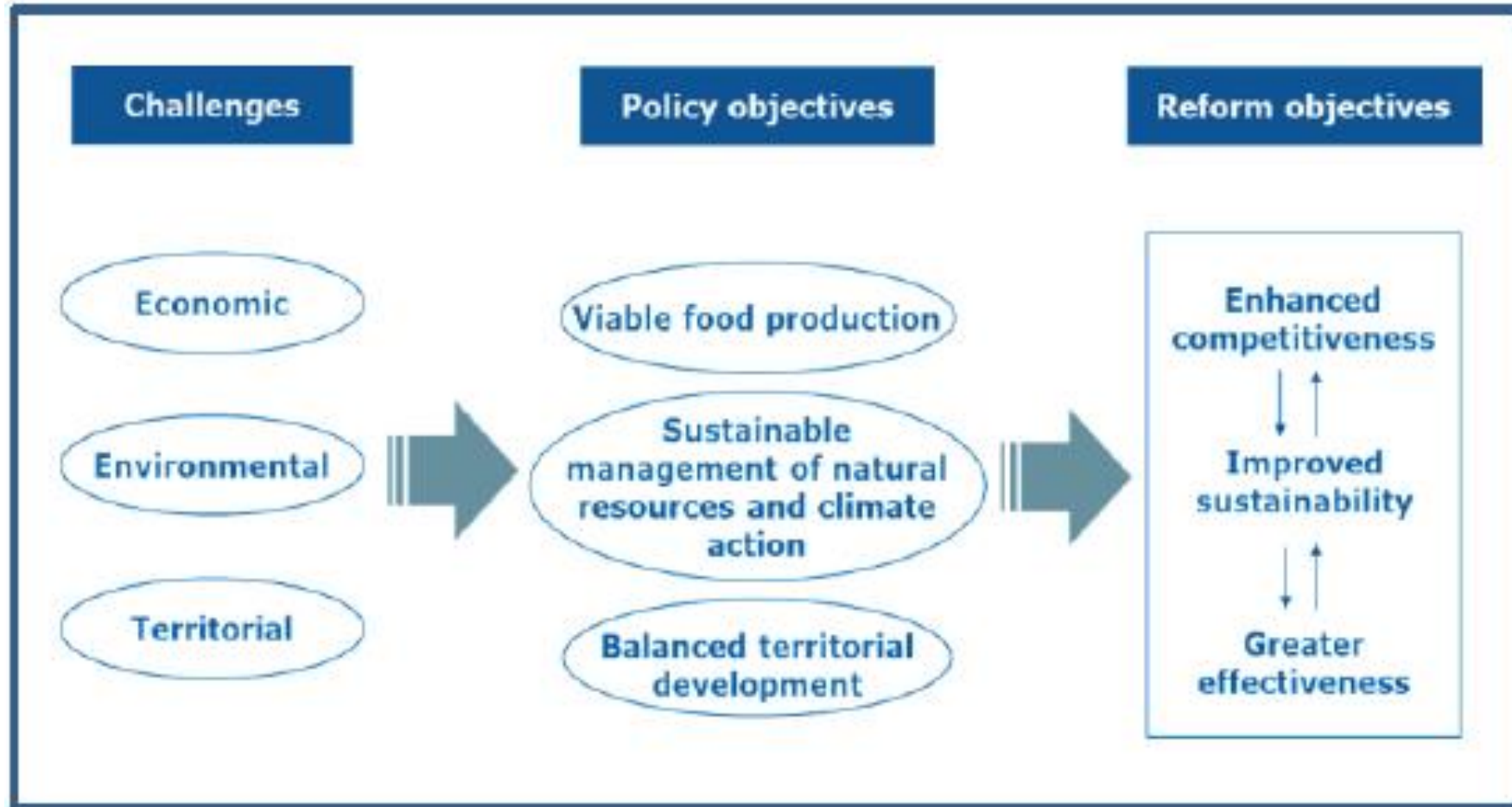




# Policy and market context

Paul Silcock, Cumulus Consultants Ltd


# CAP 2014-2020 - Objectives



# CAP - Structure

- Two pillars remain:
  1. Direct payments and market control
  2. Rural development
- More links between pillars - 'more holistic and integrated approach'
- New architecture of direct payments, enhanced safety net and strengthened rural development

# CAP – Direct payments

|   |  |                                     |   |  |
|---|--|-------------------------------------|---|--|
| <b>Cross Compliance</b>   | <b>**Coupled Support</b>   | <b>**Natural constraint support</b> | <b>O</b><br><b>R</b><br> | <b>**Small Farmer Scheme</b><br><br>up to 10%<br><br>max. 1250 EUR<br><br>simplified |
|   | up to 10% or 15%   | up to 5%                            |   |  |
|   | <b>**Redistributive Payment</b>  |                                     |   |  |
|   | <ul style="list-style-type: none"> <li>○ up to 30%</li> <li>○ max 65% of average direct payments (first ha)</li> </ul> |                                     |   |  |
|   | <b>*Young Farmers Scheme</b>   |                                     |   |  |
|   | <ul style="list-style-type: none"> <li>○ up to 2%</li> <li>○ +25% payments (max 5 years)</li> </ul>                    |                                     |   |  |
|   | <b>*Green Payment</b>  |                                     |   |  |
|   | <ul style="list-style-type: none"> <li>○ mandatory 30%</li> <li>○ greening practices or equivalent</li> </ul>          |                                     |   |  |
| <b>*Basic Payment Scheme</b>  |  |                                     |   |  |
| <ul style="list-style-type: none"> <li>○ no fixed percentage</li> <li>○ 5% degressivity over 150 000 EUR</li> </ul> |  |                                     |   |  |

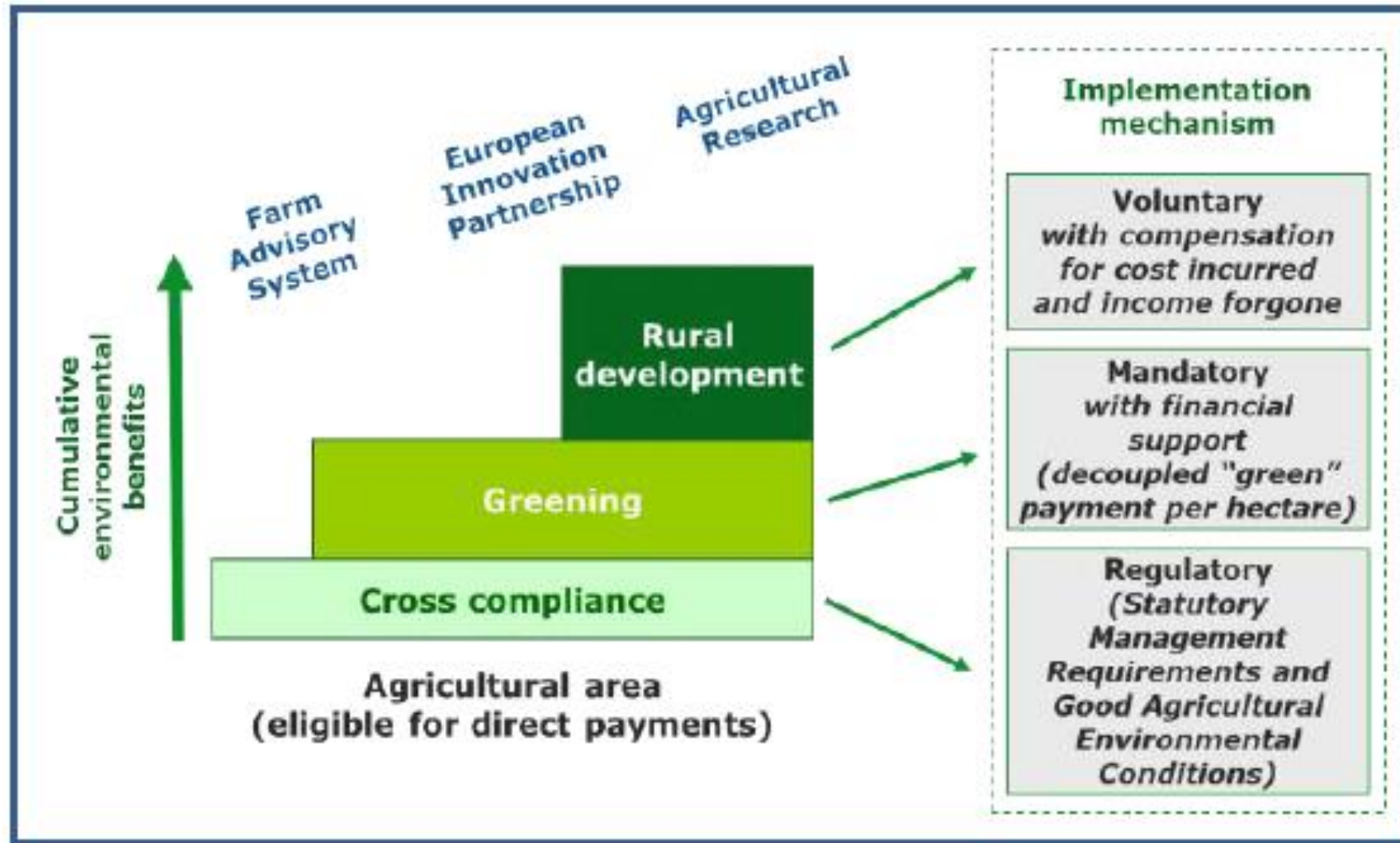
**\* Compulsory    \*\* Voluntary**

Source: DG Agriculture and Rural Development.

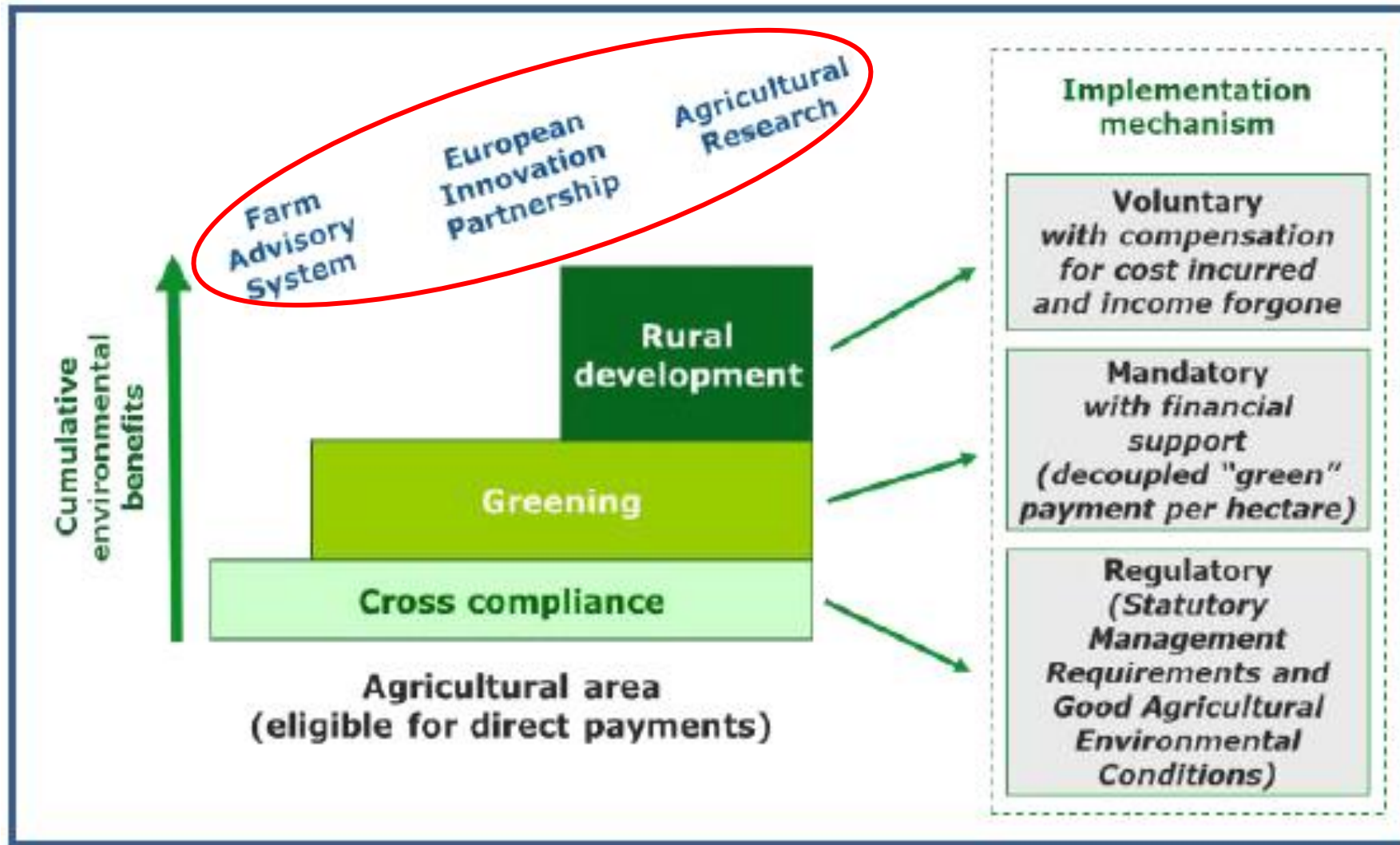
Flexibility for Member States (MS):

- BPS eligibility and transition
- Greening measures
- Young Farmers payment
- Redistributive payment
- Areas with Natural Constraint top-up
- Coupled support for vulnerable sectors

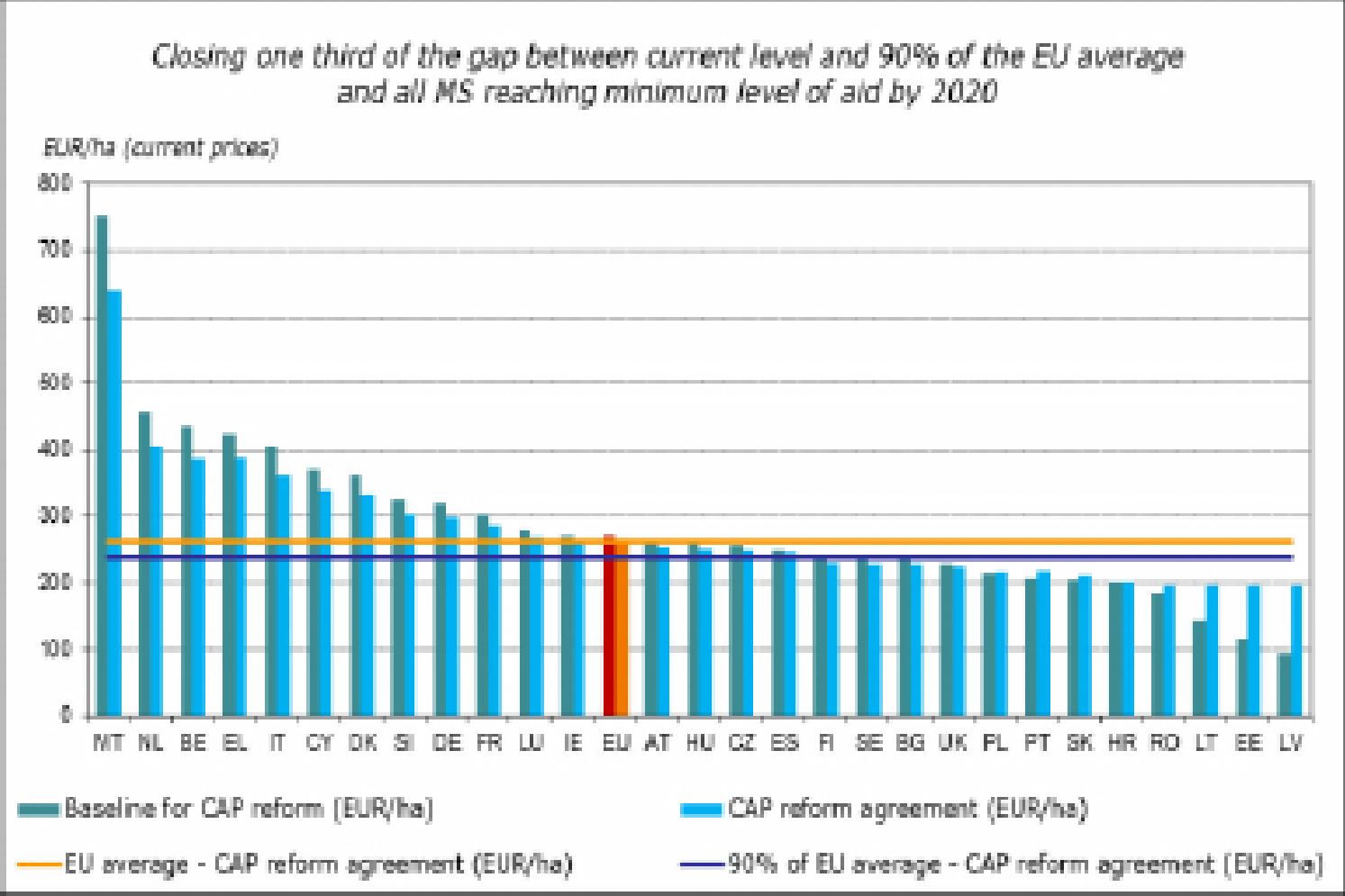
# CAP – Greening architecture



# CAP – Greening architecture



# CAP – Direct payments per ha

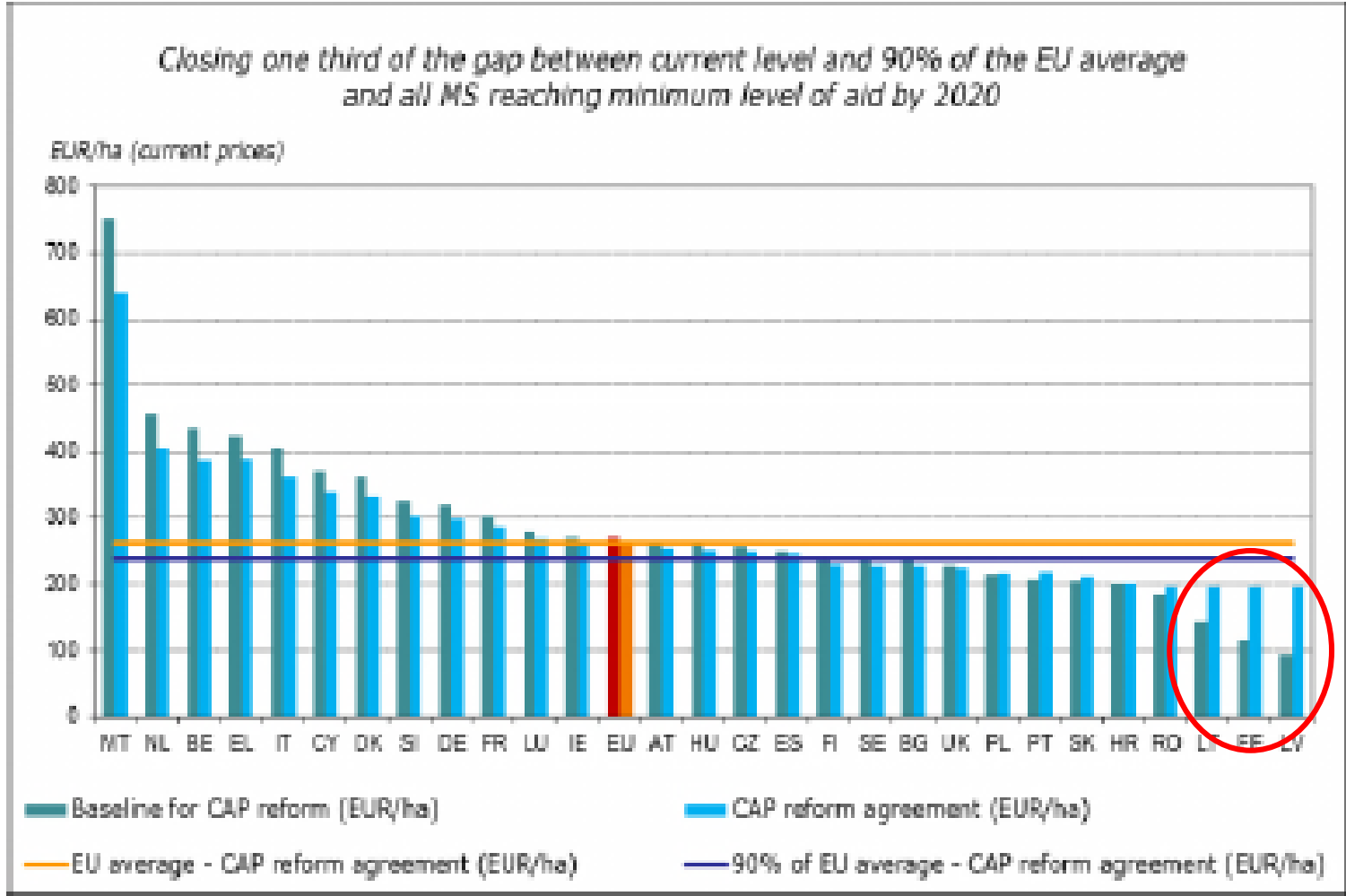


External convergence - 'closing the gap' between MS

Internal convergence at within MS

Source: DG Agriculture and Rural Development.

# CAP – Direct payments per ha



External convergence - 'closing the gap' between MS

Internal convergence at within MS

Source: DG Agriculture and Rural Development.



# CAP – Market support

Abolition of milk quotas in 2015 and sugar quotas by 2017



# CAP – Rural Development

Six priority areas:

1. Fostering knowledge transfer in agriculture and forestry
2. Enhancing agricultural competitiveness and enhancing farm viability
3. Promoting food chain organisation and risk management in agriculture
4. Restoring, preserving and enhancing ecosystems dependent on agriculture
5. Promoting resource efficiency and supporting a shift towards a low-carbon and climate-resilient agriculture
6. Promoting social inclusion, poverty reduction and economic development in rural areas

National/regional programmes - EU framework, local priorities

# CAP – Rural Development

- Agri-environment and climate schemes - link to farming systems and specific places/localities.
- Natura 2000 payments
- Organic conversion and maintenance
- Farm modernisation – livestock systems, energy and water efficiency
- New/young entrants
- LEADER schemes



# CAP – Latvia RDP 2014-2020

- €1.5 billion
- Main focus to “improve competitiveness of Latvian farmers and rural enterprises by improving their infrastructure and providing consulting and training services”
- Covers all RD Priorities, main focus - Priority 4: Restoring, preserving and enhancing ecosystems related to agriculture and forestry
- Four most important RDP measures in budgetary terms:
  - € 490 million - Measure 4: Investments in physical assets
  - € 265 million - Measure 13: Areas facing natural constraints
  - € 150 million - Measure 11: Organic Farming
  - € 125 million - Measure 7: Basic services and village renewal in rural areas.

# CAP – Co-operation – Article 35

- New products, practices, processes and technologies
- Short supply chains and local markets
- Climate change
- Environmental projects (e.g. agricultural landscapes)
- Rural tourism
- Local development strategies
- Diversification of farming activities

# CAP – Innovation – Article 56

- European Innovation Project for agricultural productivity and sustainability
- Involves:
  - a) creating added value by better linking research and farming practice
  - b) promoting the faster transposition of innovative solutions into practice
  - c) informing scientific community about research needs of farming practice.
- EIP operational groups - farmers, researchers, advisors and businesses

# Combining measures for Natura 2000

*“Two pillars of the CAP use different instruments but it is important that at farm level the potential synergies between them are used to support both Natura 2000 farming systems and management practices”*

- Ensuring economic viability
- Building capacity
- Adding value to produce
- Management of Natura 2000 farmland habitats and species
- Co-operation projects and local partnerships

# CAP – Budget

CAP comprises 37.8% of total EU budget for 2014-2020

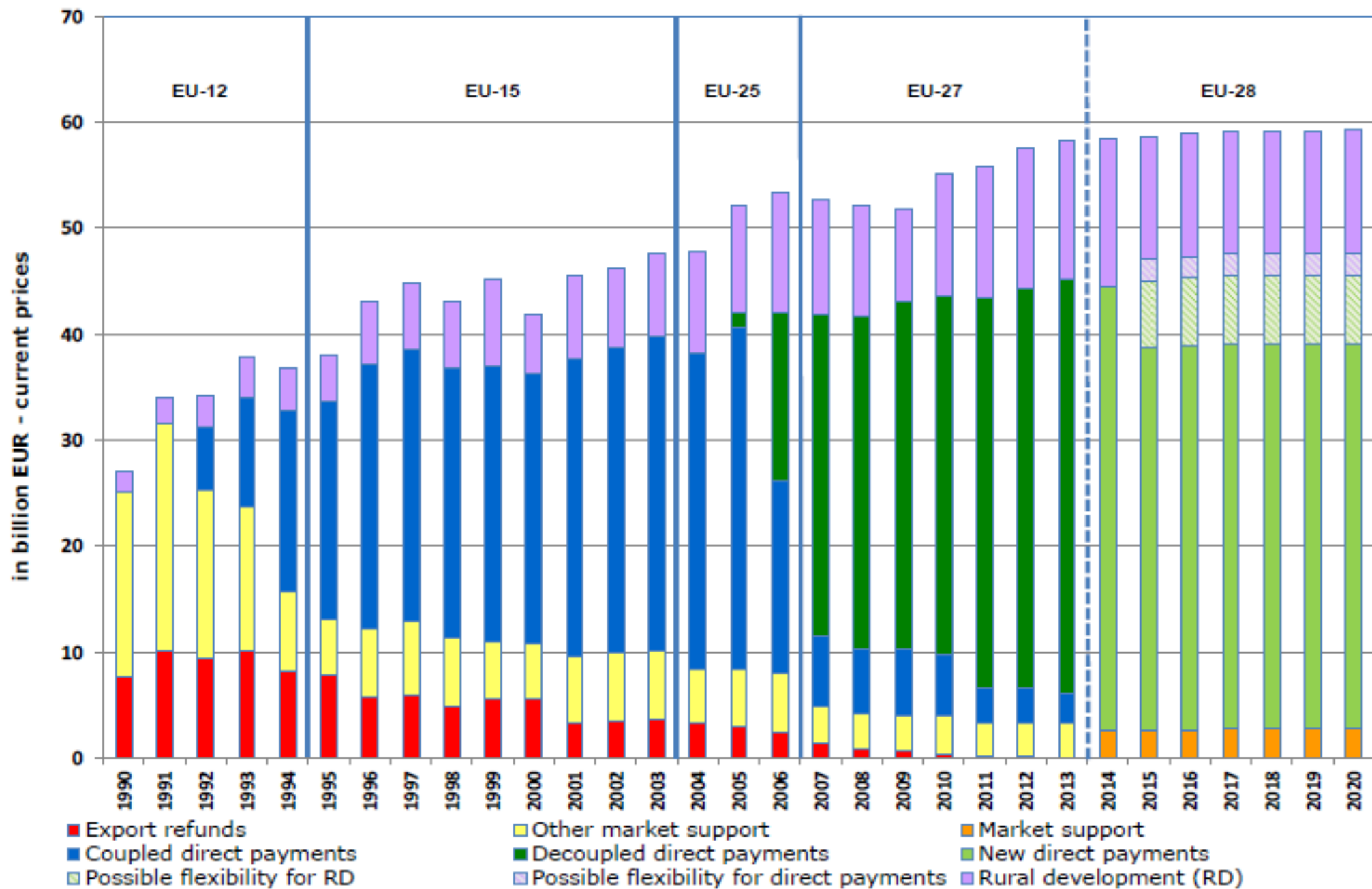
*MFF Ceiling 2014-2020 (in billion EUR)*

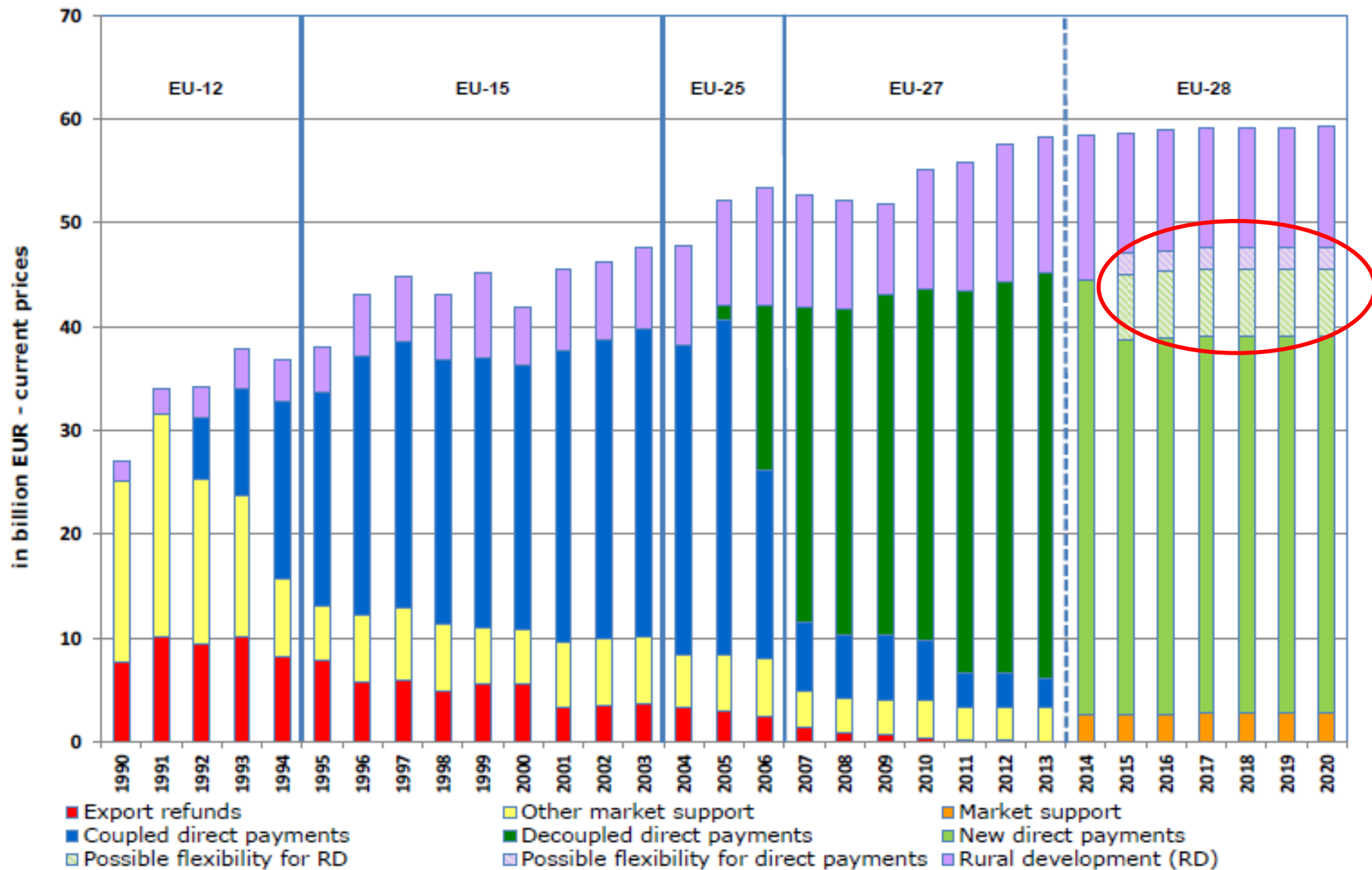
|                  | <b>2014-2020<br/>Ceiling</b><br>(Current Prices) | <b>2014-2020<br/>Ceiling</b><br>(2011 Prices) |
|------------------|--|---|
| <b>Pillar 1</b>  | 312,74   | 277,85  |
| <b>Pillar 2</b>  | 95,58  | 84,94   |
| <b>Total CAP</b> | 408,31   | 362,79  |

*Source: DG Agriculture and Rural Development*

Pillar 1 = 76.6%; Pillar 2 = 23.4%







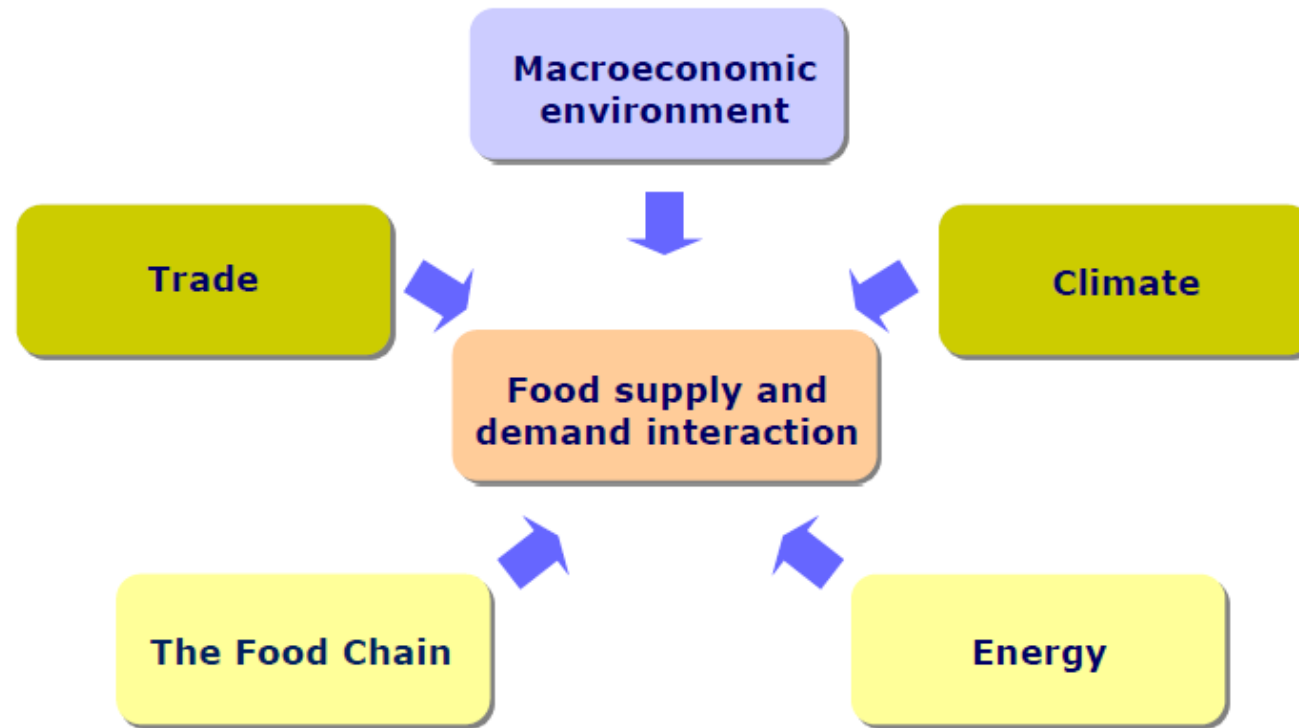
# CAP – Simplification

Phil Hogan, Agriculture & Rural Development Commissioner:

- May 2015 - Guidelines for Direct Payments
- Autumn 2015 - Elements other than greening e.g. young farmers scheme, voluntary coupled support, certain aspects of IACS
- 2016 - Review of the greening rules - for implementation in 2017

Latvian presidency also focused on simplification (and revision of the EU's organic farming regulation).

# Market drivers

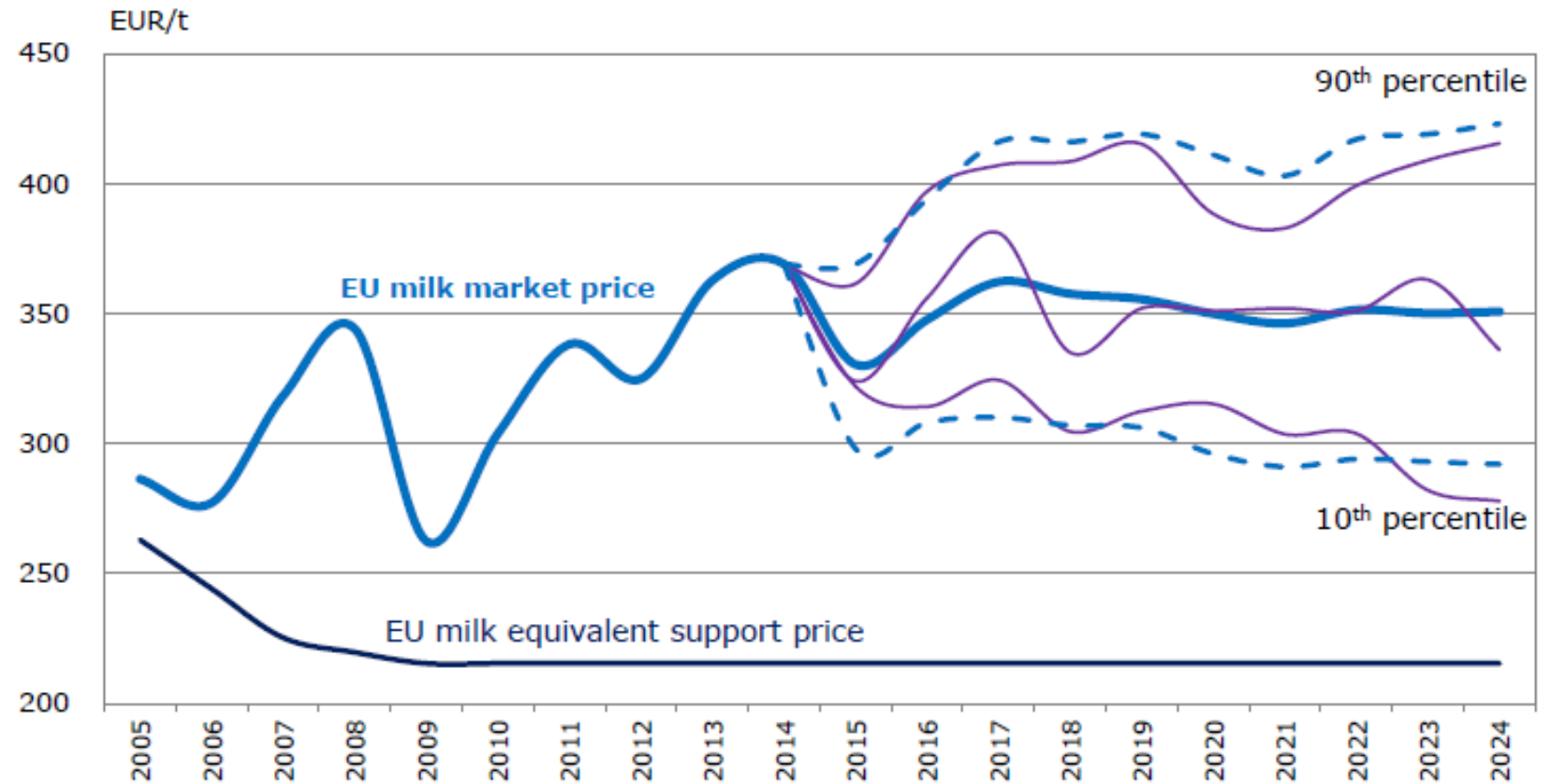


# Market trends

- Increasing global demand for commodities
  - increasing population, rising consumption per capita, impact of climate change, global markets
- Upward trend in commodity prices
- Upward trend in input prices (fertilisers, feed)
- Price volatility
- Differences for milk, beef and sheep...

# Increasing EU milk production and consumption

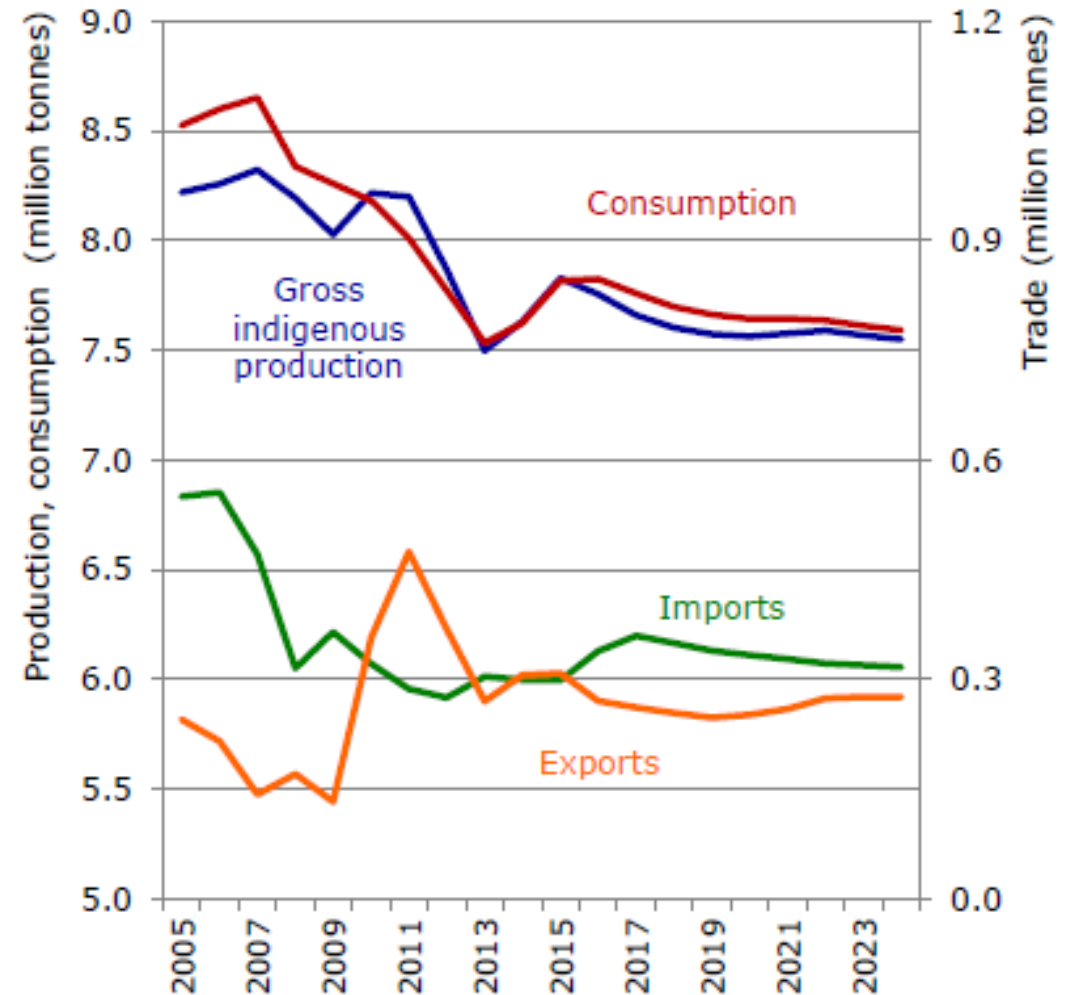
- ‘White gold’
- Growing global demand
- Mainly cheese, whey powder and skimmed milk powder



Note: Price projections based on stochastic analysis developed and ran by JRC-IPTS

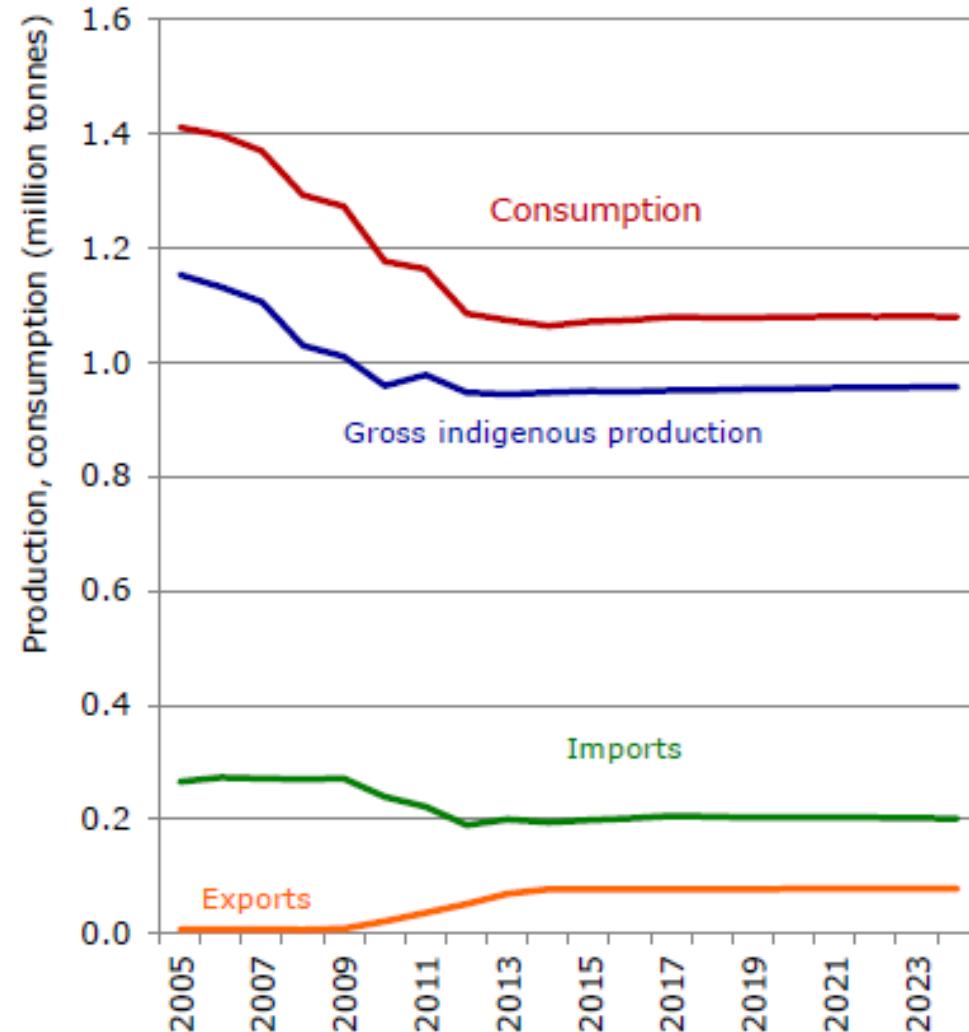
# Declining EU beef production and consumption

- Short term: more beef linked to growing dairy herd
- Medium term: slow decline in production, fewer herds
- Stable imports
- Decline in beef consumption and stable exports



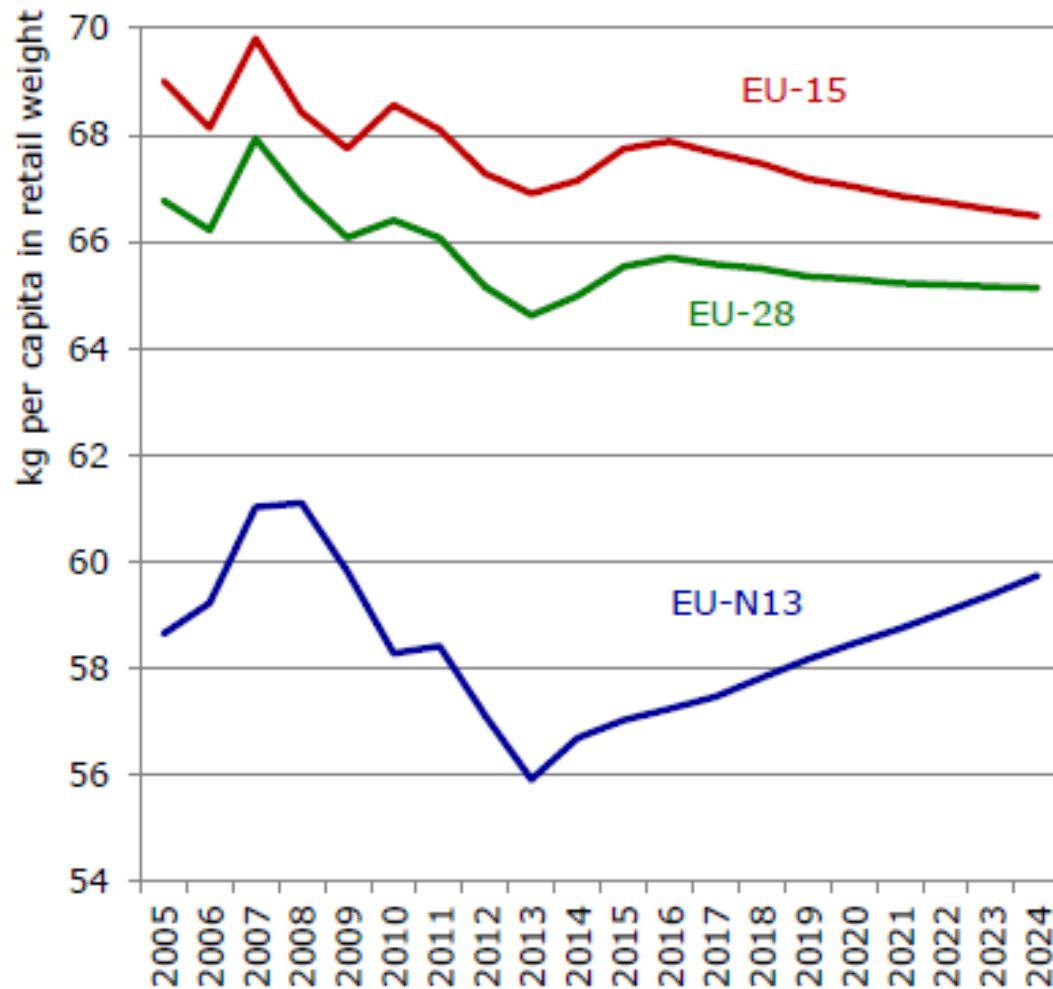
# No further decline in EU sheep meat production

- Stable production – improved profitability, coupled support
- Stable imports
- Stabilising exports





# Meat consumption - opportunity in EU-N13?



- Could grow in EU-N13 due to:
  - Current low level of per capita consumption
  - Stronger economic growth in the region

# Summary

- Member States have considerable flexibility in shape and implementation of CAP
- Global/EU market trends are important....however also opportunities in terms of local markets....

Thank you

