the EU per hectare of farmed land (Scottish Government 2010). The Scottish Government and stakeholders all agree that a more even distribution of support and a larger rural development envelope would be desirable.

**Capping and modulation**

Both the UK Government and the Scottish Government are concerned by the attempt to cap support payments. They are concerned that capping support could have negative impacts on the biggest, most competitive farming operations and that it would be administratively complex. Farmers in the UK receive some of the largest payments - the three largest Single Farm Payments in Scotland are all over £1 million per year (Defra) and would be affected by the capping. Richard Lochhead stated “the capping of direct payments may look good on paper to some people but will be difficult to deliver” (Scottish Government 2011d). NFUS also oppose capping. However, the degressive method of capping, together with the subtraction of salaries and the lack of cap on the Green Payment mean that the effect would be lessened. Capping has been proposed in several other rounds of CAP reform and this is the first time it has garnered such support from a range of Member States. However, some of the big players such as Germany still strongly oppose it.

The NFUS has opposed modulation from Pillar 1 to Pillar 2 concerned about its unpopularity with farmers. RSPB Scotland supports this type of modulation but has expressed deep concerns about the prospect of “reverse modulation” i.e. moving support from Pillar 2 to Pillar 1 as this would reduce the funding available for Rural Development and agri-environment.

**Coupled Support**

In the UK, €29.8m is currently distributed through Article 68 (European Commission 2010). Scotland is the only UK country to have used Article 68 to finance the Scottish Beef Calf Scheme. While this makes up just under 5% of the Scottish Pillar 1 envelope, it is less than 1% of the UK’s Pillar 1 ceiling. Under the proposed new regulation, the UK ceiling would be set at 5% (which indicates the total amount of funding which could be recoupled would be €181.2m).

The Scottish Government has signalled that it is pleased about the “continued ability to use coupled support for our vulnerable livestock sector” (Scottish Government 2011d). The Pack report recommended increased use of coupled support in the livestock sector. It suggested that Scotland should be able to link 15% of the Pillar 1 envelope to livestock production. This would be about half of the UK’s total ceiling so would be possible only if the other UK countries did not wish to use this provision to any great extent and agreed to Scotland setting a higher level.
Defra has stated that “proposals as they stand could actually take us backwards” Defra (2011b) in reference amongst other things of the recoupling of support. Defra therefore is unlikely to favour coupling support in England but may not wish to see significant coupling in Scotland either.

**Greening of the CAP**

The Green Payment aims to ensure that all farms provide some environmental benefits. The Commission has suggested three measures which they consider could provide benefits across Europe.

NFUS is strongly opposed to greening. “The suggestion that support be partly dependent on adopting ‘greening’ measures is a concern and could run contrary to the urgent need to grow more produce in Europe and address world food security issues in a positive way. While it is highly likely that some stronger environmental link will be needed, requirements around crop diversification, permanent grassland and ecological focus areas run the risk of asking producers to take productive land out of production to secure as much as 30 percent of their support. That is nonsense and must be rethought.” NFUS (2011).

These sentiments have been echoed by George Lyon MEP “The greening of the direct payments are nothing more than green-wash and they run the risk of making European farmers less competitive. It is simply nonsense to require 7% of land to be set aside at a time of food and energy scarcity.” (Lyon 2011).

Environmental organisations are more positive about greening. In a joint document, the “Environment Links” a coalition of environmental bodies across the UK support the ecological focus areas which they believe have the greatest potential to deliver environmental benefits. They call for “a percentage of the farm area ... [to] be managed for biodiversity and wider environmental protection and enhancement.” (Wildlife and Countryside Link et al. 2011).

However, it is a matter of debate how much difference, the greening measures will actually make. Defra believes they will make little difference on the ground “The UK also wants farmers’ valuable protection of the countryside to be better rewarded through targeted payments. But the Commission said it instead wants to pay only for basic measures, which would achieve far less and could impose pointless bureaucracy.” (Defra 2011b).

Alyn Smith (MEP) has welcomed them for the same reason: “On greening, I see little to dislike. 7% set aside is a way of actually rewarding existing practice of putting unproductive scraps of land to ecological purposes. I’ve yet to see a farm that is 100% productive, so opposition from some to this proposal seems to me to miss the point that it will reward current best practice and change little on the ground.” (Smith 2011)

The debate between different organisations is partly due to their differing perspectives but also because of the lack of clarity about how these EU-wide measures will be put in place in practice.

The requirement to maintain permanent pasture may have the greatest impact in Scotland where 72% of the total farmed area is permanent pasture (Scottish Government 2011b). The effect this has in terms of potential environmental benefit and impact on farming activity will depend on the definition of permanent pasture (e.g. does it include grassland that is resown and fertilised or could it be limited to semi-natural grasslands) and what requirements are put in place for its management.

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2 Combining the grass over 5 years and rough grazing areas in the June Agricultural Census
The Scottish Government has expressed concern about the crop diversification measure which it believes could be difficult for farms growing small amounts of barley. Again, much will depend on the minimum area of crops set for the measure (the current proposal is 3 hectares). There are concerns that in areas where there are fewer choices of crops that can be grown (such as in Scotland) the effect of the measure could be to discourage mixed farming to the detriment of the environment.

The "ecological focus area" has attracted much attention being described by many as reintroduction of set-aside. However, if farmers can expand their eligible area in 2014 to include features currently not within the definition of agricultural land (such as small farm woodlands, gorse patches or areas of scrub) as well as including water margins and agri-environment measures, the impact on many Scottish farms is likely to be small. In addition, the proposed measure does not apply to permanent pasture which would mean that a large number of Scottish farms would be not be affected by it at all.

**Cross compliance**

The changes to cross compliance have attracted the support of farming organisations and the ire of environmental NGOs who are concerned that while the greening measures are added, the basic requirements are being watered down. The Environment Links have stated that the possible scaling back of cross compliance measures "is in direct conflict with society’s expectations from farming, and the desire to see an environmental return from the millions of pounds that taxpayers invest through the CAP each year. It will also undermine the UK’s commitments on biodiversity, landscape character, resource protection and climate change.” (Wildlife and Countryside Link et al. 2011). In addition, they believe the exclusion of the Small Farmer Support from GAEC could mean that in some countries, large areas might not be protected by cross compliance.

**Active farmers**

Following the recommendations of the Pack report, the Scottish Government has attempted to better target active farmers and reduce support received by those carrying out minimal agricultural activity, known as “slipper farmers”. In addition, it is concerned by the number of “naked acres” (potentially eligible land without entitlement) which could be entered into a new payment scheme. It has therefore welcomed the Commission’s commitment to target active farmers.

It is however, unclear how the proposals will work in practice. Targeting farmers “whose CAP direct payments are less than 5% of total receipts from all non-agricultural activities” is unlikely to prevent farmers using direct payments as a retirement fund though it may prevent those outside farming buying up entitlement. It would presumably require anyone receiving support to submit full accounts to the managing authority which could be administratively complicated. There are concerns that legitimate farmers and crofters could fall beneath the 5% level if they have diversified.

The “areas naturally kept in a state suitable for grazing or cultivation” is presumably supposed to tackle, for example, deer grazing but would require work from the Member States to better define them. “Minimum activity required, as defined by Member States” is fairly broad and following Pack’s recommendations, the Scottish Government faced difficulties defining minimum activity in a way that did not fall foul of the Commission Auditors. It is also unclear if all these measures must apply or if Member States have a choice about how they target activity.
Eligibility

Linked to “active farmers” is the definition of eligibility which will depend on farmers having entitlement in 2011. NFUS has welcomed “the principle of a reference period for the new direct support to be based on existing activity now – in 2011” but acknowledged that “this approach will create anomalies[. It therefore] justifies the creation of a national reserve.” The draft regulation suggests that the national reserve should be used as a priority for young farmers (under forty), is small in size and will only be available in 2014. This may mean that the existing problems with lack of support for new entrants over the age of forty or incongruities such as the exclusion of deer farmers have the potential to be perpetuated into the new funding period.

The definition of what constitutes eligible hectares as “land predominantly used for agricultural activity” has been maintained. However current rules require farmers to exclude scrub or trees from the area they claim on and it is unclear how this will fit in the context of “greening measures”, particularly the “ecological focus areas”.

Areas of Natural Constraints

The LFA payment is disproportionately important to Scotland compared to the rest of the UK and indeed most Member States. The Government is therefore keen to maintain both the area receiving support and the ability to target within that area.

Attempts to define the area based on biophysical criteria have resulted in an area not dissimilar to the current LFA (Defra 2009). It is however unclear whether the Scottish Government will be able to continue with their formula of calculating payments and targeting them to particular sectors. It may be that the European Commission demands a flat rate area payment.

There are several new possibilities to consider such as support for the LFA through Pillar 1 and using the ability to define 10% of the area as facing specific constraints “where land management should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline”. This flexibility could fit well with recommendations included in the Pack Review such as moving some LFA support to Pillar 1 and defining “Vulnerable Areas” to be supported through Pillar 2 where farming is of particular importance for environmental reasons and particularly vulnerable to abandonment.

The Vulnerable Area idea has received some attention from crofters, environmental organisations and councils in the Highlands and Islands (Highlands and Islands Agricultural Support Group 2011). The current LFASS has been criticised by these groups as favouring the more agriculturally productive areas within the LFA. They are interested in how areas where farming provides environmental benefits could be better targeted. RSPB has expressed concern that “[High Nature Value] farming systems in the Scottish Highlands, Romania, Poland and elsewhere, which have low profit margins but provide vital habitats for wildlife... could disappear unless they get the targeted support for the environmental benefits they deliver” (RSPB 2011).

Other changes to Rural Development

Rural Development provisions remain flexible and, if desired, the Scottish Government could continue with a programme similar to the current SRDP. Perhaps for this reason, there has been less discussion of the Rural Development proposals.

Environmental organisations are making a strong call for an increased allocation of support to agri-environment. The Environment Links state “this money [agri-environment] is still insufficient to successfully achieve the UK and EU’s conservation commitments. It has been estimated that
£1–3 billion would be required each year to meet publicly defined environmental objectives through agri-environment schemes in the UK” (Wildlife and Countryside Link et al. 2011). Environmental bodies are concerned by the introduction of new measures to rural development, such as risk management, which could potentially weaken the environmental focus of Pillar 2.

Payments for measures such as agri-environment which produce public goods would still be calculated based on income forgone and additional costs though more flexibility is given for groups of farmers working together. This may be of concern for areas of High Nature Value where farming incomes are often low in the first place. A recent project led by SNH looked at alternative payment approaches for such systems (Barnes et al. 2011). It came up with three alternative payment approaches which were judged to be compatible with World Trade Organisation requirements and would meet rural development rules.

Common Organisation of the Market

The EU has already reformed most of the market management for commodities so the changes introduced by the proposals are relatively small. The abolition of milk quotas has long been expected and it is proposed that measures should be introduced to improve the bargaining power of dairy producers. It is also proposed that Producer Organisations should be strengthened for all sectors.

In terms of the impact on third countries, the abolition of milk quotas is not expected to have a large effect. The removal of sugar quotas however, could result in an increase in production depending on the world market prices. This could result in lower imports from preferred suppliers including the least developed countries. The lack of a date for ending of export subsidies together with the proposal to allow greater levels of coupling is likely to be a disappointment for those proposing free trade of agricultural commodities (Matthews 2011). The proposals have also been criticised by the UN Special Rapporteur on the Right to Food for not reducing the overall level of direct subsidies and using “clearly trade-distorting tools” (De Schutter 2011).
NEXT STEPS

European Timetable

The new CAP is due to enter into force 1 January 2014. Before then, the policy will be subject to the scrutiny of the Council of Ministers, and for the first time for a CAP reform proposal, the European Parliament through the ordinary legislative process (formerly known as co-decision - see McIver (2011) for a detailed explanation).

Within the Parliament, each proposal from the Commission has been appointed to an MEP on the Agriculture Committee. This rapporteur has the job of drafting amendments to the Commission’s proposals. The Portuguese MEP Luis Manuel Capoulas Santos (Progressive Alliance of Socialists and Democrats) has been appointed the lead rapporteur on the Direct Payments and Rural Development proposals. French MEP Michel Dantin (European People’s Party) will cover the Single CMO dossier, while Giovanni La Via MEP (EPP) will deal with the Horizontal Regulation. Capoulas Santos MEP will also be the shadow rapporteur on the two EPP reports, while Irish MEP Mairead McGuinness and Austrian Elisabeth Köstinger (both EPP) will shadow Capoulas Santos on the Pillar 1 and 2 dossiers respectively. The Agriculture Committee will discuss the reports at their monthly meetings. Once the Committee adopts the position it is forwarded to the European Parliament and amendments can be proposed by other interested MEPs before the Parliament adopts a position.

The Agriculture and Fisheries Council will discuss proposals in their monthly meetings. Two meetings have been held since the proposals were released (20 October and 14 November 2011). At a web-streamed Table Round, Member States were given three minutes to react to the proposals. Ministers expressed concern at the complexity of the proposals and a desire for further simplification. Targeting support at active farmers and the schemes for young and small farmers received a generally positive response. In other areas, views varied widely. Pillar 1 was discussed in more detail at the November Council. Rural Development will be discussed at the December Council (15-16). A Working Groups of Member State representatives will meet to discuss positions, going through the proposals article by article.

Once the Parliament has an agreed position, this will be discussed by Council and either adopted or if opinions differ, the Council suggests changes and the proposals go on to a second reading and finally conciliation if agreement cannot be reached. The Irish MEP Mairead McGuinness has suggested a timetable for the Parliament’s work with draft reports prepared for consideration by the Agriculture Committee by April 2012 and a vote in Committee taking place in September 2012. The Council and Parliament bargaining would begin in Autumn and agreement would need to be reached in the first reading at the end of 2012 or early in 2013 for the legislation to come into force in time for the 2014 start.

Once the package has been agreed between the European institutions, the Commission must put in place the implementing regulations. Member states must then develop their strategies and rural development programmes as well as the detailed implementing rules. For this reason, it is predicted there could be serious delays in the implementation of the new CAP. While it is likely that Pillar 1 funding could just be rolled over from the previous regulation, this may be more difficult with Pillar 2 support and there is a fear there could be a gap in the funding.

3 The Political groups involved in the reports are the Progressive Alliance of Socialists and Democrats (including the Labour Party) and the European People’s Party (no UK national party representation). The other main political groups are the Alliance of Liberals and Democrats for Europe (including the Liberal Democrats), the European Conservatives and Reformists (including the Conservatives) and the Greens-European Free Alliance (including the SNP
UK Government

In addition to the formal engagement with through the Council of Ministers and the working groups of officials, Defra is carrying out consultation with stakeholders. They are planning a “light touch” approach to gathering English stakeholder views. Officials are speaking to individual interest groups. A formal consultation will be launched on the Defra website later this year.

UK Parliament

In April 2011, the Environment, Food and Rural Affairs Committee published its report into the Common Agricultural Policy after 2013. The Committee intends to consider the Commission’s proposals in light of its previous recommendations. The inquiry will focus in particular on the European Commission’s proposals to ‘green’ the Common Agricultural. It will examine:

- whether the proposal to green direct payments will generate significant environmental benefits;
- the impact of additional greening requirements on food production and the competitiveness of the agricultural industry;
- consistency of the greening proposals with the CAP simplification agenda;
- how greening Pillar 1 can be made coherent with agri-environment schemes,
- recommendations for improving the greening proposals.

Scottish Government

The Scottish Government has announced a five-point plan to ensure that farmers and key stakeholders are aware of the latest developments and can make their voices heard.

The five-point plan covers:

- Writing to all farmers explaining what the Commission proposals are, what they mean and what the Scottish Government is doing;
- A public consultation on the Commission’s proposals;
- A series of public meetings around Scotland where senior government officials will explain the proposals;
- A new CAP section on the Scottish Government website to keep everyone up-to-date with the latest developments on the CAP negotiations;
- Continuing to work with stakeholders through the Future CAP Stakeholder Group to help inform Scotland's negotiating position.

Scottish Parliament

The Rural Affairs, Climate Change and Environment Committee’s work programme was agreed on the 7th September and includes an agreement to scrutinise the CAP Proposals. The Committee plans to question the UK Minister, the Cabinet Secretary, Members of the European Parliament and key stakeholders in order to provide an opinion on the proposals to the Scottish Government, MEPs and the European Commission.
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