



A new CAP

Mountains of opportunities



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Cooperation, risk management, producer groups, promotion, technical advice, enhanced support for innovation and knowledge fostering, participation in quality schemes, investments... the list of tools is long. It is up to mountain rural actors to make the most out of these opportunities!



The new CAP: what has changed?

The new Common Agricultural Policy (CAP) was agreed in 2013 after three years of intense efforts to design and negotiate an entire review of the whole policy. Its implementation will start from January 2015 and remain in force until 2020.

This brochure presents the main elements of the new CAP, which Member States will tailor according to their own priorities.

What is new?

The new CAP aims to ensure a viable food production, a balanced territorial development and the sustainable management of natural resources, with a special role of agriculture on climate action.

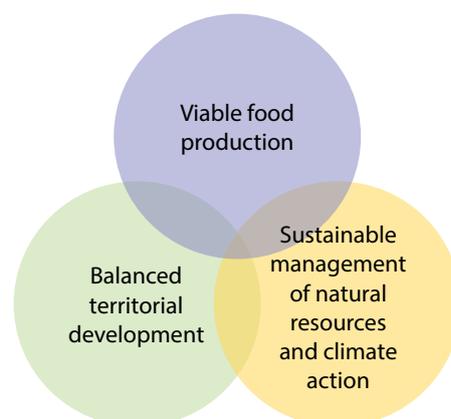
To achieve these long-term goals, the reform focuses on the sustainability and competitiveness of the agricultural sector by improving the targeting and efficiency of policy instruments.

The concept of '**active farmer**' is an essential new element that ensures a better targeting of the CAP. Direct payments will only be granted to persons who carry out the minimum agricultural activity defined by each Member State. This excludes any other land-owners not actively involved in farming from receiving direct payments.

Also for the first time, the CAP aims to reward farmers for the '**public goods**' or services they provide to the whole society: maintaining landscapes and biodiversity, contributing to climate change mitigation, and providing food security. This dimension is integrated in the **new green direct payment** together with the mandatory cross compliance and a broad range of rural development measures promoting water and energy efficient use, and enhanced environmental commitments.

The objective of past reforms to enhance the **market orientation** of EU agriculture is continued by adapting the policy instruments to further encourage farmers to base their production decisions on market signals. **Competitiveness** is addressed from several complementary perspectives:

- Strengthening of measures supporting innovation, knowledge transfer, promotion and investments to enhance quality and efficiency.
- An extended Farm Advisory System providing training and technical advice on new areas such as the green direct payments, the Water Framework and Sustainable Use of Pesticides Directives, or certain rural development measures.
- A new European Innovation Partnership for Agricultural Productivity and Sustainability (EIP).
- Reinforcement of the legal framework to extend the competences of producer organisations, together with complementary measures supporting cooperation.
- New risk management tools and emergency measures, including a Crisis Reserve.



The new CAP maintains the classic structure with two pillars: Direct Payments and Rural Development policy, in addition to a new Common Market Organisation and horizontal legislation.

However, **Member States have more choices and flexibility than ever before.** Both the first and the second pillar can be substantially adapted to meet the specific national and regional priorities. In addition to the choice of voluntary measures, Member States can transfer up to 15% of the national CAP budget between pillars.

This means that the CAP becomes a more tailored policy, allowing for considerable differences between regions and Member States. In order to reduce disparities between Member States and regions, the external and internal convergence mechanisms guarantee a minimal national average direct payment per hectare across all the European Union, and fairer and more converging payments at national and regional level.

**1st Pillar
Direct Payments**

COMPULSORY
all member states

- Basic Payment Scheme / Single Area Payment Scheme
- Green Payment
- Young Farmers Scheme

VOLUNTARY
for member states

- Redistributive Payment
- Coupled Support
- Natural Constraint Support
- Small Farmers' Scheme

**2nd Pillar
Rural Development**

25 MEASURES:

- Innovation
- Competitiveness
- Food chain organisation
- Cooperation
- Risk management
- Agri-environment-climate
- Forestry
- Non-agricultural activities
- Basic services
- ...

**Common Market Organisation
& Horizontal legislation**

- Removal of production constraints (e.g. milk quotas)
- Improved market management
- New competences for Producer Organisations
- Farm Advisory System

The common objectives and interactions between the two pillars are being strengthened. The two pillars will also interact in financial terms, with possible budget transfers between both and rules to prevent double-funding.

PILLAR I	Actions targeted under both Pillars	PILLAR II
Green payment	ENVIRONMENT	Agri-environment-climate Organic, Natura 2000
Top-up payment	YOUNG FARMER	Business development grants
Top-up payment	AREAS WITH NATURAL CONSTRAINTS	Area payments
Alternative simplified scheme Improved legal framework	SMALL FARMER PRODUCER COOPERATION	Business development grants Aid for setting up producer groups Cooperation and short supply chain



Coordination with other European policies

Furthermore, Rural Development policy will also operate in closer co-ordination with for all European Structural and Investment (ESI) funds through an **EU-level Common Strategic Framework**. This coordination will improve complementarity of the different programmes and establish a clear link with the Europe 2020 Strategy. To this end Member States will have to prepare Partnership Agreements, followed by the corresponding programmes, based on common priorities and targets set for 2020.

EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

- European Agricultural Fund for Rural Development (EAFRD)
- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)
- European Maritime & Fisheries Fund (EMFF)

1st Pillar: Direct Payments

Member States will have more flexibility than ever to design their direct payments structure. There are multiple options to tailor support to priorities, not only with regard to schemes but also in terms of budget allocated to each scheme.

The new first Pillar is composed of a compulsory set of schemes and a number of voluntary or alternative choices.

New Direct Payments	
<p style="text-align: center;">Compulsory schemes: <i>Applicable in all Member States</i></p> <p>Basic direct payment (<i>general case</i>) <i>or Single Area Payment¹</i></p> <p>Green payment (<i>compulsory for all farmers</i>)</p> <p>Young Farmers Scheme (<i>accessible to all eligible farmers</i>)</p>	<p style="text-align: center;">Alternative scheme : Small Farmers scheme (optional) <i>Replaces all the other payments</i></p>
<p style="text-align: center;">Voluntary schemes: <i>Optional for Member States</i></p> <p>Redistributive payment</p> <p>Areas of Natural Constraints</p> <p>Coupled support</p>	

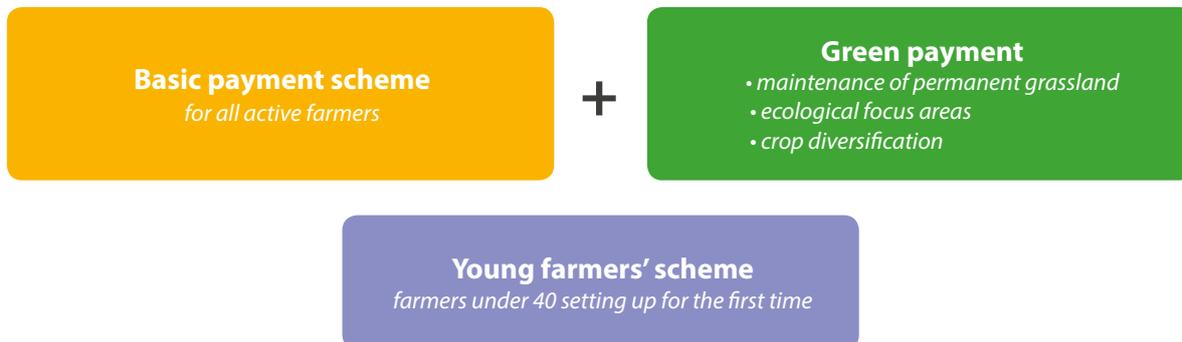
Direct payments in the new CAP can be granted following two main options:

- The **new Direct Payment general scheme**, based on three compulsory elements (**Basic, Green and Young Farmers’ direct payments**) and three optional schemes.
- Alternatively, Member States can choose to offer a **simplified Small Farmers scheme** for those small farmers who voluntarily decide to opt for it.

¹ Only for eligible Member States: Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Romania, Poland, and Slovakia. They may choose either the Single Area direct payment, or the Basic Payment Scheme.



Compulsory schemes



Compulsory Schemes

Basic Payment

The **Basic Payment** is the **precondition** for benefiting from the other schemes and it is subject to cross compliance. The list of requirements has been simplified and the Water Framework and the Sustainable Use of Pesticides Directives will be incorporated into the cross-compliance system.

Member States currently applying the simplified **Single Area Payment Scheme** (Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Romania, Poland, and Slovakia) may choose to continue applying this option instead of the Basic Payment until 2020. In addition, these member states may decide to grant transitional national aid.

Green Payment

On top of the basic payment, the **green direct payment** will be granted to all the farmers who in exchange must respect **three compulsory agricultural practices** (or equivalent practices defined by the Member State):

- **Crop diversification on arable land**

- ▶ Farms between 10-30 ha of arable land must grow at least 2 different crops, with the main one not covering more than 75% of that land.
- ▶ Farms over 30 ha of arable land must grow at least 3 different crops, with the main one not covering more than 75% of that land and the two main crops together not covering more than 95% of that land.
- ▶ Farms with a significant part covered by fallow land, grassland, crops under water; specialised farms, and farms above the 62nd parallel are exempted.

- **Maintenance of the existing permanent grassland**

- ▶ It is compulsory to maintain at least 95% of the permanent grassland calculated at national or regional level.
- ▶ Ploughing or conversion of environmentally sensitive permanent grassland is not allowed in Natura 2000 areas and other areas designated by each Member State.



- **Having ecological focus area on arable land**

▶ Member States decide what can be considered as ecological focus area, from the following list:

- land lying fallow	- areas with nitrogen-fixing crops
- terraces	- strips of eligible hectares along forest edges
- landscape features	- areas with short rotation coppice with no use of mineral fertiliser and/or plant protection products
- buffer strips	- areas with catch crops, or green cover established by the planting and germination of seeds
- agro-forestry systems	
- afforested area	

▶ Above 15 ha of arable land, the ecological focus area must be at least 5 % of the arable land, and 7% as from 2018.

▶ Farms with a significant part covered by fallow land, grassland, or crops under water are exempted.

Organic farming is considered to comply by its own nature with the ‘greening’ requirements and therefore organic farmers will be immediately entitled to receive the green payment. The Green Payment scheme amounts to 30% of the national direct payments’ budget.

Young Farmers’ Scheme

The support to young farmers is shared for the first time between the Rural Development Policy and the first pillar. The **Young Farmers’ Scheme** grants **direct payments** to farmers up to 40 years² of age setting up for the first time. This payment can still be complemented by a start-up aid under the second pillar.

Voluntary Schemes

In addition to these three compulsory schemes, Member States can choose to apply one or more of the voluntary schemes: Areas of Natural Constraints, Voluntary Coupled Support and Redistributive Payment.

Optional direct payment schemes

Natural Constraint Support	<ul style="list-style-type: none"> • up to 5% of national ceiling • Mountain areas and other areas with equivalent natural constraints, to be defined by each Member State.
Coupled Support	<ul style="list-style-type: none"> • up to 10% or 15% of national ceiling • Only for vulnerable crops of social, economic or environmental importance.
Redistributive Payment	<ul style="list-style-type: none"> • up to 30% of national ceiling • Maximum 65% of average direct payments • Covers up to 30 first hectares or national average size.

Areas of Natural Constraints

Member States may choose to grant an additional payment for areas with natural constraints (ANC) such as **mountain areas**, as defined under the Rural Development rules. These direct payment would be allocated as a flat annual payment per hectare, although Member States may decide to set a maximum number of hectares per holding for which this payment can be granted.

The Areas of Natural Constraints Payment scheme may amount up to 5% of the national budget for the first pillar. This scheme is **optional** and **does not affect the ANC options available under Rural Development**.

² No more than 40 years of age in the year of their first application.



Coupled Support

In order to secure the future of potentially **vulnerable crops**, Member States have the option of providing limited amounts of «coupled» payments linked to specific products.

Coupled support ceilings	
General rule:	Up to 8% of the national envelope
If current level of coupled support is higher than 5%:	Up to 13% if the national envelope Higher rate where justified
Protein crops:	Additional 2% of the national envelope

Support can be applied only to sectors or regions where specific types of farming or sectors undergo difficulties and **are important for economic, social or environmental reasons**. Coupled support aims only to maintain current levels of production in the sectors or regions concerned, and in no case to increase it.

Member States can decide to apply this payment at any year between 2014 and 2020.

Sectors and productions that may receive coupled payments				
Cereals & Rice	Milk and milk products	Olive oil	Sugar beet	Hops
Oilseeds	Sheep meat	Fruit and vegetables	Starch potato	Flax
Protein crops	Goat meat	Nuts	Cane	Hemp
Grain legumes	Beef and veal		Chicory	Silkworms
Seeds			Short rotation coppice	Dried fodder

Redistributive payment

Member States also have the option to apply a **redistributive payment** linked to the **first 30 hectares** of the farms or the national average size of agricultural holdings. This scheme provides more targeted support to small and medium-sized farms and Member States can decide to apply it at any year.

The redistributive payment can amount up to a maximum of 65% of the national or regional average payment per hectare, and 30% of the national budget for direct payments. The payment may be also graduated according to the number of hectares.

Small Farmers simplified scheme

The Small Farmers scheme is optional for Member States. Farmers voluntarily participating in this scheme receive an annual payment fixed by the Member State of between 500 € and 1 250 €, regardless of the farm size. The **Small Farmers payment replaces all the direct payments from the other schemes**.

Participants in the Small Farmers payment will face **less stringent cross-compliance requirements**, and will be **exempted from greening**. This payment offers also a **simplification of administrative procedures**, for example with pre-filled applications, and less yearly checks on eligibility.



Common Market Organisation

The amendments to the Single Common Market Organisation (CMO) rules aim to increase the market orientation of European agriculture while providing an effective safety net for farmers, in a context of intensified competition on world markets.

The new elements on the CMO fall into two categories:

- **Changes in market management mechanisms**, including the revision of aid schemes and the removal of production constraints for sugar, dairy and the wine sector. A Crisis Reserve and emergency measures are also foreseen to tackle sudden crises.
- **Strengthening of Producer Organisations**, with new competences backed by Rural Development funding.

Market management mechanisms

The reform foresees the **end of the existing production restrictions: milk quotas** will expire in 2015, the regime of **vine planting rights** is reformed and the **sugar quota regime** will end in 2017.



The new CMO incorporates the reforms already introduced by the **'Milk Package'** of 2012 regarding compulsory contracts for milk delivery, the collective negotiations by recognised producer organisations and their associations, and the scope of inter-branch organisations:

- **Compulsory contracts**: the CMO allows Member States to decide whether delivery of raw milk must compulsorily be covered by a written contract or a written offer, and the rules regarding these contracts or offers.
- **Collective negotiations**: Producer Organisations are allowed to collectively negotiate contracts for the delivery of raw milk – provided the volume of raw milk does not exceed 3,5% of the total Union production, or 33 % of the total national production.
- **Inter-branch organisations (IBOs)** are constituted of representatives of the dairy supply chain. IBOs are allowed to carry out a number of activities aimed to promote the development of the dairy supply chain, such as promoting innovation and consumption, exploring export markets or drawing standard forms of contract.
- **Regulation of cheese supply** (only for protected origin or geographical indications): producer organisations and inter-branch organisations can request their Member State to allow for a temporary regulation of supply under certain conditions.

On **wine** production, a system of authorisations is introduced for new vine planting from 2016. Member States will make available each year untransferable authorisations free of charge for new plantings, with growth limited to 1% of the total area planted with vines per year.

The existing **systems of public intervention and private storage aid** are revised to be more responsive and more efficient, for example taking into account the production costs for the products concerned.



Products eligible for public intervention		Products eligible for private storage aid	
common wheat	paddy rice	white sugar	cheese
durum wheat	beef and veal meat	olive oil	skimmed milk powder
barley	butter	flax fibre	pigmeat
maize	skimmed milk powder	beef meat	sheepmeat
		butter	goatmeat

The **School Fruit Scheme** and the **School milk scheme** will be extended. The annual budget for the School Fruit scheme is considerably increased, from 90 to 150 million euros per year.

Moreover, **new safeguard clauses** are introduced for **all sectors** to enable the Commission to take **emergency measures** to respond to general market disturbances, for example the sudden widespread drop in consumption of a product following a disease outbreak. A new Crisis Reserve of 400 million euros per year is established to fund these emergency measures through deductions from direct payments. Funds not used for crisis measures will be returned to farmers in the following year.

Finally, a number of minor or unused schemes (such as the aid for the use of skimmed milk in animal feed) are abolished for purposes of simplification and market orientation.

Producer cooperation

Based on the experience of sectors such as milk, or fruit and vegetables, Producer Organisations (POs), their associations and Inter Branch Organisations (IBOs) are extended to cover now all sectors, with increased competences:

- **Collective bargaining:** In addition to milk and milk products, Producer Organisations are now allowed to collectively negotiate contracts for the supply of olive oil, beef, cereals and other arable crops – provided the collective negotiation covers no more than 15 % of the national production.
- **Delivery contracts:** POs, their associations, and IBOs can establish delivery contracts in all sectors.
- **Temporary collective measures:** In case of severe imbalance in the market, the Commission may authorise POs or IBOs to take certain temporary collective measures, such as market withdrawal or storage by private operators, to stabilise the sector concerned.

Besides, POs can carry out a number of other functions for their members regarding production planning, marketing, research and innovation, resources and waste management, or technical assistance. The second pillar offers multiple funding options for producer organisations and cooperation.

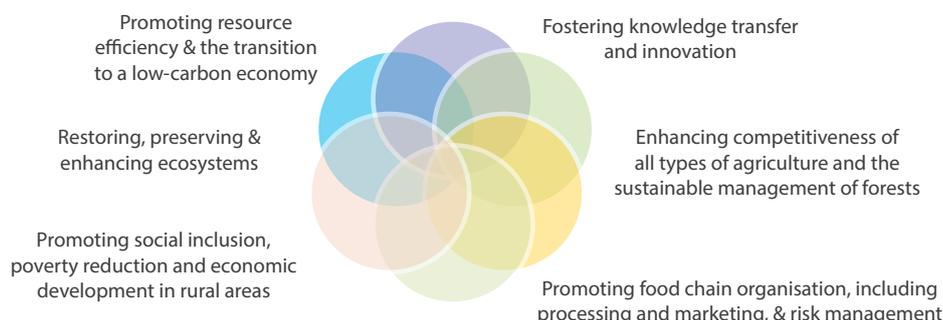
2nd Pillar: Rural Development Policy

The general structure of the new Rural Development policy remains the same. Member States define their own multi-annual programmes according to the needs of their own rural areas, around six broad priorities:

At least 30 % of the national rural development budget must be spent on 'greening' (agri-environment-climate measures, environment and climate investments, forestry measures, organic farming and Natura2000), and at least 5 % on the LEADER approach.



Rural Development Priorities



The 'menu' of measures from which Member States design their Rural Development Programmes can be assembled around the following key themes:

- **Innovation and knowledge:** Strengthened support to both areas through measures such as 'knowledge transfer', 'cooperation' and 'investments in physical assets'. More specifically, the new **European Innovation Partnership for Agricultural Productivity and Sustainability (EIP)** will promote resource efficiency, productivity and the low-emission and climate-resilient development of agriculture and forestry. EIP will also increase cooperation between agriculture and research in order to accelerate technological transfer to farmers. **Farm Advisory Services** are also strengthened and linked to climate change and environmental challenges, economic development and training.
- **Quality and competitiveness:** a wide range of options are available supporting participation in quality schemes, business development, investments and farm restructuring.
- **Young farmers** are eligible for a number of measures including business start-up grants up to €70 000, general investments in physical assets, training and advisory services.
- **Small farmers** can benefit from a business start-up aid up to €15 000 per small farm.
- **Promoting cooperation and food chain organisation** includes support for setting up **producer groups** or organisations based on a business plan and limited to entities defined as SMEs. Increased options are available for technological, environmental and commercial **cooperation**, such as pilot projects, sharing of facilities or development of short supply chains and local markets. Cooperation among actors located in different regions or Member States is also possible.
- **Risk management toolkit:** the grants for insurance and mutual funds are extended to include an income stabilisation option for drops of income above 30% of average annual income.
- **Mountain areas:** for mountain areas and farmland above 62° N, aid amounts can be up to 450 €/ha (increased from 250 €/ha).
- **Climate change and environment:** the 'greening' dimension of the new CAP encompasses several measures such as the **agri-environment-climate payments** (commitments going beyond the mandatory cross compliance and defined by Member States), **organic Farming, Natura 2000 and Water Framework Directive payments**, and other measures such as grants for investments improving the efficient use of energy and water.
- **Forestry:** more measures are now available – afforestation, agroforestry systems, resilience and environmental value, and investments in technologies, processing and marketing.
- **Non-agricultural activities, investments and services:** grants are available for start-up and development of micro and small businesses, and for basic services and village renewal including investments in infrastructure such as broadband and renewable energy.
- **LEADER:** More flexibility is given for operating with other funds in local areas, such as rural-urban co-operation, as LEADER will be used as the common approach for community-led local development by other European Structural and Investment Funds (ESIF). Support for LEADER local development may also include a 'LEADER start-up kit' for local communities who did not implement LEADER in the 2007-2013 programming period.

www.euromontana.org



Euromontana is the European multisectoral association for co-operation and development of mountain territories. It embraces regional and national mountain organisations throughout greater Europe, including regional development agencies, local authorities, agriculture organisations, environmental agencies, forestry organisations and research institutes. Euromontana's mission is to promote living mountains, integrated and sustainable development and quality of life in mountain areas.

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More information:

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A new CAP: Mountains of opportunities



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