

The CAP towards 2020

Impact assessment



Outline

- Part I
 - Process
 - Methodology
 - Structure of the report
 - Objectives
 - Scenarios
 - Impacts
 - Monitoring and evaluation
- Part II
 - Direct payments:
 - Redistribution of DP
 - Greening
 - Small farmers
 - Young farmers
 - Rural development
 - Allocation of RD envelopes

Part I



Process

1. Inter-service steering group

- Between April 2010 and June 2011
- Composed of 20 DGs: *SG, SJ, BEPA, BUDG, CLIMA, COMP, DEVCO, ECFIN, EMPL, ENER, ENTR, ENV, ESTAT, JRC, MARKT, OLAF, REGIO, RTD, SANCO, TRADE*

2. Public Consultation

- 517 contributions + Conference for stakeholders
- Strong CAP based on two pillars
- Focus on targeting, greening and better integration with other policies

3. Impact Assessment Board opinion

- Recognises the amount of analysis conducted and an open process
- Main issues addressed in revised document: description of sub-options, simplification, monitoring and evaluation

Methodology

1. Internal analysis and studies

- Combination of agricultural market outlook projections and simulation of impacts at macro and micro level (FADN)
- International workshop on market outlook prospects and uncertainties

2. Contributions from the Steering Group members

- Thematic working groups, led by different DGs
- Economic and prospective studies (JRC)

3. Evaluations and research projects

- Both quantitative and qualitative information (e.g. RD mid-term evaluations)
- Listed in annex 11

Structure of the report

1. **The CAP impact assessment process**
2. **Policy context, problem definition and EU value added**
3. **Objectives**
4. **Policy scenarios**
5. **Analysis of impacts**
6. **Comparing the scenarios with respect to objectives and impacts**
7. **Monitoring and evaluation**
8. **List of annexes** →
9. **List of thematic groups**

1. **Situation and Prospects for EU Agriculture and Rural Areas**
2. **Greening the CAP**
3. **Direct payments**
4. **Rural Development**
5. **Market Measures**
6. **Risk Management**
7. **Research and Innovation**
8. **Simplification**
9. **Report on the Public Consultation**
10. **Impact of Scenarios on the Distribution of Direct Payments and Farm Income**
11. **Methodology; evaluations and research projects relating to CAP**
12. **Developing countries**

Setting reform objectives

Improving:

productivity and competitiveness

- the advisory system and networks (of farmers, advisors, researchers, food operators, consumers etc.) for knowledge creation and transfer
- pro-competitive joint action among farmers and across the food supply chain in order to foster efficient use of resources, product development and marketing
- incentives to use risk management instruments and active prevention strategies

environmental and climate change performance

- increasing the number of agricultural areas which are under agricultural practices providing environmental and climate action benefits and encouraging the take-up of more advanced agri-environmental measures by Member States and farmers

effectiveness and efficiency

- rebalancing the direct payment to better reflect the objectives of income support and improved environmental performance
- reducing the disparities in direct payment support levels between Member States and farmers
- reducing administrative burden for farmers and managing authorities of existing tools without watering down their efficiency and effectiveness

Building policy scenarios

Adjustment

Continue the reform process by introducing further gradual changes while adjusting the most pressing shortcomings (e.g. more equity in the distribution of direct payments)

Integration

Capture the opportunity for reform ensuring that CAP becomes more sustainable and balanced (between policy objectives, MS and farmers) through more “green” targeted measures

Re-focus

More fundamental reform focusing entirely on environmental and climate change objectives through rural development, moving away from income support and most market measures

Key results - Comparison of scenarios by impact

		Adjustment	Integration	Re-focus
Economic	Sector output	+++	++	+
	Competitiveness (short/ long term)	++/+	+ /+++	+++
	Response to crisis	++	+++	+
Social	Employment	+++	++	+
	Income	+++	++	+
	Territorial cohesion	++	+++	+
Environmental	Territorial coverage	++	+++	+
	Targeted measures	+	++	+++
	Long term sustainability	++	+++	+
Simplification		++	+	+++

Key results - Comparison of scenarios by objective

	Adjustment	Integration	Re-focus
Viable food production	++	+++	+
Sustainable management of natural resources and climate action	+	+++	++
Balanced territorial development	++	+++	+
EU value added	++	+++	+
Cost effectiveness	+	++	+

Monitoring and evaluation (possible impact indicators)

Europe 2020: SMART – SUSTAINABLE (resource Efficiency) – INCLUSIVE			
CAP: Maintain sustainable agriculture throughout the EU			
General objectives	Viable food production	Sustainable management of natural resources and climate action	Balanced territorial development
Impact indicators	<p>Agricultural income 1) development 2) compared to rest of the economy</p> <p>Agricultural productivity 1) development 2) compared to rest of the world</p> <p>Price stability (agri and food) 1) terms of trade 2) growth in food sector 3) trade balance; share of high value added products in exports</p>	<p>Greenhouse gas emissions (including carbon sequestration)</p> <p>Soil organic matter and erosion</p> <p>Biodiversity 1) farmland birds index 2) HNV farmland areas 3) water quantity and quality</p>	<p>Employment in rural areas 1) poverty in rural areas 2) GDP per capita in rural areas (compared to rest of the economy)</p>

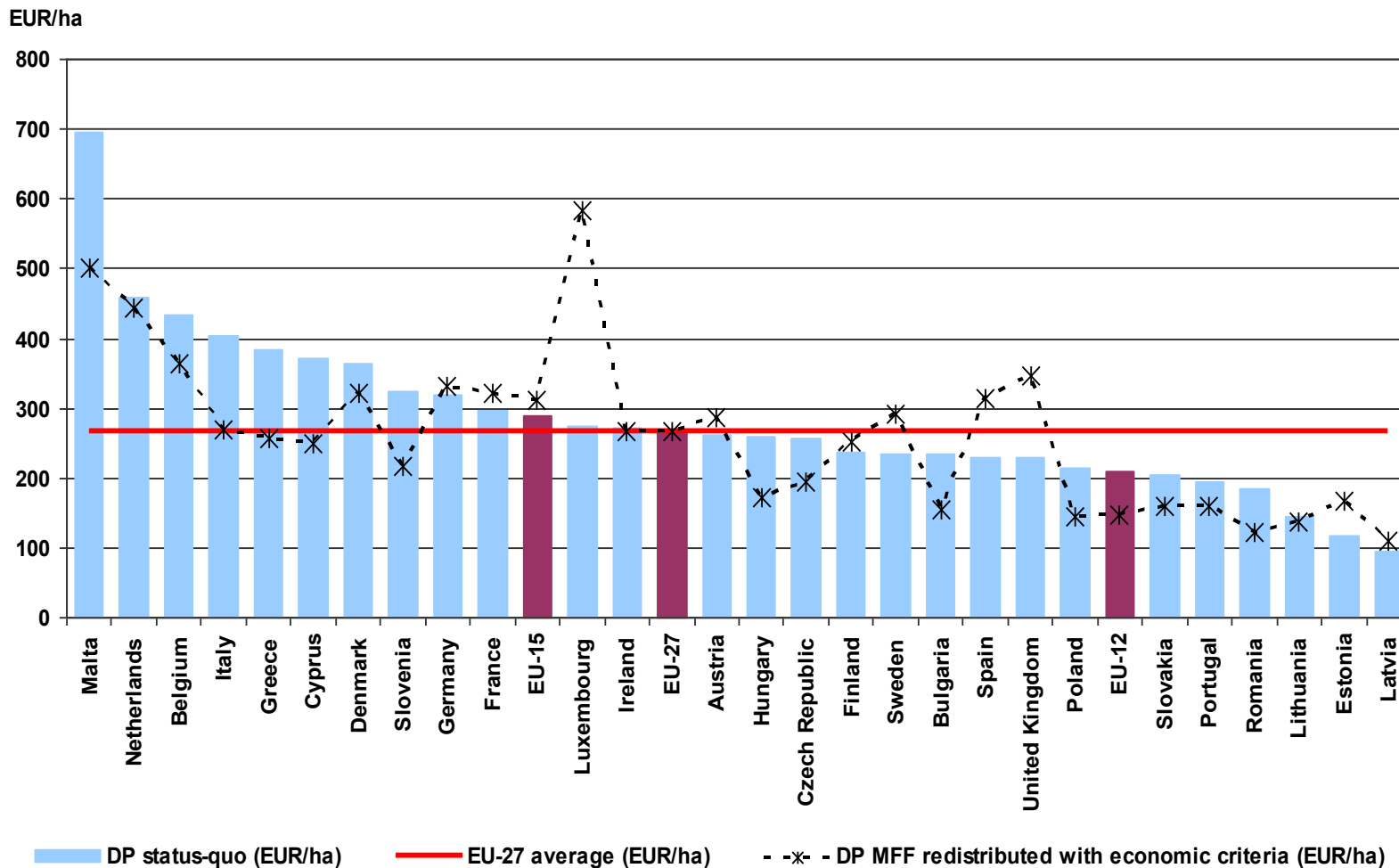
Part II



Direct payments – redistribution scenarios

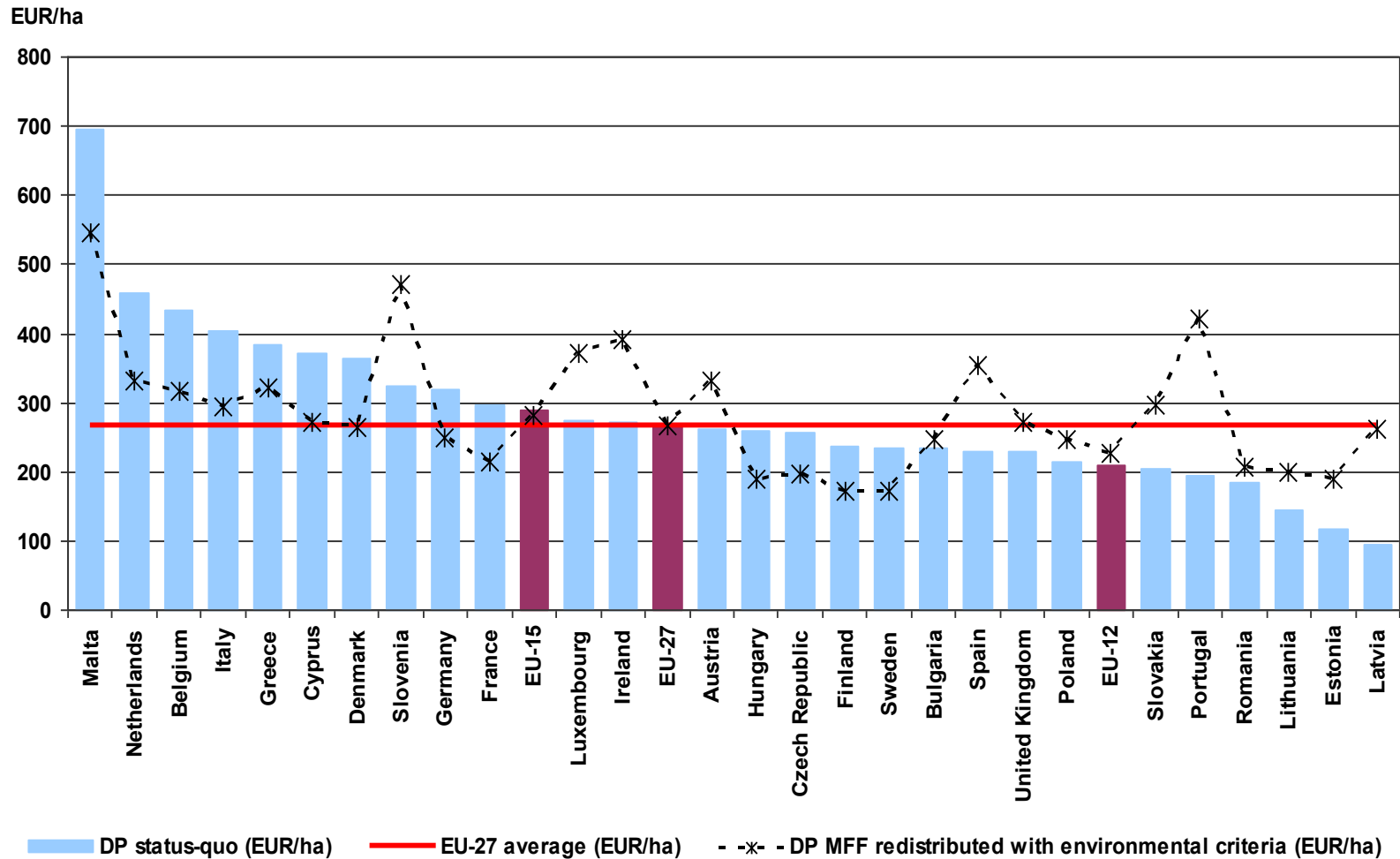


Redistribution of DP – economic criteria



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020' (budget data from the MFF Communication - COM (2011) 500 (excluding cotton and POSEI); hectares of potentially eligible area in 2009)

Redistribution of DP – environmental criteria

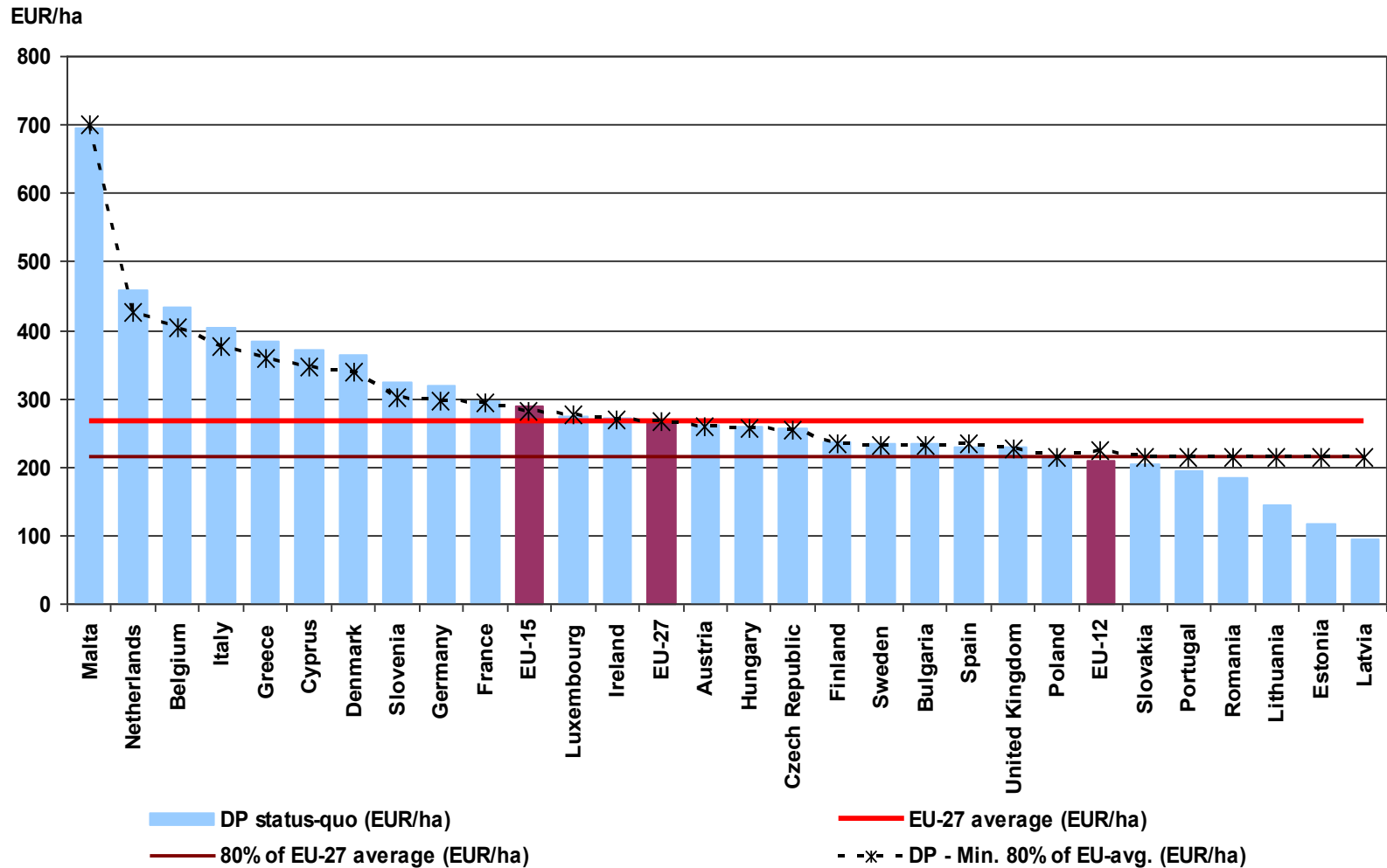


Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020' (budget data from the MFF Communication - COM (2011) 500 (excluding cotton and POSEI); hectares of potentially eligible area in 2009)

Impact of the different criteria compared to the flat rate

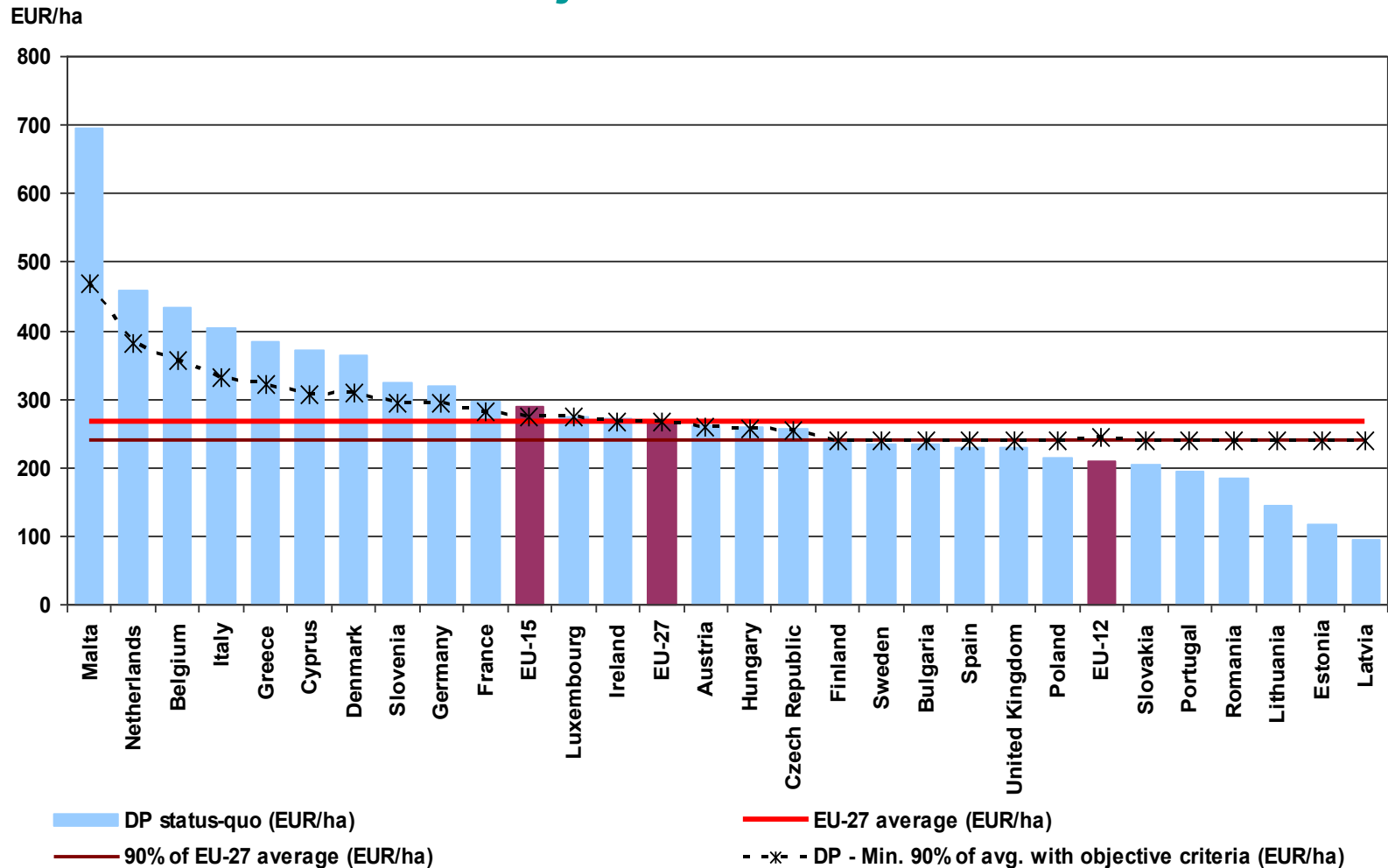
	PPS	GDP/cap	GVA/ha	AWU/ha	LFA / UAA	Natura 2000 / UAA	Permanent grassland / UAA
BE	++	++	++	-	--	-	+
BG	--	--	-	++	--	++	--
CZ	--	-	--	--	-	-	-
DK	++	++	--	--	--	--	--
DE	+	++	-	--	-	-	-
EE	-	--	--	--	-	++	-
IE	+	++	--	--	++	--	++
EL	-	-	+	+	++	++	--
ES	-	+	+	--	++	+	+
FR	+	+	-	--	-	-	-
IT	+	+	++	+	-	+	-
CY	-	-	++	++	+	++	--
LV	--	--	--	+/-	++	+/-	+
LT	--	--	--	-	+	-	-
LU	++	++	-	--	++	+	++
HU	--	--	-	+/-	--	++	--
MT	-	--	++	+/-	++	--	--
NL	+	++	++	+/-	--	--	+
AT	++	++	-	+/-	+	-	++
PL	--	--	-	++	+	+	--
PT	-	--	-	+	++	+	++
RO	--	--	+	++	--	-	+/-
SI	-	-	+	++	++	++	++
SK	--	--	--	--	+	++	--
FI	++	++	--	--	++	++	--
SE	+	++	--	--	-	++	--
UK	-	++	--	--	-	--	--

Redistribution of DP – minimum 80% of EU-27 average



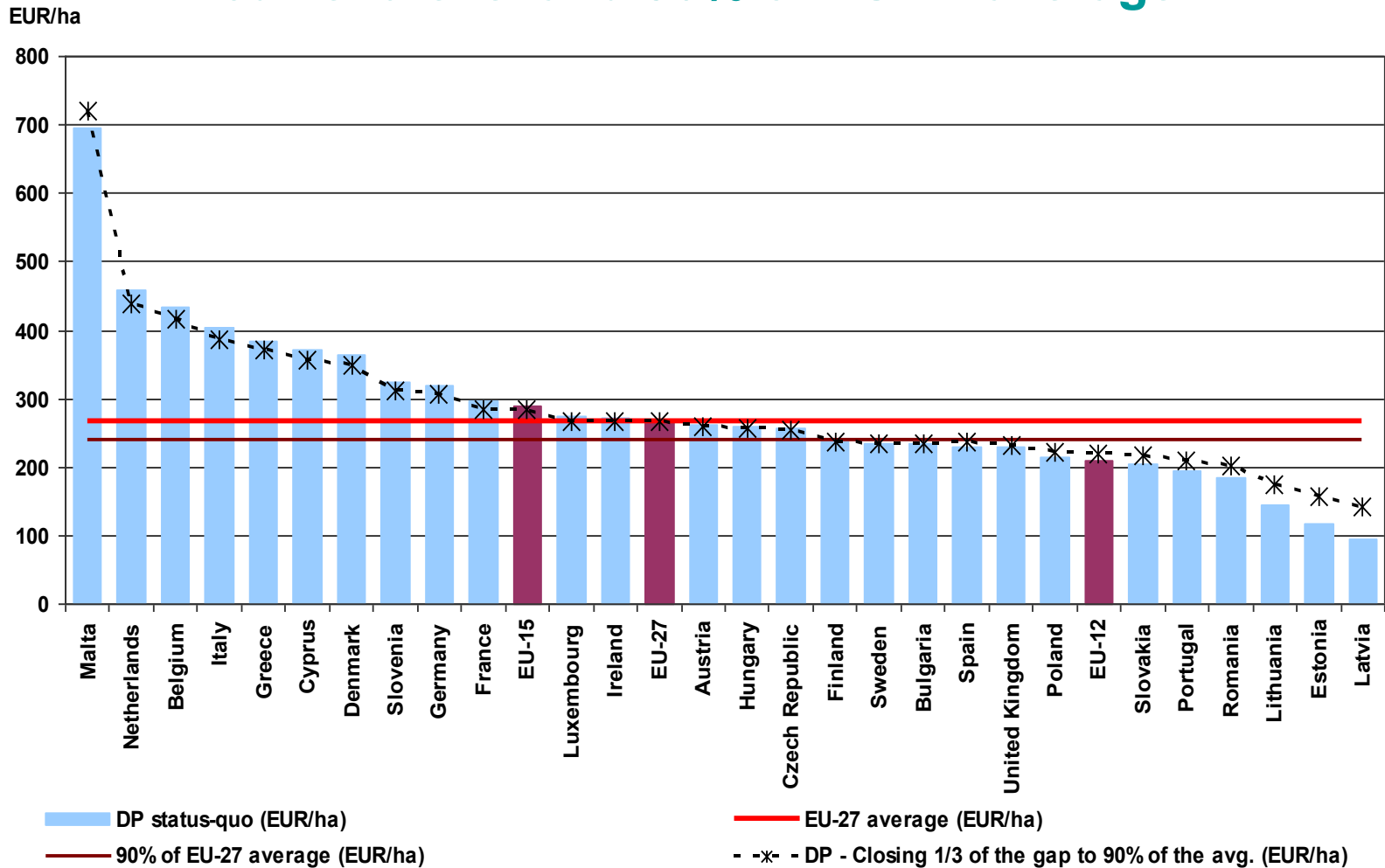
Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020' (budget data from the MFF Communication - COM (2011) 500 (excluding cotton and POSEI); hectares of potentially eligible area in 2009)

Redistribution of DP – minimum 90% of EU-27 average with objective criteria



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020' (budget data from the MFF Communication - COM (2011) 500 (excluding cotton and POSEI); hectares of potentially eligible area in 2009)

Redistribution of DP – closing 1/3 of the gap between current level and 90% of EU-27 average

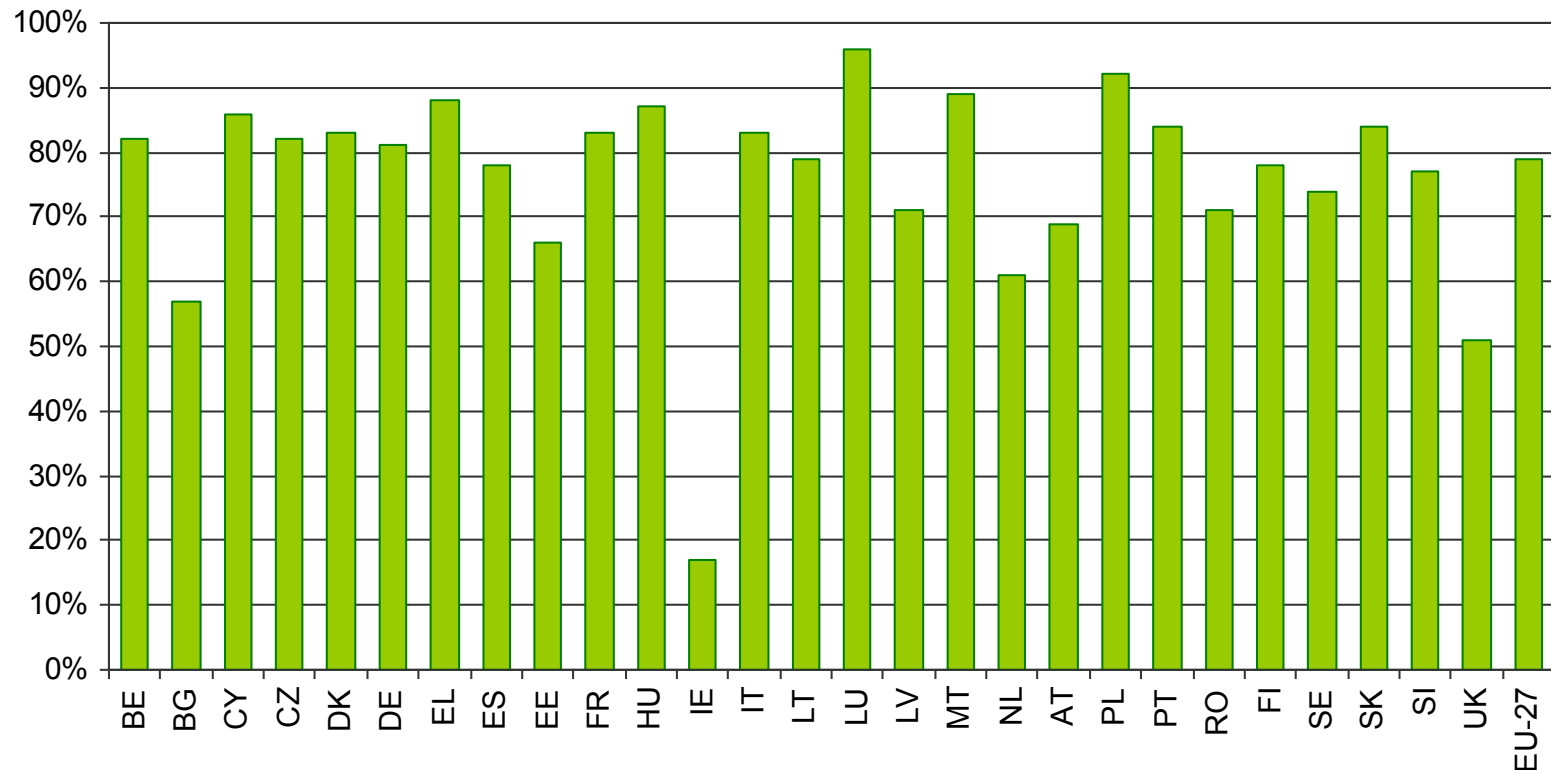


Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020' (budget data from the MFF Communication - COM (2011) 500 (excluding cotton and POSEI); hectares of potentially eligible area in 2009)

Direct payments – greening

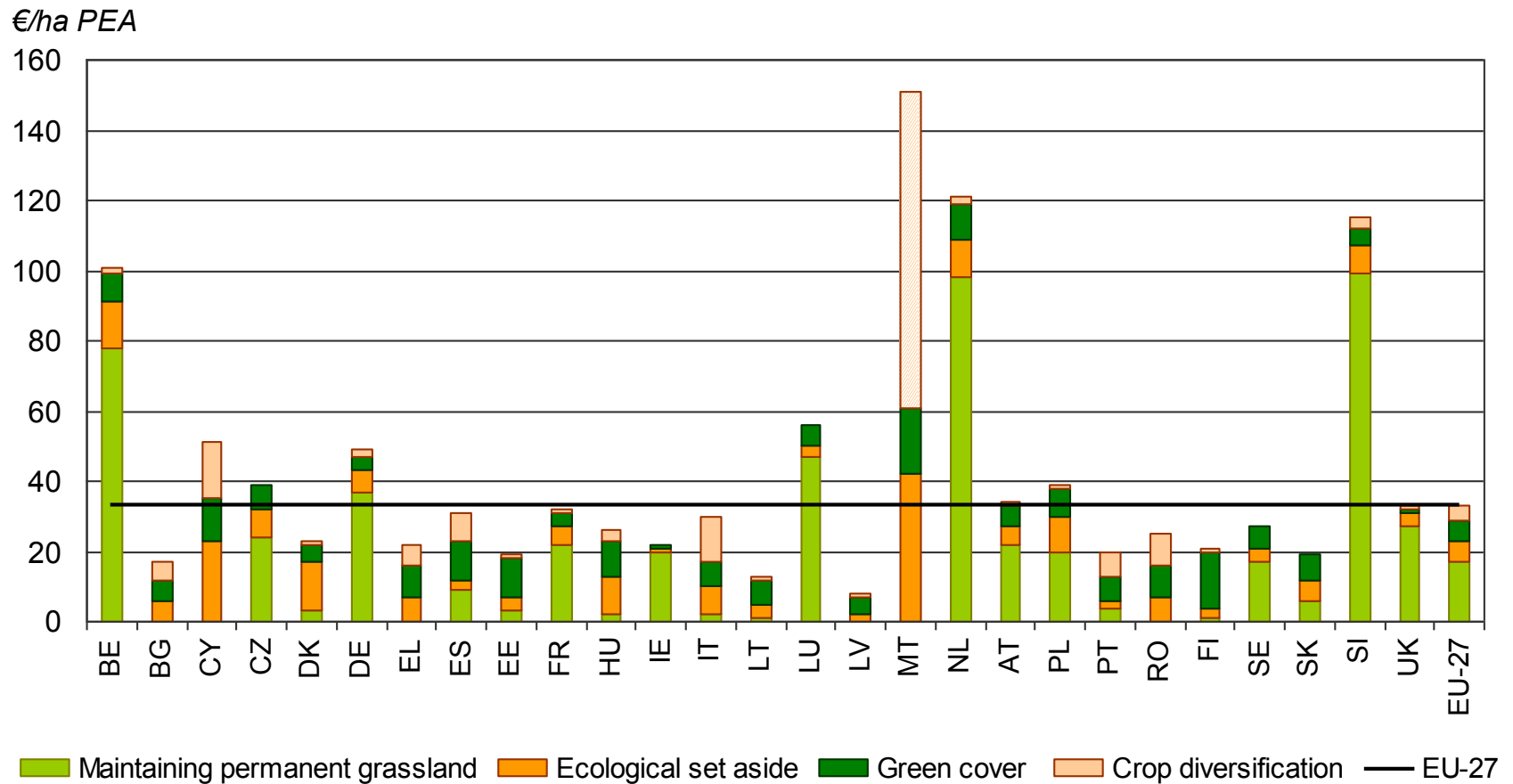


Greening: Share of farms bearing the costs of greening measures



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

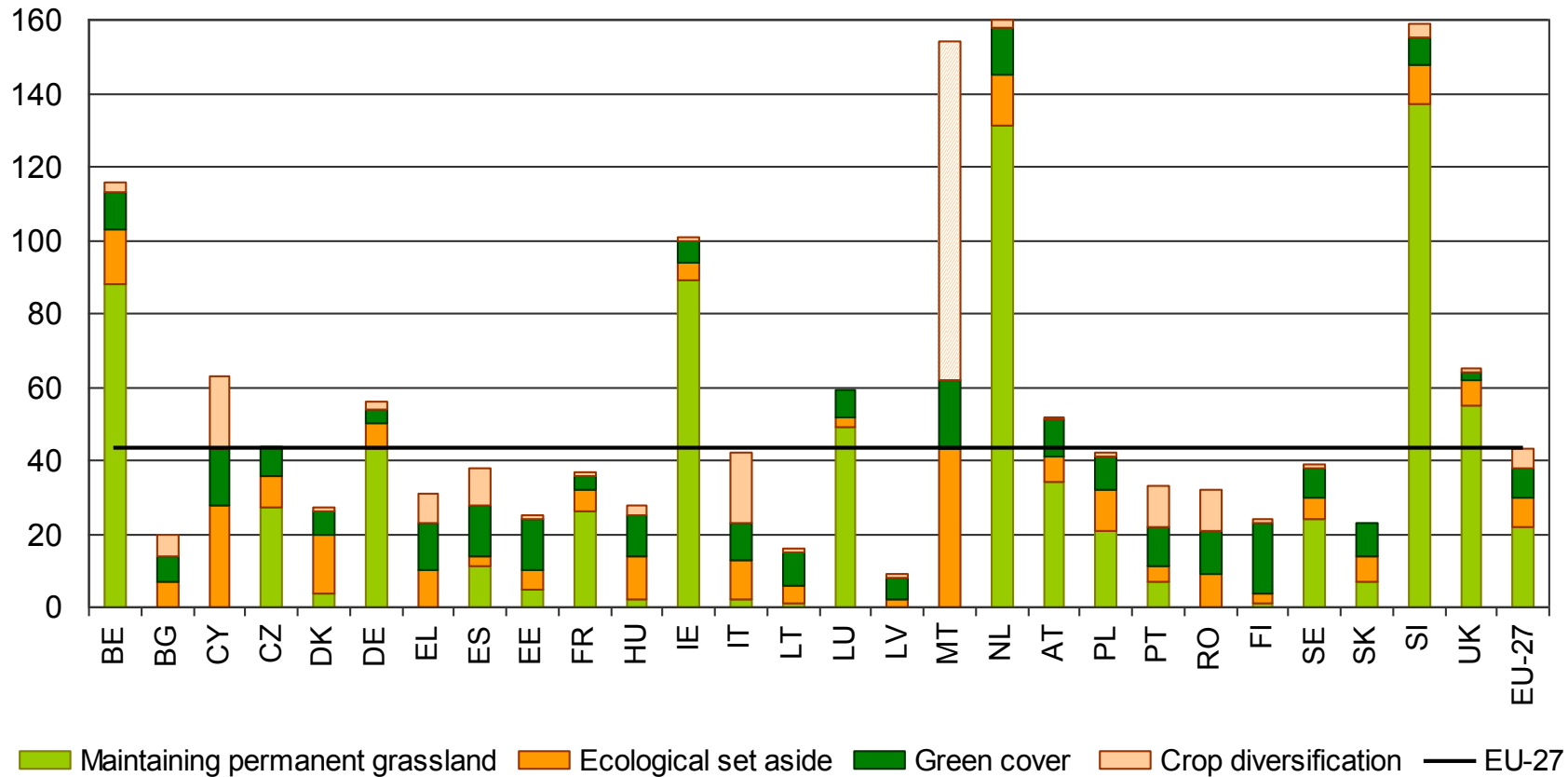
Greening: Average total cost of greening per MS



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

Greening: Average total cost of greening per MS – only for farms which bear a cost

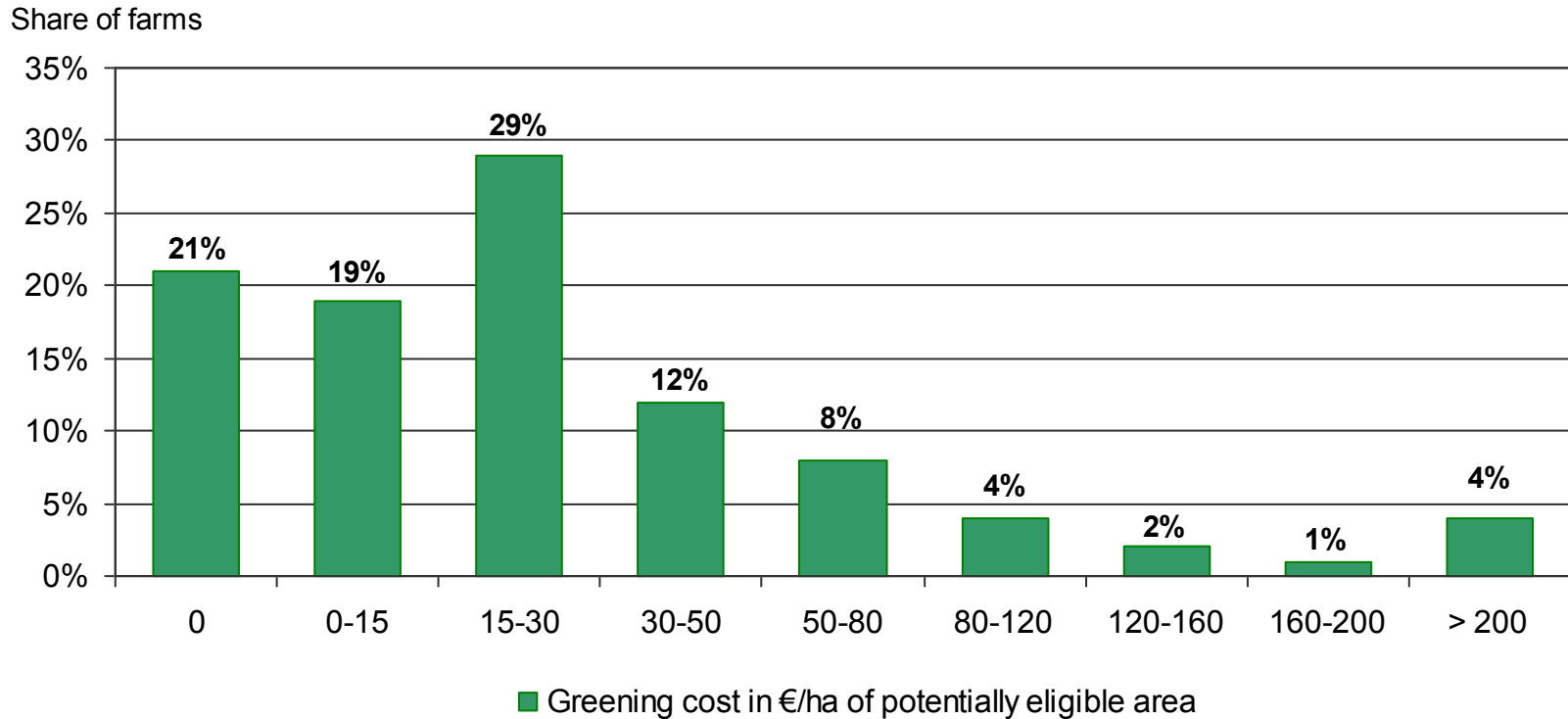
€/ha PEA



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

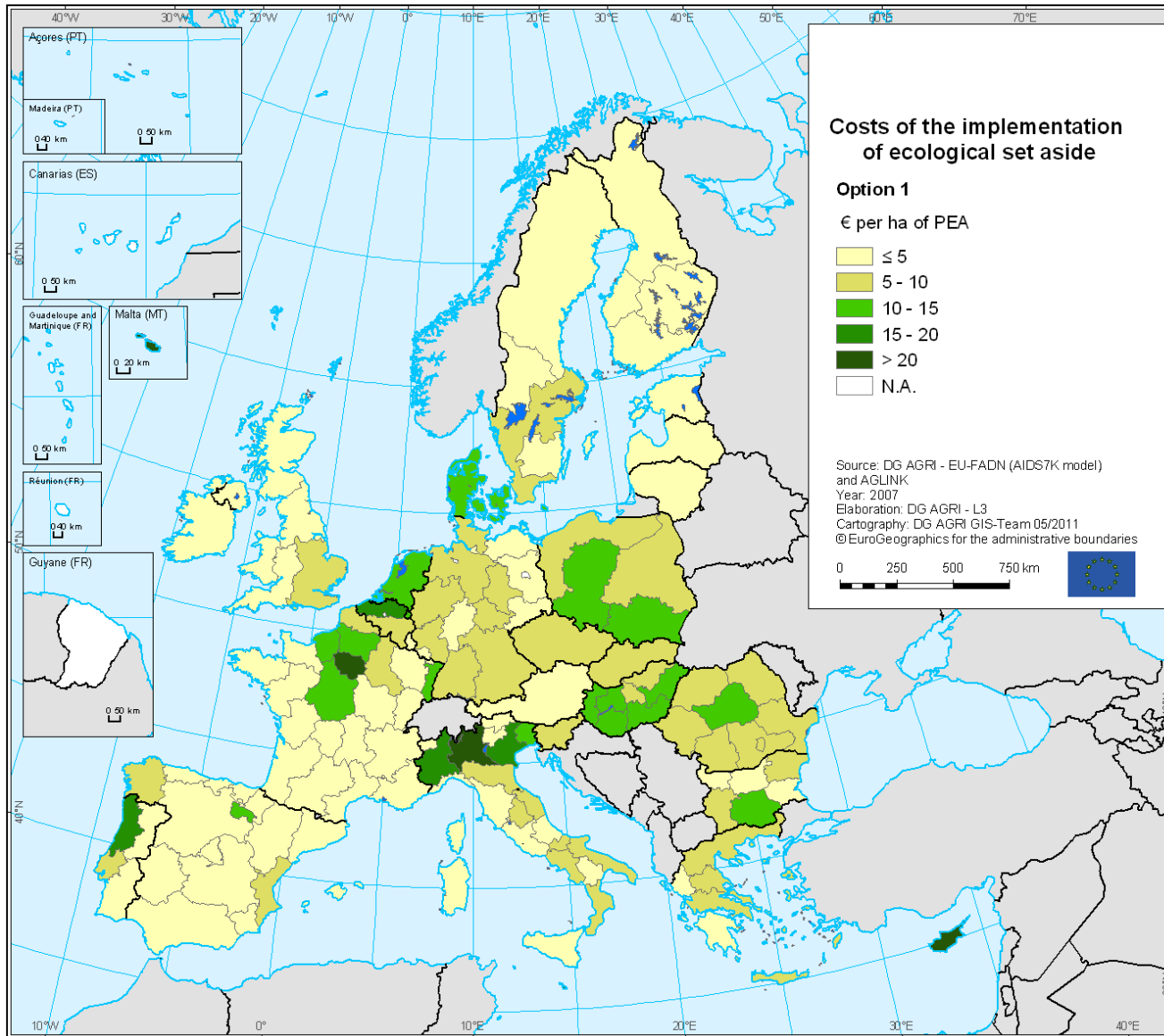
Greening: The distribution of farms according to greening costs

Share of farms by class of greening cost per ha of PEA - EU-27 (option 1)

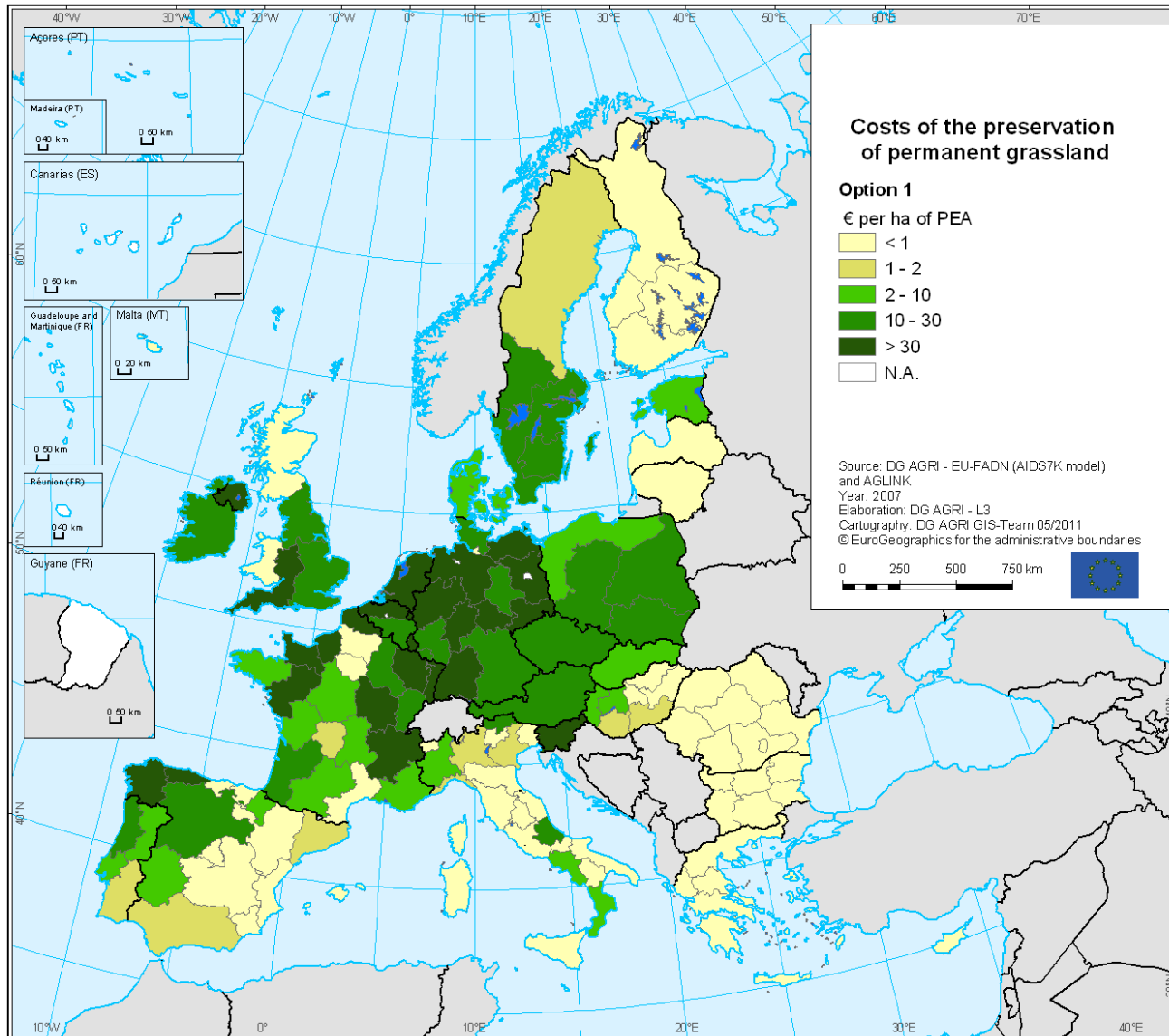


Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

Estimated cost for ecological set-aside



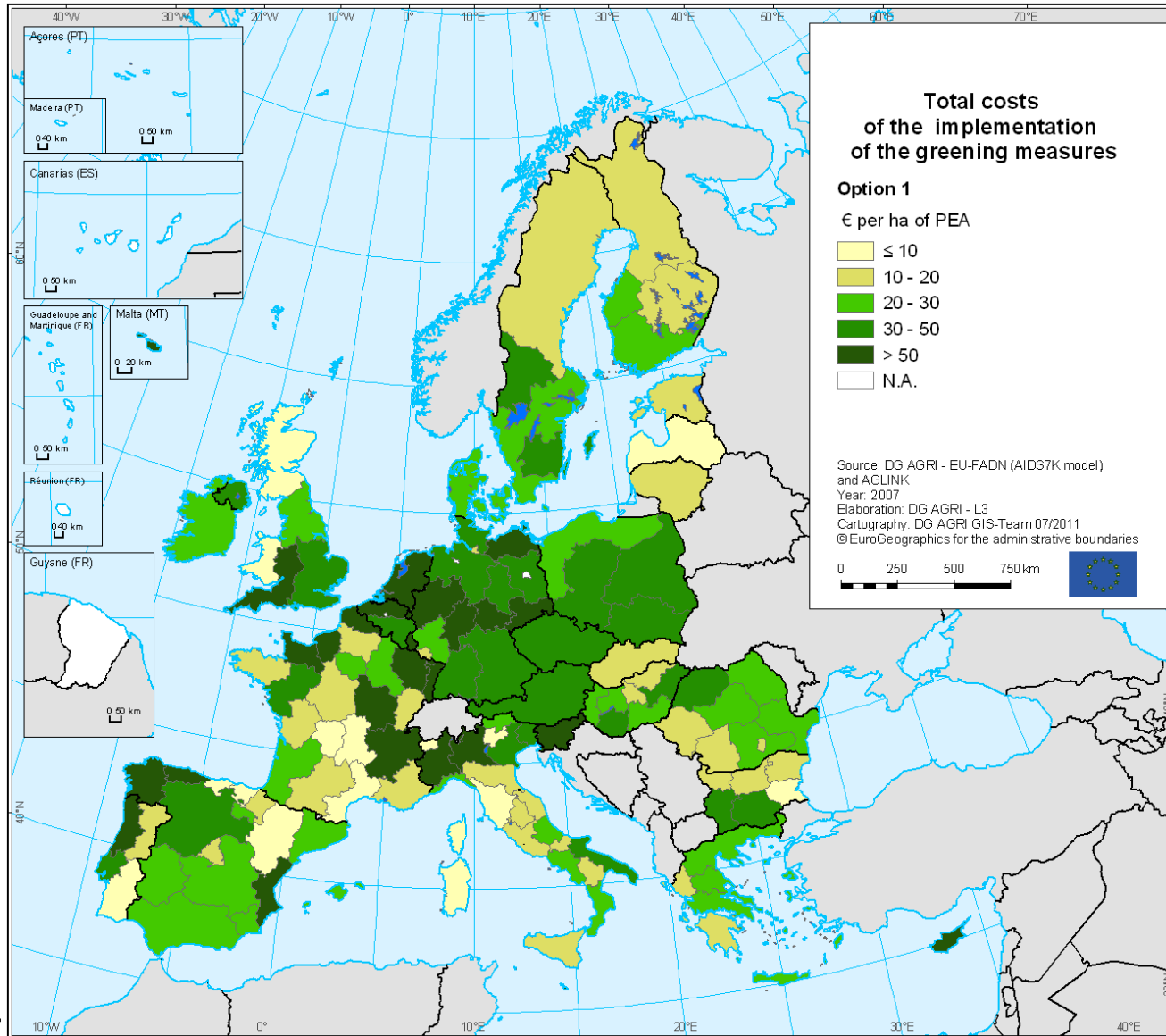
Estimated cost for maintaining permanent grassland



**European
Agriculture and
Rural Development**

Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

Total cost for greening



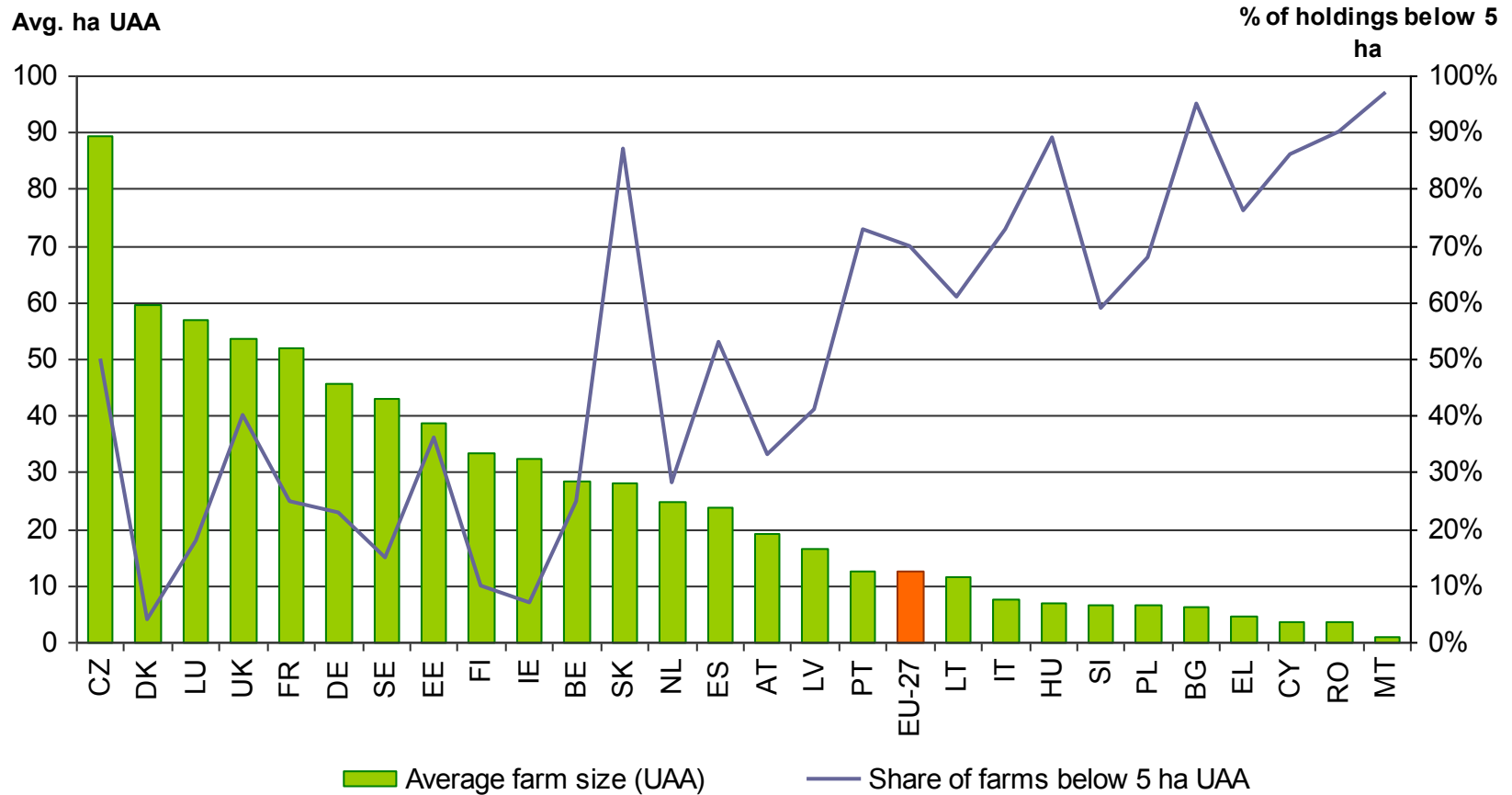
European
Agriculture
Rural Development

Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

Direct payments – small farmers

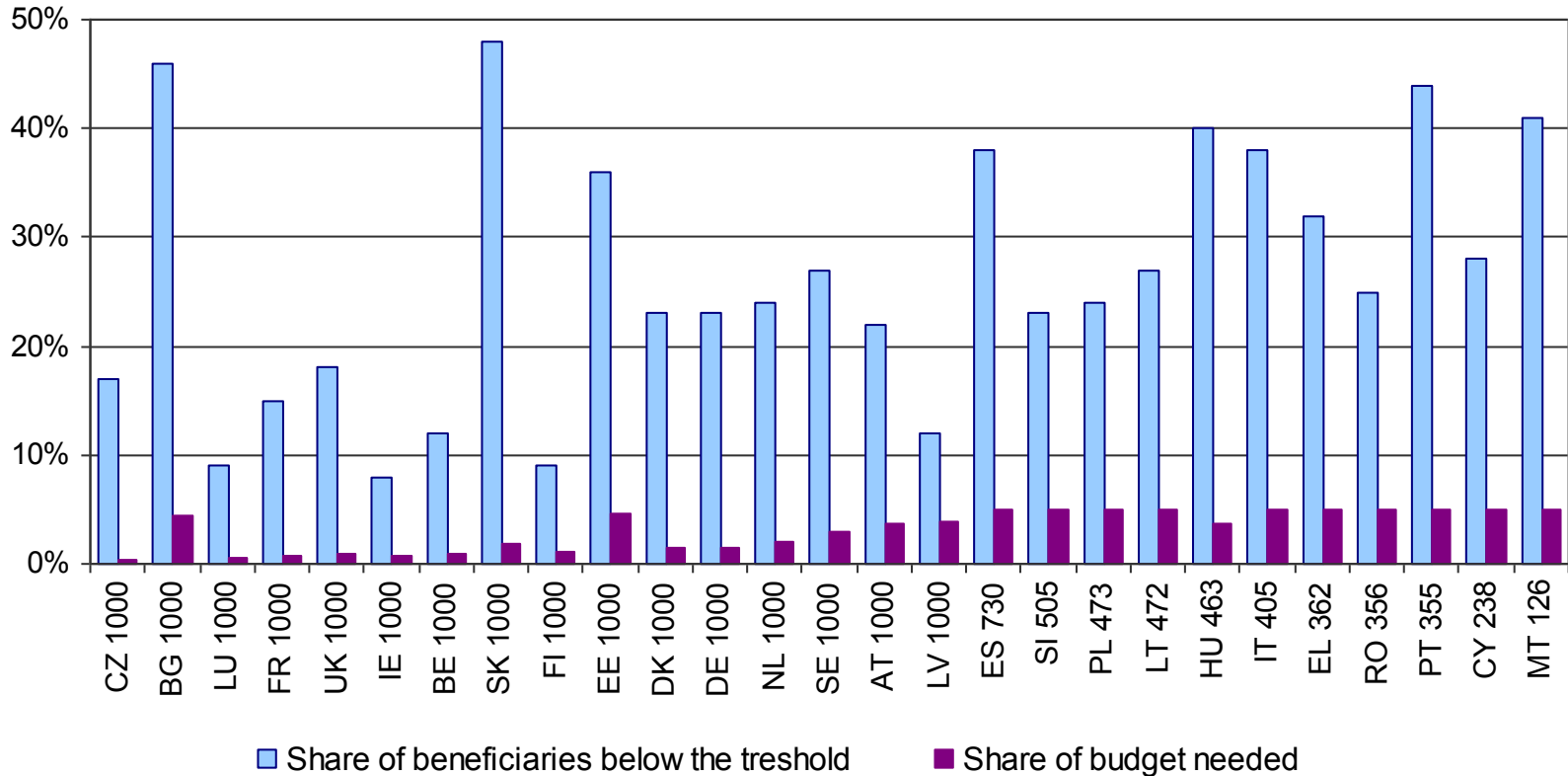


Average farm size and farms below 5 ha UAA



Source: Eurostat, Farm Structure Survey 2007

Budget and number of beneficiaries in the scheme for small farmers (5% budget)



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020' (own calculation using CATS data for financial year 2009)

Direct payments – young farmers



Impact of Young Farmer Scheme (YFS) with a lump-sum support

	number of farmers concerned by YFS*	average farm size of young farmers	average farm size in MS	YFS payment per farmer**	YFS in share of total DP budget
	N°	ha	ha	€	%
BE	369	37,8	28,6	2.887	0,20%
BG	1.890	17,8	6,2	1.039	0,24%
CZ	337	77,7	89,3	4.950	0,19%
DK	365	74,1	59,7	5.135	0,21%
DE	4.001	43,9	45,7	3.375	0,26%
EE	142	70,6	38,9	1.521	0,16%
IE	1.011	44,8	32,3	2.161	0,18%
GR	6.233	10,1	4,7	918	0,28%
ES	5.513	35,0	23,8	1.485	0,16%
FR	3.977	90,3	52,1	3.763	0,20%
IT	6.721	12,3	7,6	1.158	0,20%
CY	173	5,4	3,6	472	0,16%
LV	873	20,1	16,5	711	0,28%
LT	1.438	17,7	11,5	772	0,24%
LU	18	82,4	56,9	3.922	0,21%
HU	4.592	8,9	6,8	575	0,20%
MT	50	0,9	0,9	156	0,16%
NL	564	27,9	24,9	2.638	0,19%
AT	1.939	19,0	19,3	1.234	0,34%
PL	27.489	7,5	6,5	414	0,36%
PT	768	27,0	12,6	1.298	0,16%
RO	19.720	2,9	3,5	147	0,15%
SI	394	9,2	6,5	716	0,20%
SK	315	45,3	28,1	1.512	0,12%
FI	688	42,2	33,6	1.983	0,25%
SE	474	56,4	42,9	2.522	0,17%
UK	1.241	91,5	53,8	3.106	0,10%
EU-27	91.292	17,8	12,6	986	0,21%
EU-15	33.880	35,3	22,0	1.967	0,20%
EU-12	57.412	7,5	6,0	407	0,25%

* based on figures of young farmers assisted in RD programmes and Eurostat

** 25% of average DP/ha x average farm size of young farmers (with limit of 25 ha in MS whose average size of holding is below 25 ha and limit of average size of holdings in the MS where average holding size is more than 25 ha)

Rural development

Rural development

- **Methodology**

- Largely qualitative analysis on the basis of evaluations, studies, RTD projects
- See also IA for the reform of the structural funds

- **Structure**

- Assessment of **current policy** in the light of **future challenges** and opportunities
- Identification of **main issues** for the reform and formulation of policy options
 - Alignment with Europe 2020
 - Policy delivery, incl. coherence with other policies
 - Budget and distribution
- Analysis of **impacts** for each option on:
 - Agriculture
 - Environment and climate change
 - Socio-economic development of rural areas
- **Distribution** of support: alternative options

Assessment of current policy

State of play on selected output indicators

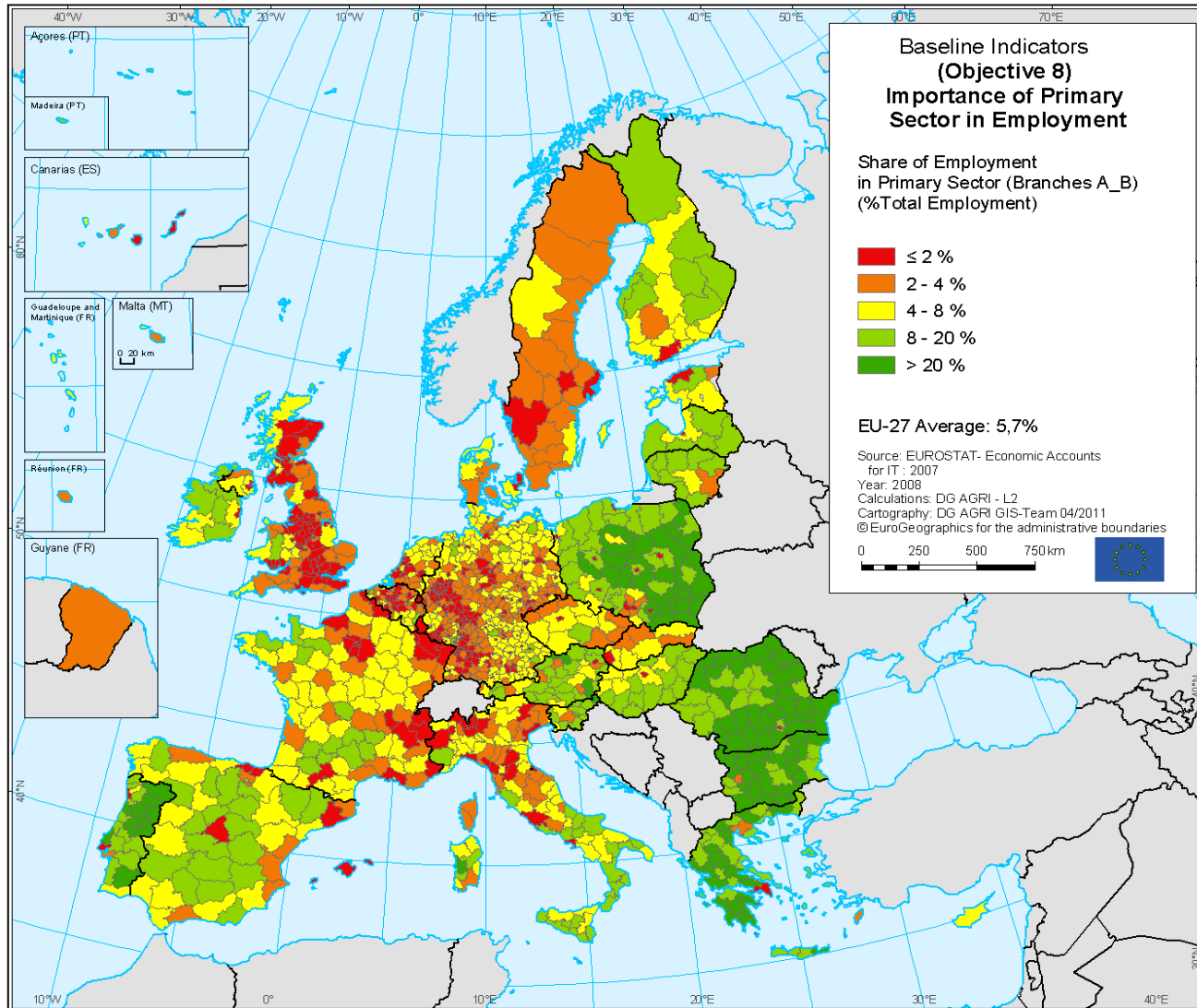
	Measure	Indicator	Total realised 2007-2009	Target 2007-2013	% of target achieved
111	Vocational training and information actions	Number of participants in training	1 136 877	5 258 036	21,6%
121	Modernisation of agricultural holdings	Number of farm holdings supported	105 802	592 700	17,9%
211 212	Payments to farmers in areas with handicaps (Article 36 (a) (i) and (ii) of Reg. (EC) N. 1698/2005)	Number of holdings supported	2 568 319	3 734 832	71,5%
		UAA supported (Ha)	49 005 000	51 700 000	94,8%
214	Agri-environment payments	Physical area supported (Ha)	21 528 713	50 000 000	43,1%
		Number of contracts	1 675 447	2 931 033	57,2%
225	Forest-environment payments	Physical area supported (Ha)	187 257	919 762	20,4%
		Number of contracts	8 747	75 884	11,5%
312	Business creation and development	Number of micro-enterprises supported	6 111	94 700	6,5%
321	Basic services for the economy and rural population	Number of actions supported	8 707	86 651	10,0%

Assessment of current policy

Selected result indicators (targets 2007-2013)

AXIS 1	
Increase in GVA in supported holdings/enterprises (EUR million)	25 900
121 Modernisation of farms	5 362
123 Adding value to agricultural and forestry products	7 839
Number of holdings / enterprises introducing new products and/or new techniques	334
121 Modernisation of farms	172
122 Improving the economic value of forests	50
AXIS 3	
Increase in Non-agricultural gross value added in supported business (EUR million)	3 100
312 Business creation and development	1 491
Gross number of jobs created	307
313 Encouragement of tourism activities	108
Population in rural areas benefiting from improved services (unique number of persons)	71 000
321 Basic services	21 048
322 Village renewal	25 939
Increase in internet penetration in rural areas (unique nbr of persons)	47 060

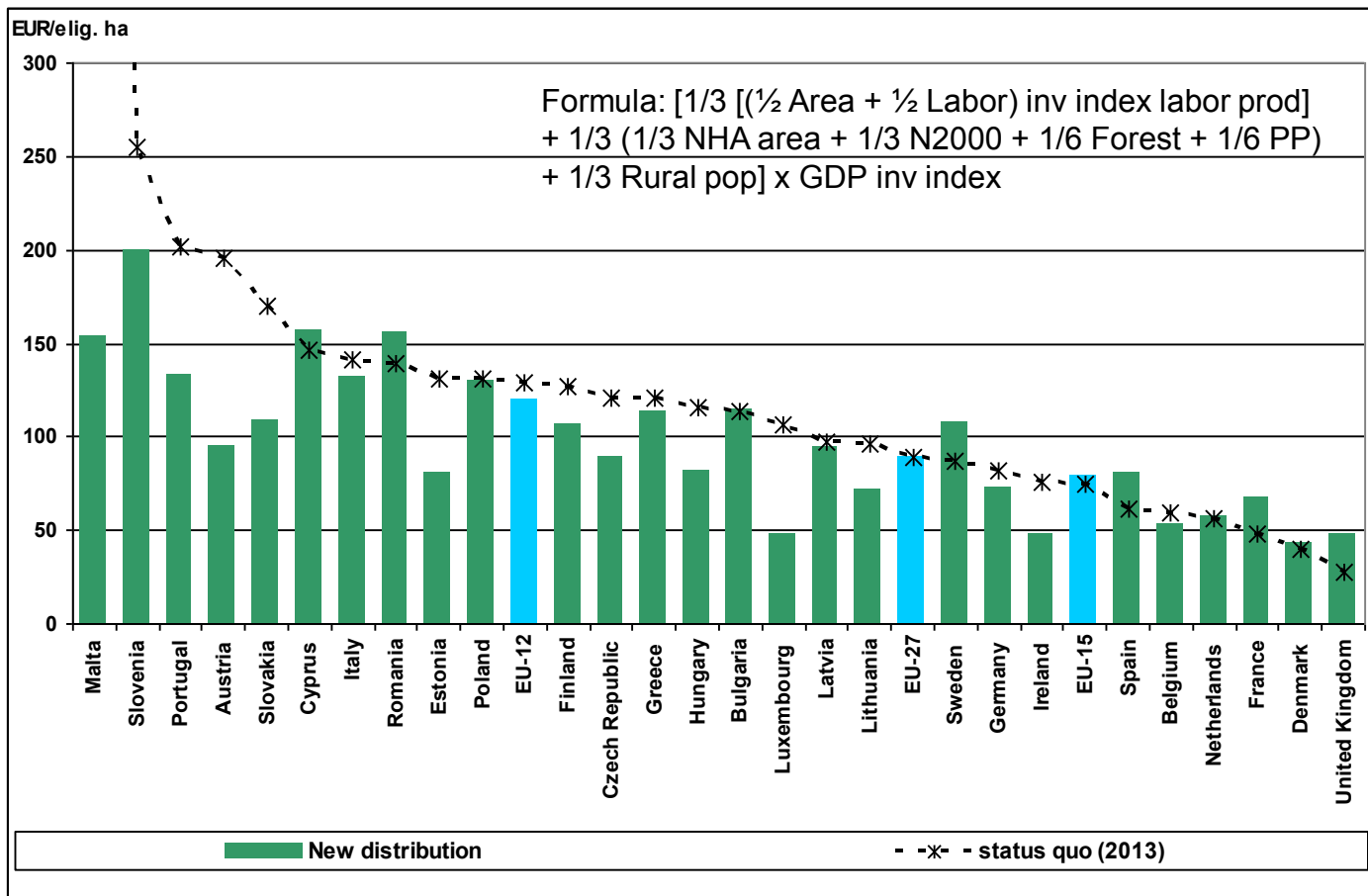
The role of agriculture in rural areas



Distribution

- **Background: Modulation formula**
 - $(0.65 \text{ Area} + 0.35 \text{ Labor}) \times \text{GDP inverse index}$
- **Analysis of different options using a two-fold approach:**
 - Using criteria linked to the policy objectives, such as:
 - Objective 1: Area, Labor, Labor productivity inverse index
 - Objective 2: Area, N2000, NHA, Forest, Permanent pasture areas
 - Objective 3: Rural population, GDP inverse index
 - and
 - Factoring in the current distribution
- **Impact:**
 - Use of objective criteria allows for a better use of budgetary resources
 - Smooth redistribution allows for continuity

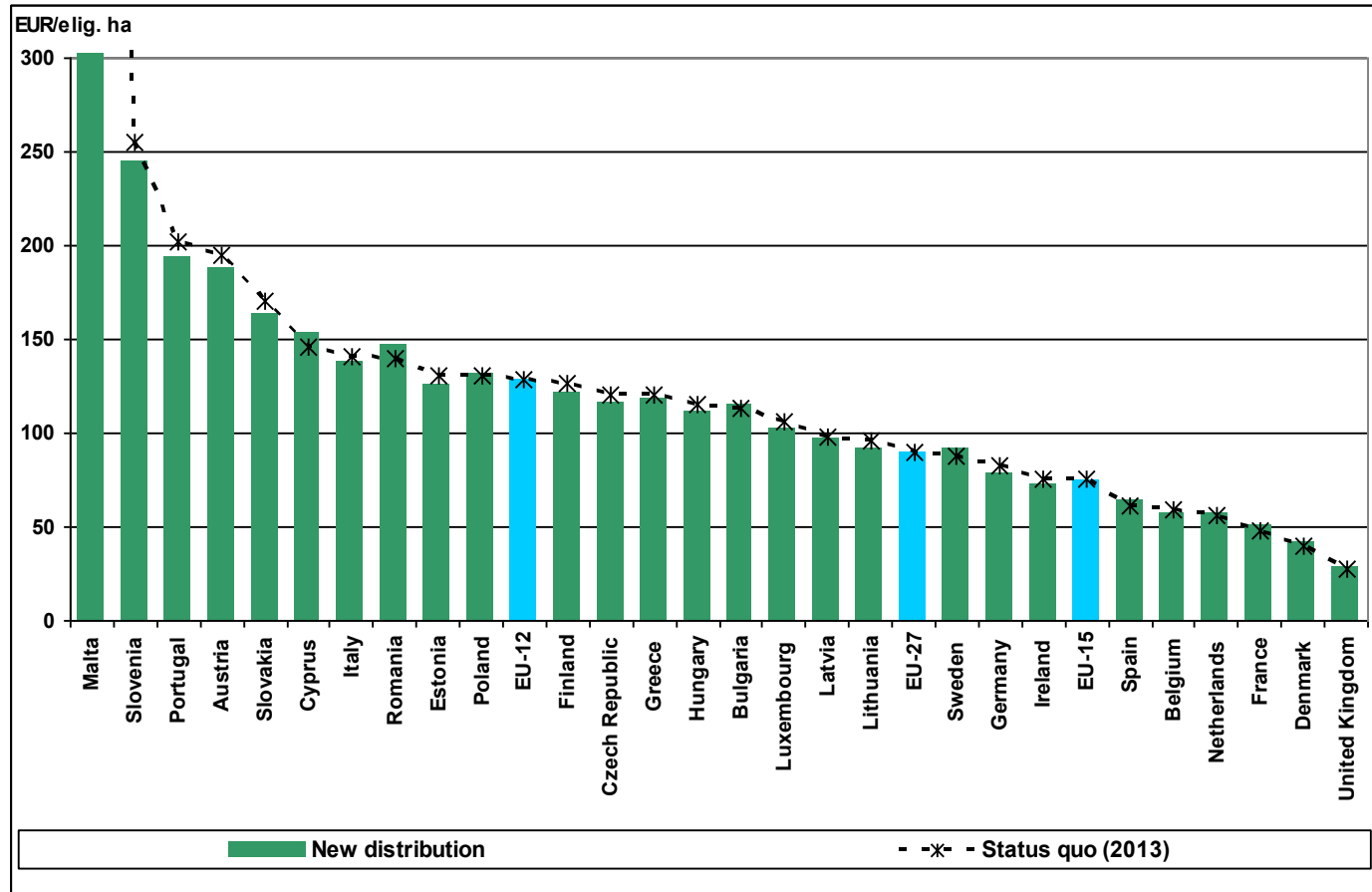
Example: use of objective criteria



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

Note: This distribution key doesn't take into account the transfers made through the market reforms in the tobacco, cotton and wine sectors

Example: Use of objective criteria within 90-110% range and current distribution



Source: European Commission, DG Agriculture and Rural Development – Commission Staff Working Paper 'Impact Assessment – CAP towards 2020'

Thank you



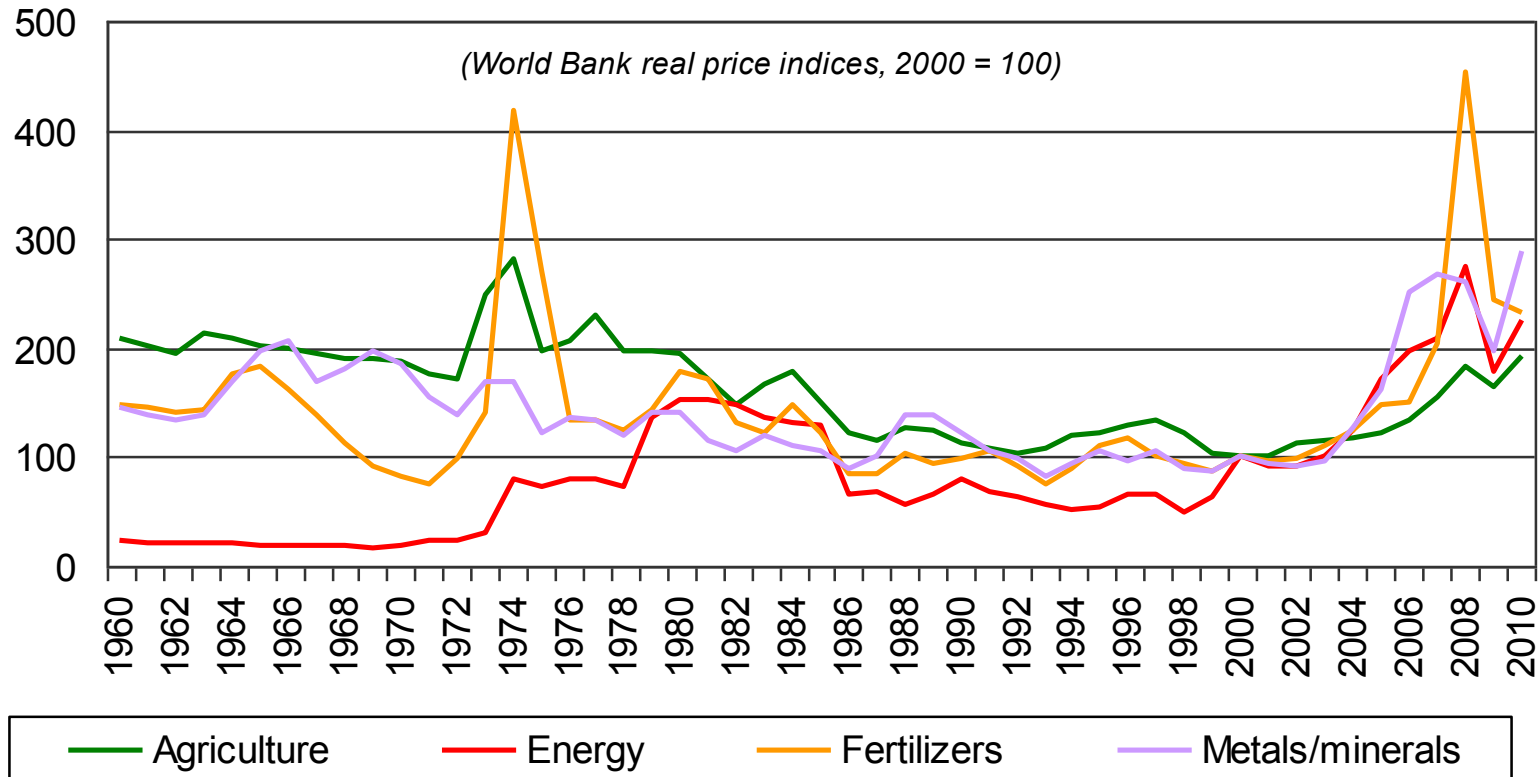
European Commission
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Annexes



Agriculture under growing pressure (1)

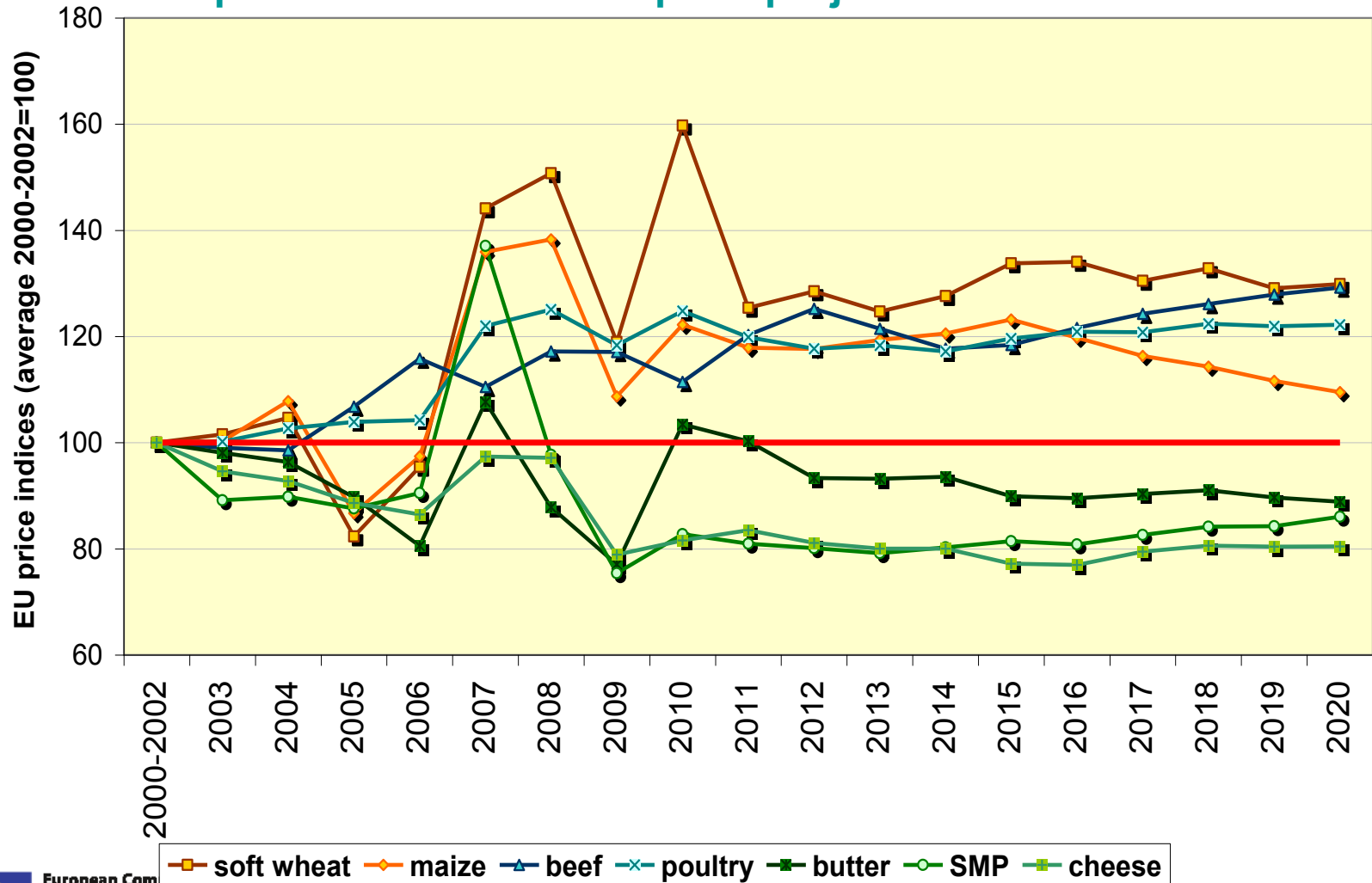
Agricultural and food prices have recently reversed their long-term trends



Source: World Bank

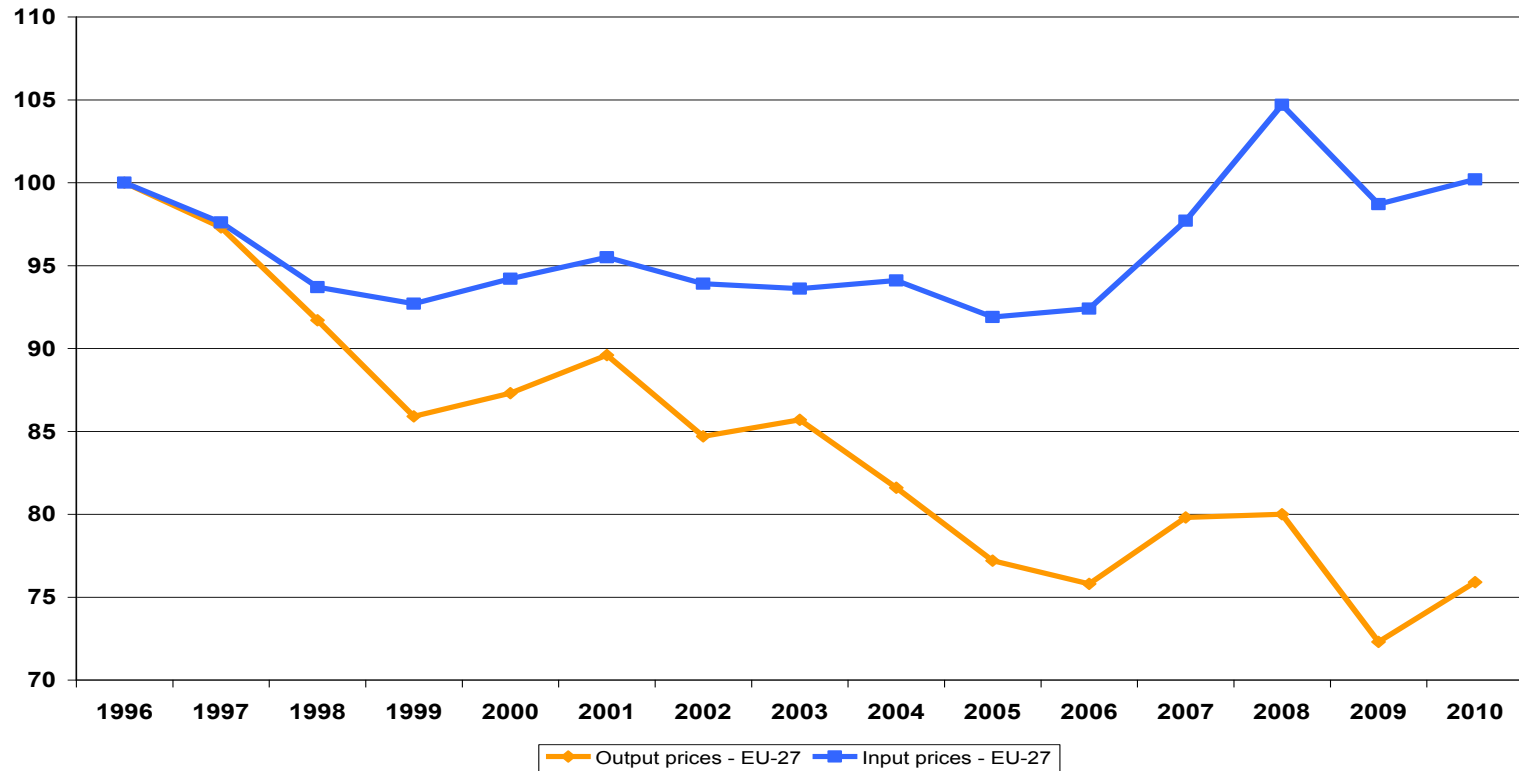
Agriculture under growing pressure (2)

with positive medium-term price projections for the EU ...



Agriculture under growing pressure (3)

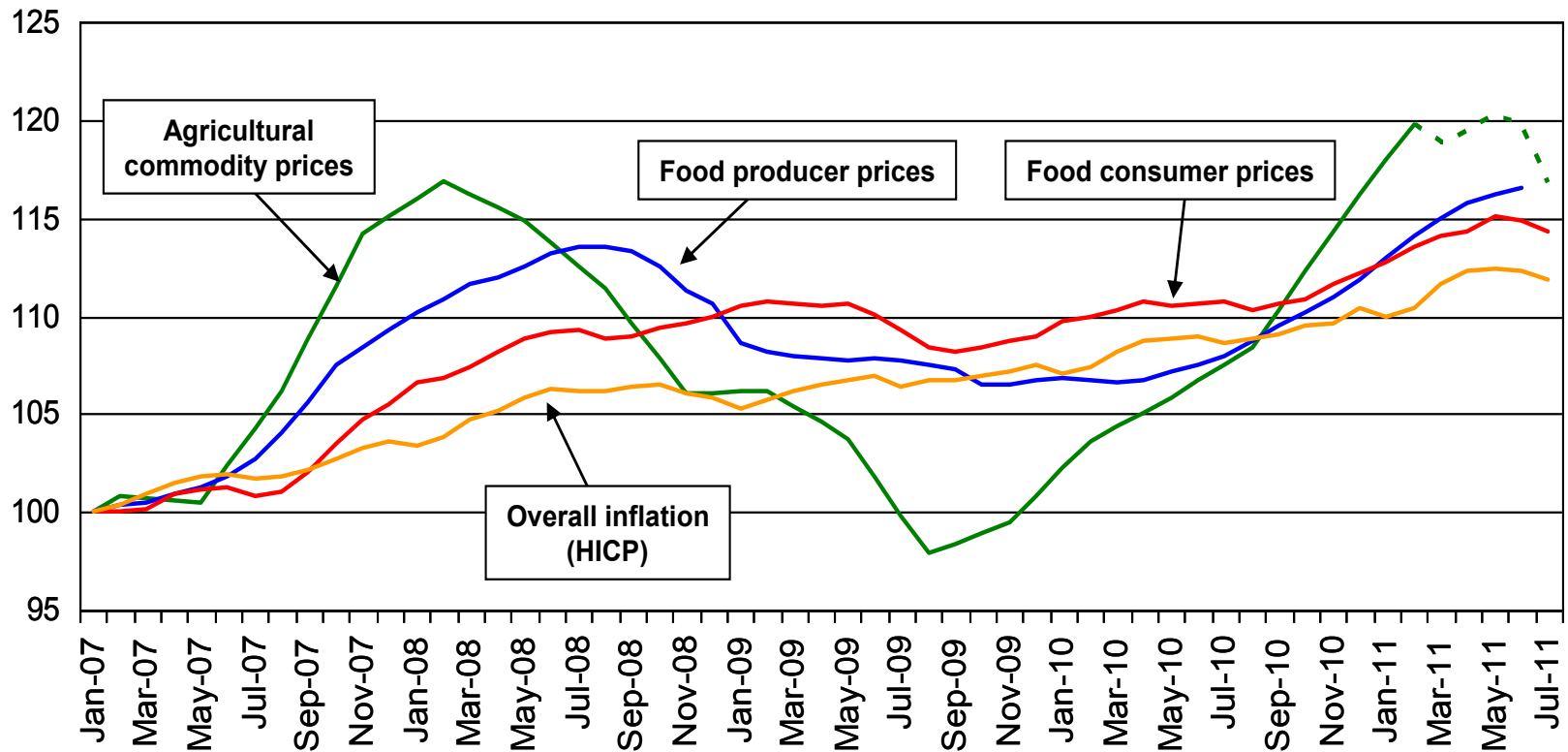
... but deterioration of the sector's terms of trade



Source: Eurostat

Agriculture under growing pressure (4)

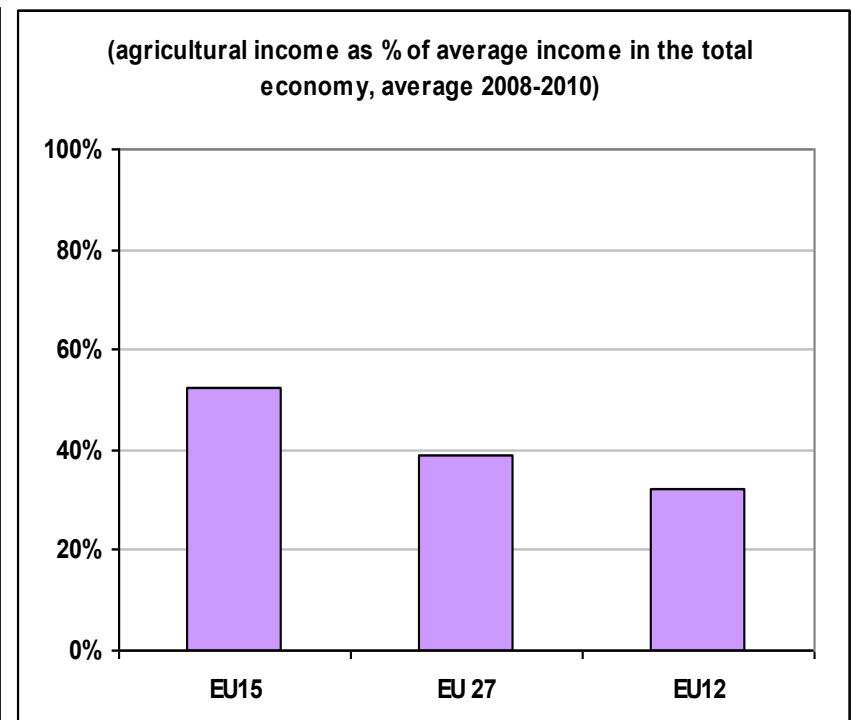
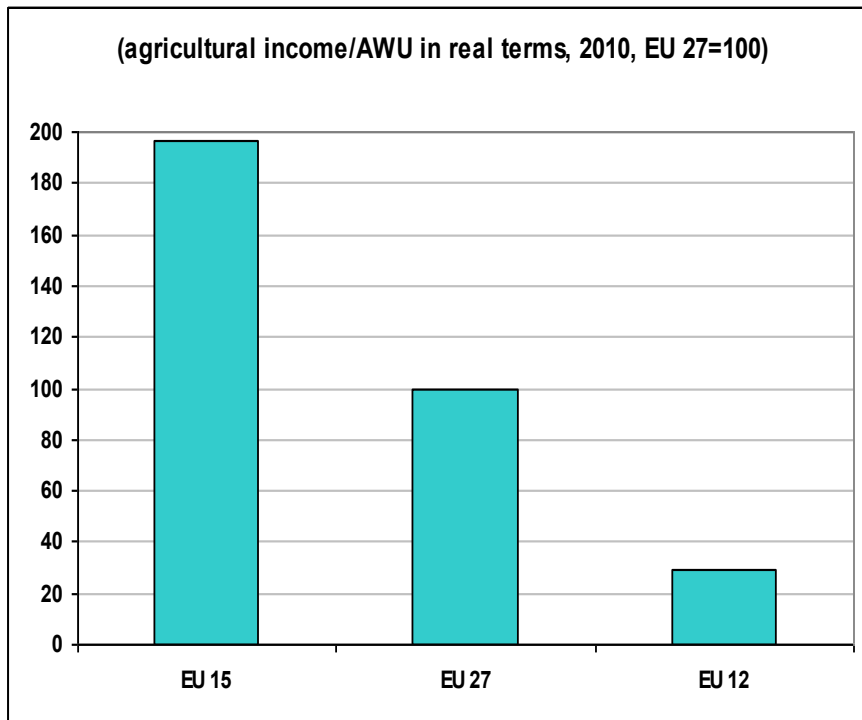
... and difficulties linked to the functioning of the food supply chain



Source: Eurostat

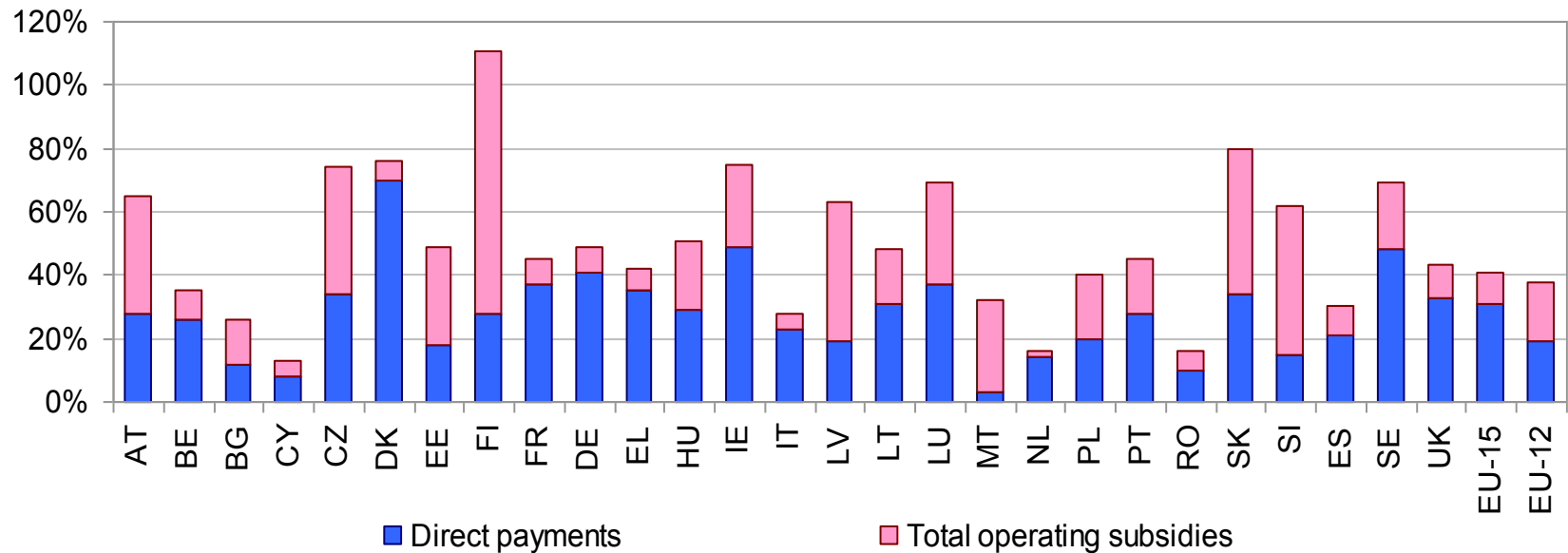
Agriculture under growing pressure (5)

... with direct translation on the income situation



Source: DG Agriculture and Rural Development, based on Eurostat data

Level of direct payments and total operating subsidies as a percentage of agricultural factor income (avg. 2007-2009)



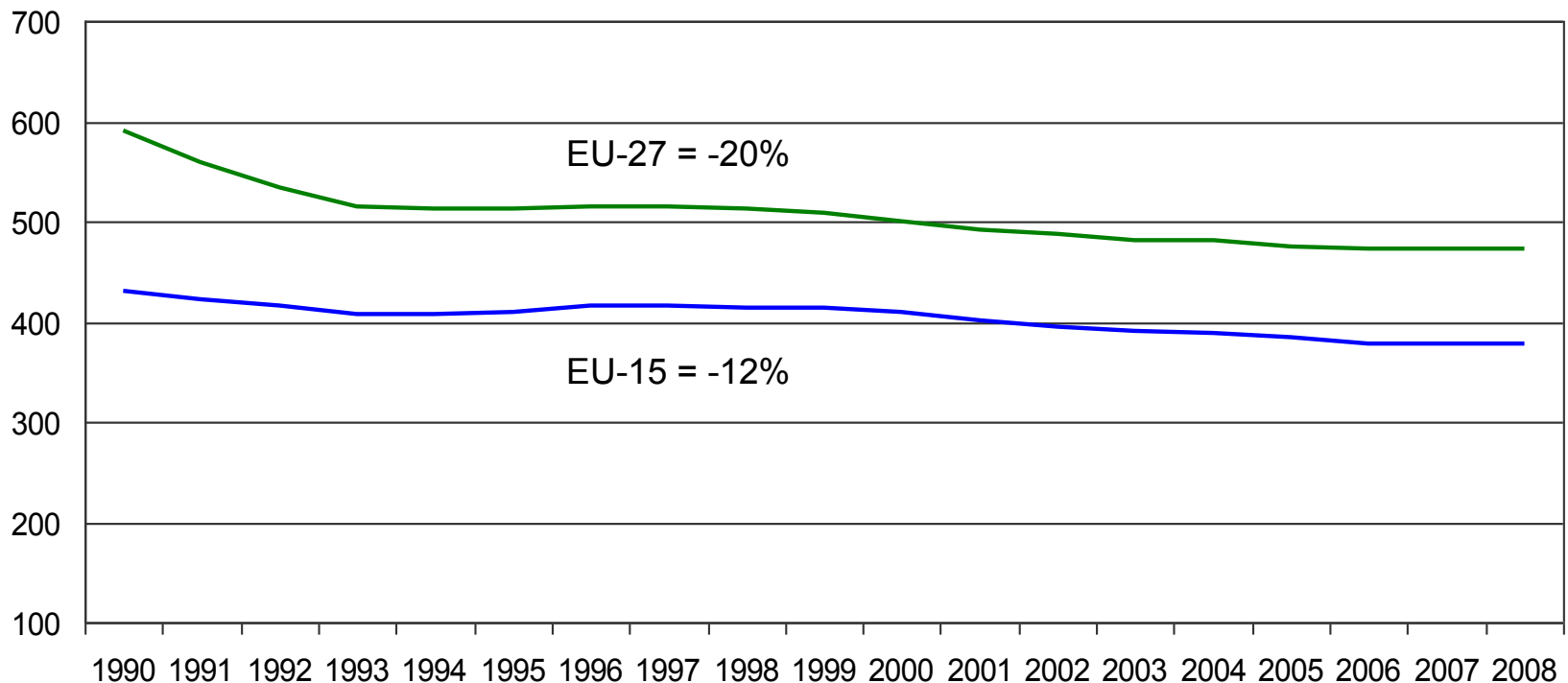
Source: DG Agriculture and Rural Development

Note: Total operating subsidies include state aids granted by Member States

... while having to meet EU ambitions on environment and biodiversity protection, climate action and energy efficiency ...

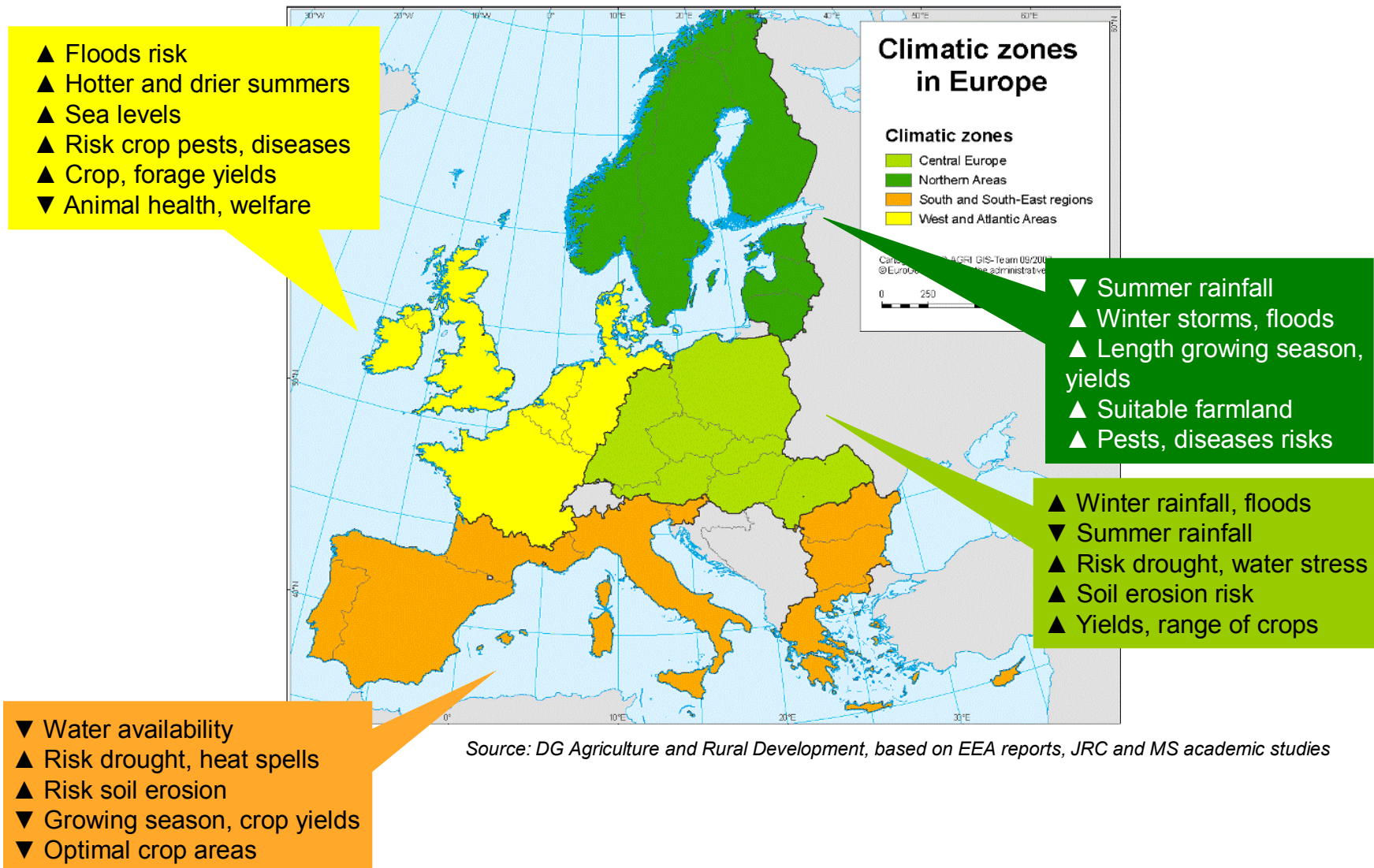
Declining trend of GHG emissions in EU agriculture since 1990

Tg CO₂ equivalents

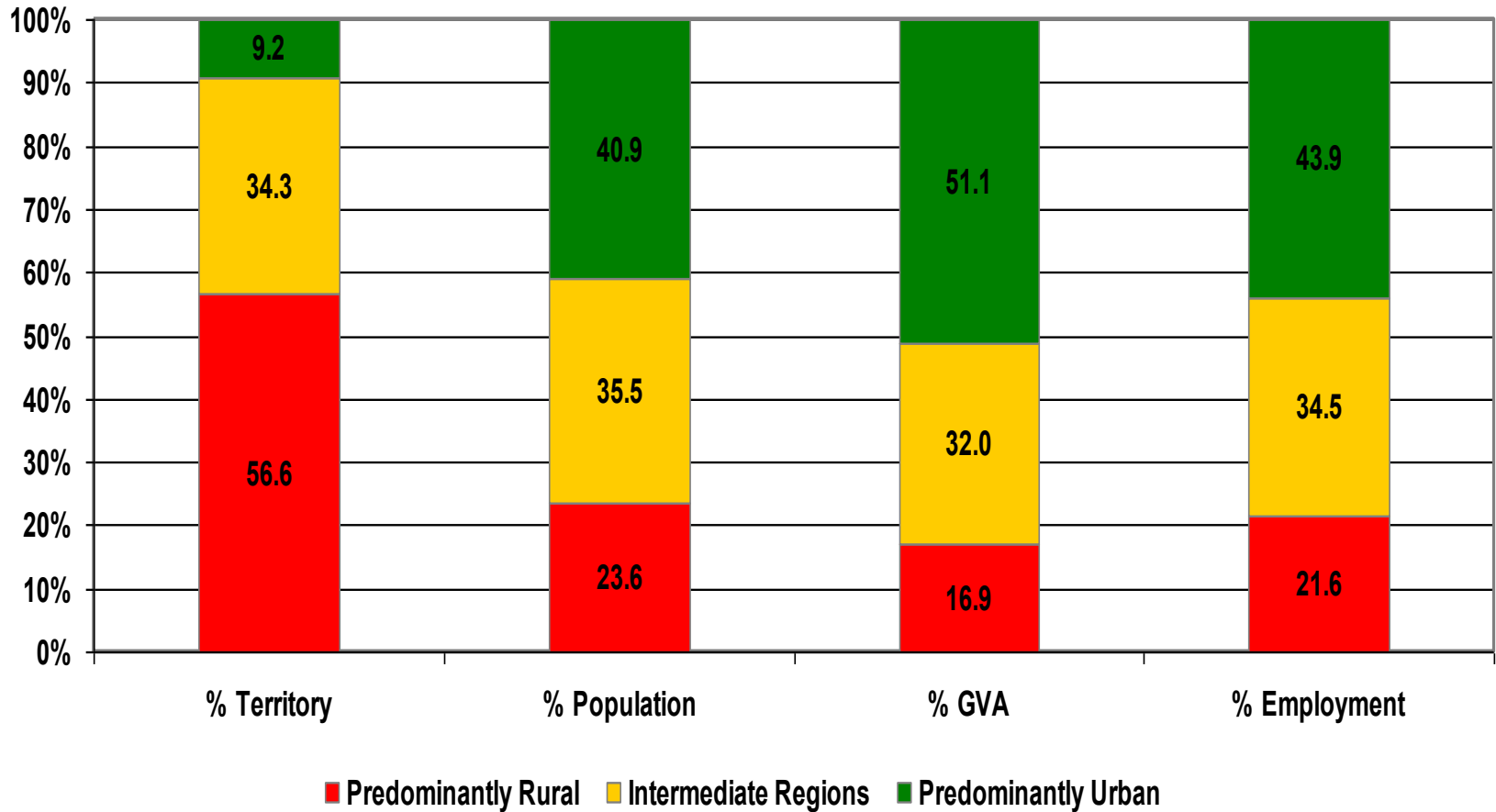


Source: EEA

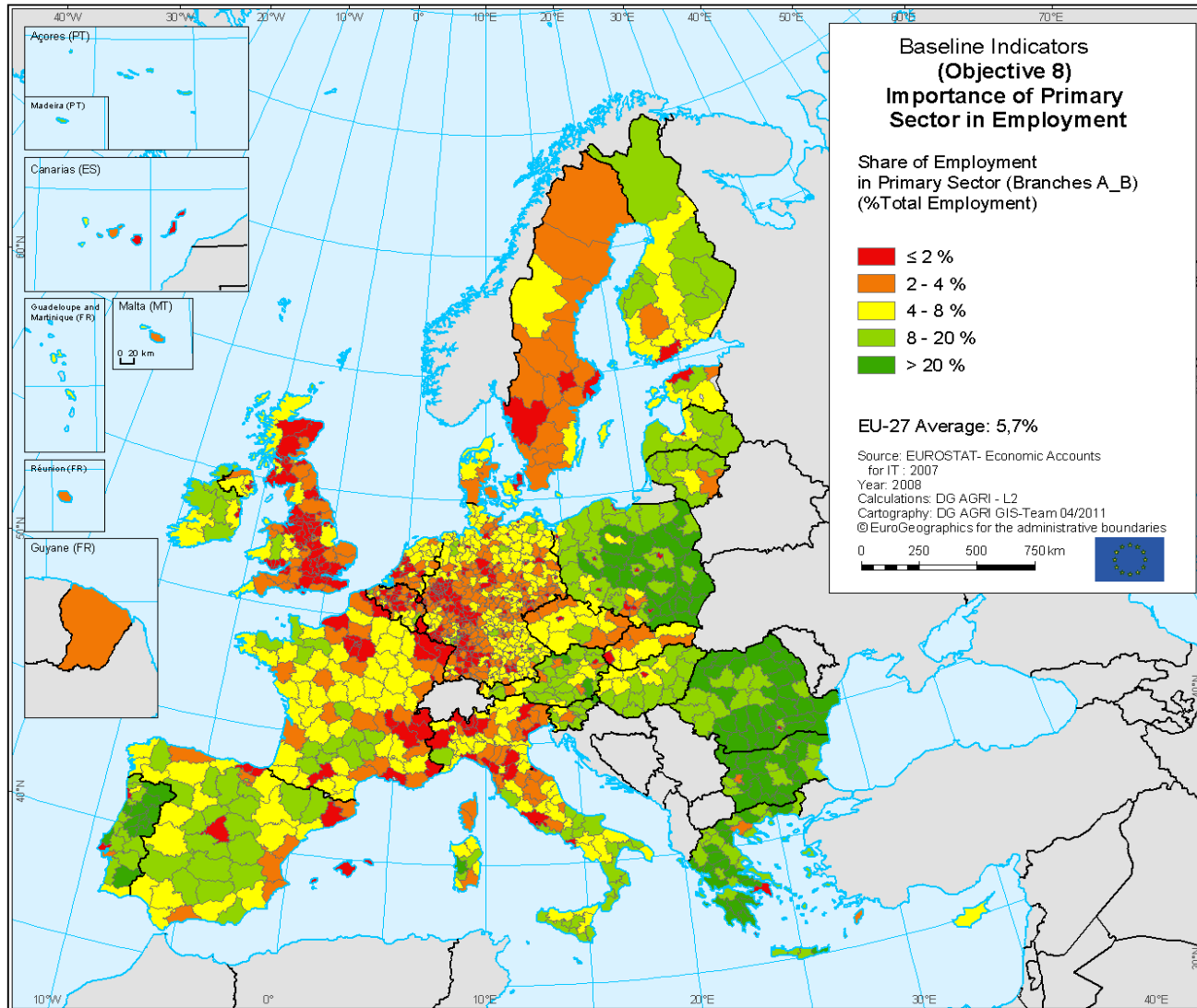
Climate change – Possible impacts on EU agriculture



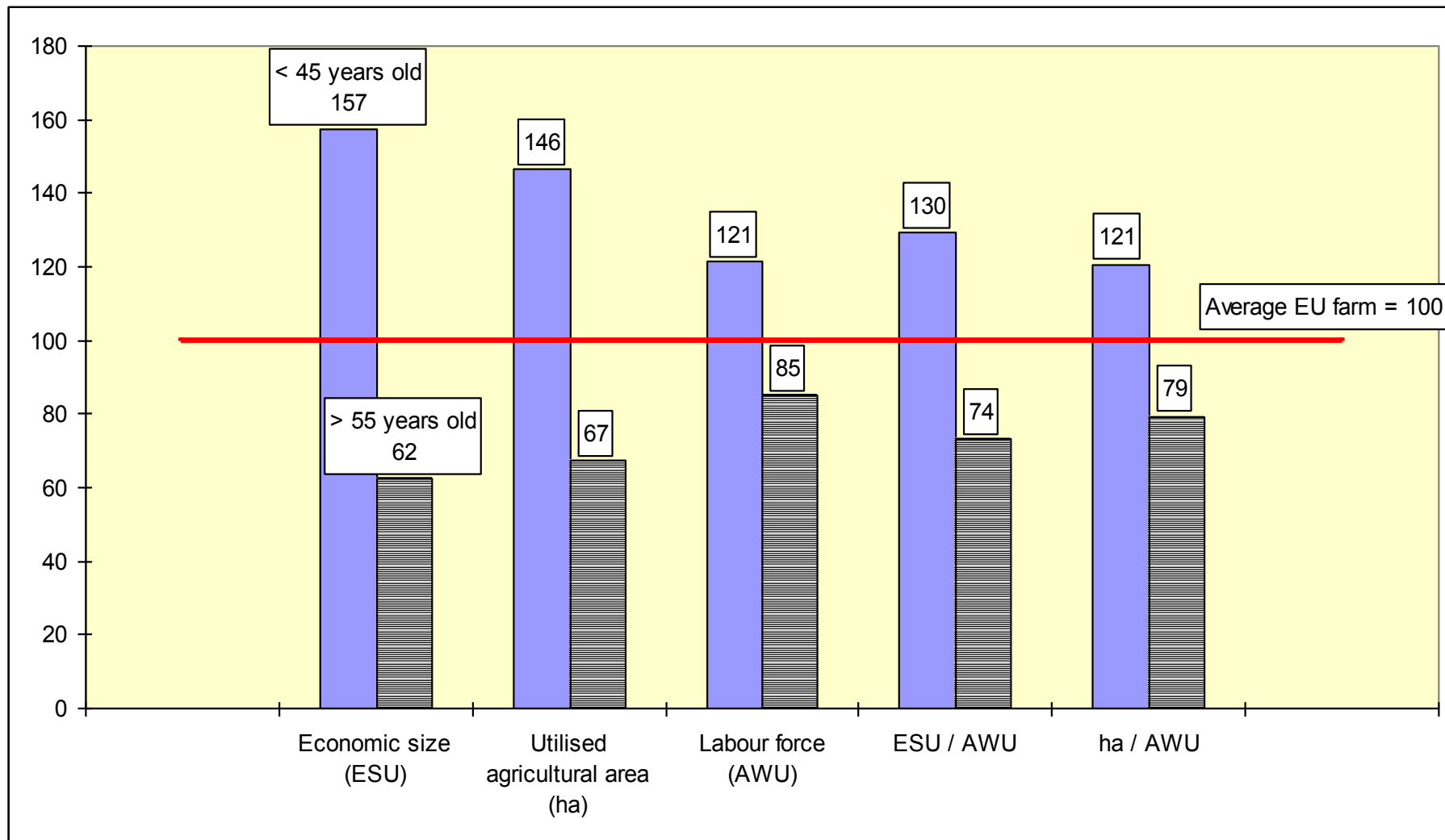
Importance of rural areas (2008)



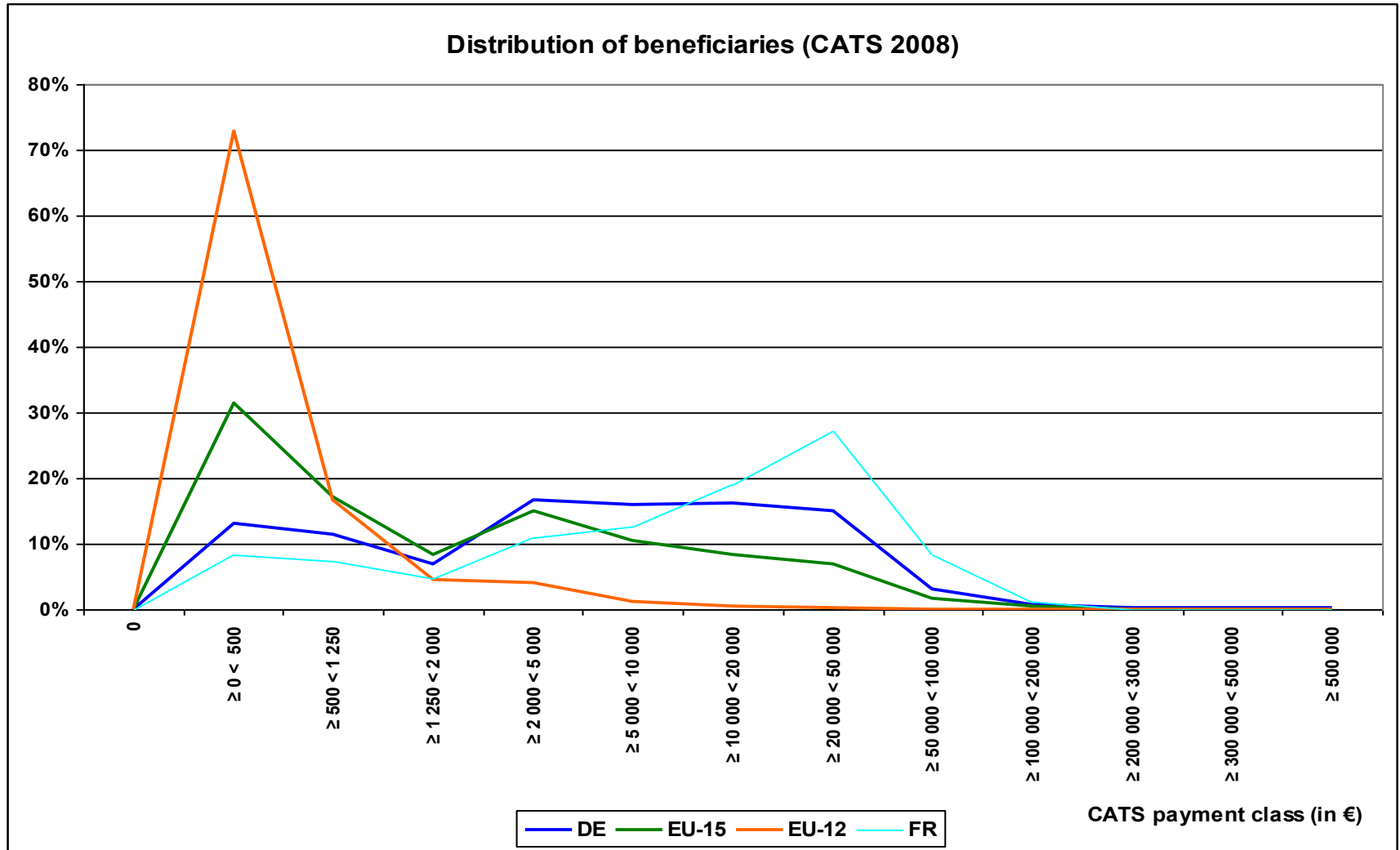
Importance of primary sector in employment



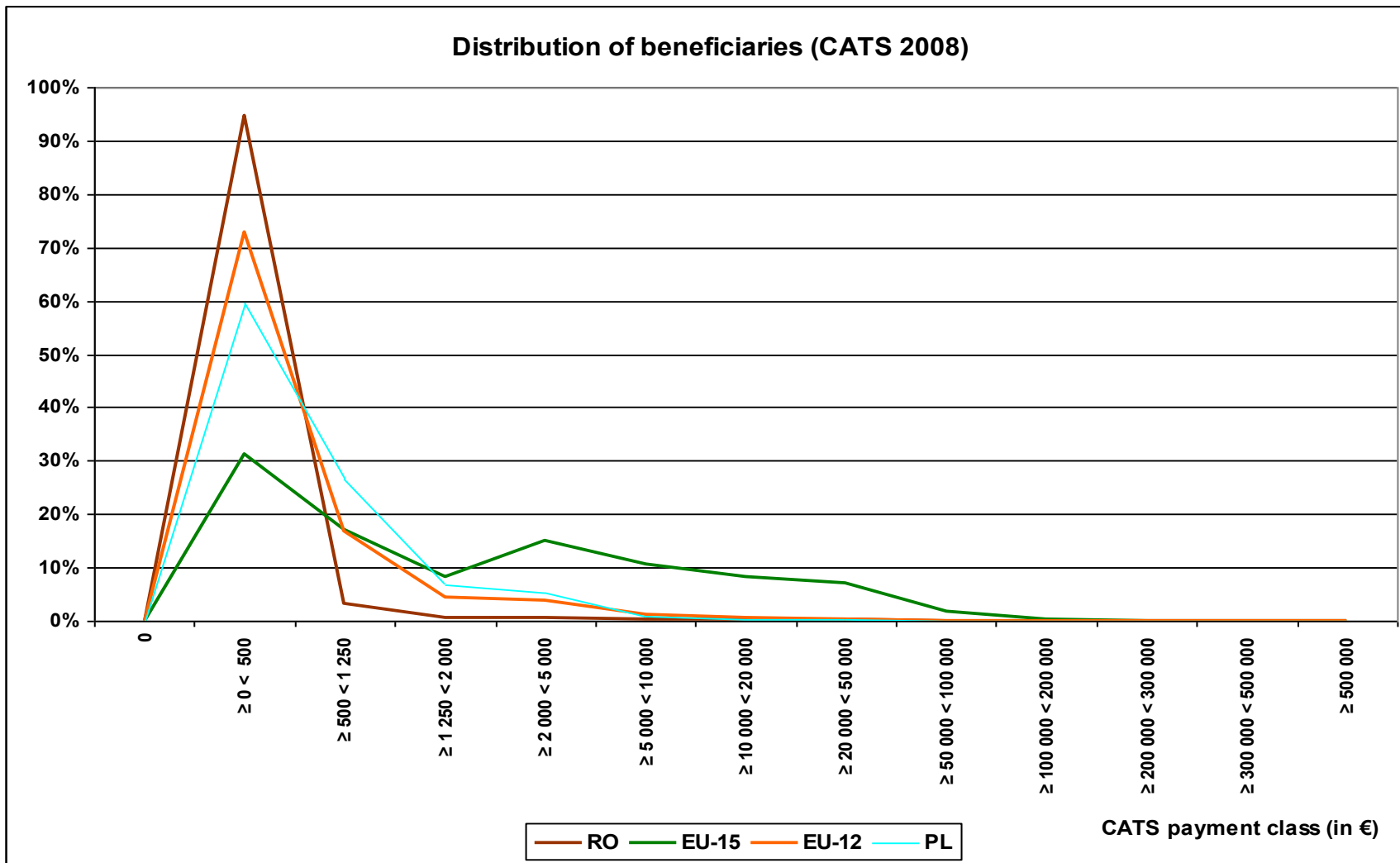
Performance of managers < 45 years and > 55 years in the EU-27 (2007)



Capping - distribution of beneficiaries (in % of the respective total number of beneficiaries)



Capping - distribution of beneficiaries (in % of the respective total number of beneficiaries)



Estimates of the product of capping

Amounts capped and transferred from PI to PII in million €

	Calendar year					
	2014	2015	2016	2017	2018	2019
Belgium	0	0	0	0	0	0
Bulgaria	2	6	13	14	14	14
Czech Republic	0	0	0	0	0	0
Denmark	0	0	0	0	0	0
Germany	1	1	1	0	0	0
Estonia	0	0	0	0	0	0
Ireland	0	0	0	0	0	0
Greece	38	37	35	33	33	33
Spain	18	18	19	19	19	19
France	0	0	0	0	0	0
Italy	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0
Latvia	0	0	0	0	0	0
Lithuania	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Hungary	9	9	9	9	9	9
Malta	0	0	0	0	0	0
Netherlands	0	0	0	0	0	0
Austria	0	0	0	0	0	0
Poland	0	0	0	0	0	0
Portugal	0	0	0	0	0	0
Romania	4	8	14	15	15	15
Slovenia	0	0	0	0	0	0
Slovakia	2	2	3	3	3	3
Finland	0	0	0	0	0	0
Sweden	0	0	0	0	0	0
United Kingdom	89	90	91	91	91	91
EU-27	164	172	185	186	186	186

EUROPE 2020 Strategy

- **Headline targets**

- Raise employment rate to 75%
- Invest 3% of GDP in R&D
- 20% reduction in GHG emissions;
20% share of renewable energy;
20% increase in energy efficiency
- Reduce share of early school leavers to 10%
- Lift 20 million Europeans out of poverty

- **Flagship initiatives**

- Smart growth**

- ‘Innovation Union’
- ‘Youth on the move’
- ‘A digital agenda for Europe’

- Sustainable growth**

- ‘Resource efficient Europe’
- ‘An industrial policy for the globalisation era’

- Inclusive growth**

- ‘An agenda for new skills and jobs’
- ‘European platform against poverty’

Output, margins and Coupled Direct Payments, specialist beef breeders

	AT	AT	ES	ES	FR	FR	PT	PT
	Farms moving to (-)	Total farms	Farms moving to (-)	Total farms	Farms moving to (-)	Total farms	Farms moving to (-)	Total farms
Farms represented	720	1 840	1 690	43 870	16 020	70 870	2 210	8 410
Farms represented % of total	39%	100%	4%	100%	23%	100%	26%	100%
Beef specialisation - % output	67%	65%	80%	85%	82%	84%	79%	75%
Heard affected - total LU	26 371	67 393	120 495		1 178 545	5 213 700	86 049	327 452
Share of herd affected	44%		6%		18%		31%	
in €/COW								
TOTAL BEEF OUTPUT	729	763	538	797	790	965	388	441
TOTAL BEEF COUPLED DP	265	267	220	160	251	233	226	210
Share of CP in output value	36%	35%	41%	20%	32%	24%	58%	48%
Gross margin	-118	-33	-94	279	-101	142	-95	68
Gross margin with CP	147	234	126	438	150	375	131	278
in €/AWU								
Total output	18 553	18 908	33 110	28 135	35 813	48 220	9 840	12 297
Balance subsidies and taxes	22 132	21 725	18 180	9 772	24 755	26 463	10 894	9 658
<i>of which LFA/AWU</i>	4 598	4 660	693	655	3 070	2 783	1 103	1 023
<i>of which environmental/AWU</i>	8 387	7 934	814	166	2 504	2 621	865	854
Share of all subsidies in total receipts	54%	53%	35%	26%	41%	35%	53%	44%

Source: DG Agriculture and Rural Development – EU-FADN