

CAP 2014 AND THE BUDGETARY FRAMEWORK

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Review of the budgetary framework for CAP2013 reform

- The overall level of resources
- External convergence and Pillar 1
- The distribution of Pillar 2

The CAP budget context

- Commission leaked 2009 draft 'Reforming the Budget'
 - "[Future reform of the CAP] must stimulate a further significant reduction in the overall share of the EU budget devoted to agriculture, freeing up spending for new EU priorities" (p. 17)
- CAP reform model driven by the need to provide a better narrative/justification for continued transfer to farmers
- Outcome in the Commission's MFF proposal in June 2011 was far better than farm organisations might have feared!

Commission CAP budget in MFF proposal

- CAP expenditure to be held constant in nominal terms at 2013 MFF commitment levels for both P1 and P2
 - Small adjustments to 'actual' 2013 MFF commitments
- No allowance for public intervention or other crisis expenditure
- Cioloş: including items moved outside the CAP and which benefit agriculture outside the CAP, arguably CAP budget proposal 'constant in real terms'

Commission MFF proposal for agriculture

All figures in constant 2011 prices

Total proposed budget 2014-20	€386.9 bn
of which	
• Pillar I – direct payments and market expenditure	€281.8 bn
• Pillar II – rural development	€89.9 bn
• Food safety	€2.2 bn
• Most deprived persons	€2.5 bn
• Reserve for crisis in the agricultural sector	€3.5 bn
• European Globalisation Fund	Up to €2.5 bn
• Research and innovation on food security, the bio-economy and sustainable agriculture (in the Common Strategic Framework for Research and Innovation)	€4.5 bn

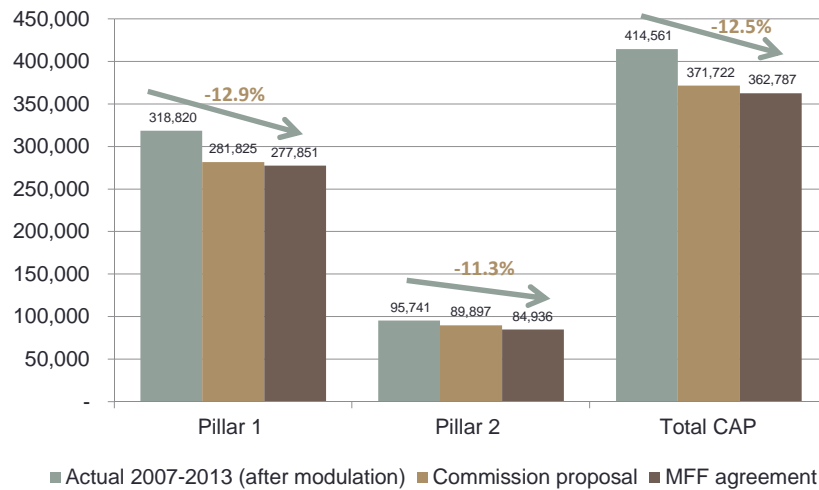
Source: Commission, Budget for Europe Part II – Policy fiches

Commission CAP budget in MFF proposal

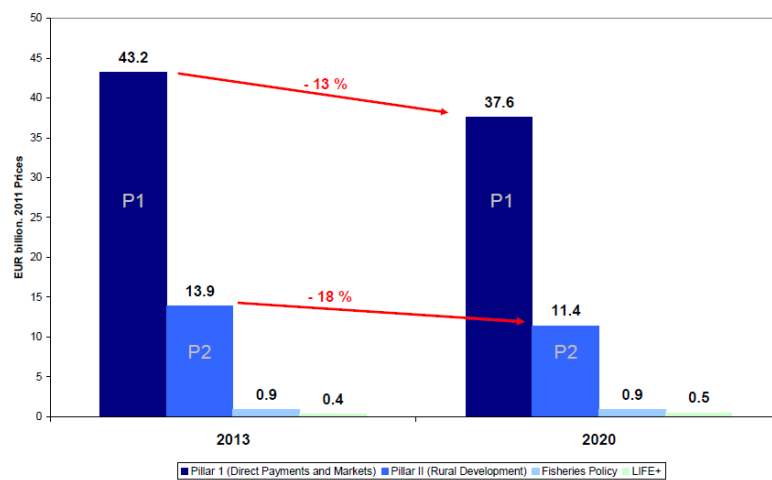
- The 'nominal freeze' intended to apply to the MFF ceiling and P1 sub-ceiling
- Assigned amounts must be added to get funds available to finance P1 expenditure
- Direct payment national envelopes set out in 73/2009 and 307/2011 envisage payments continuing indefinitely after 2016 in constant nominal amounts following full phasing-in in new member states
- If sub-ceiling in MFF Heading 2 not sufficient to fund envisaged DPs, **financial discipline** can be applied.
- First applied in 2014 budget for 2013 payments

How the CAP shrank (EU27/28 € billion, 2011 prices)

Impact of capping, crisis reserve and pillar flexibility not taken into account in P1/P2 balance

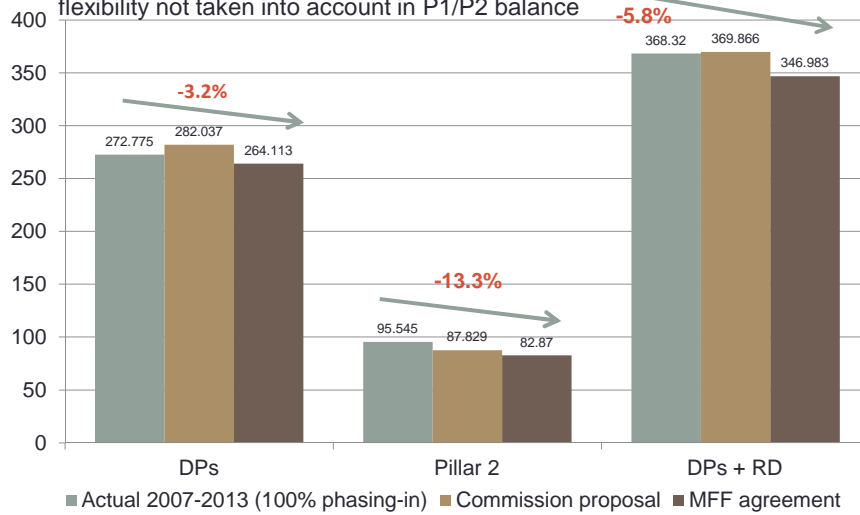


Heading 2 ceilings: 2013 level compared to 2020 level (EUR billion in 2011 Prices)

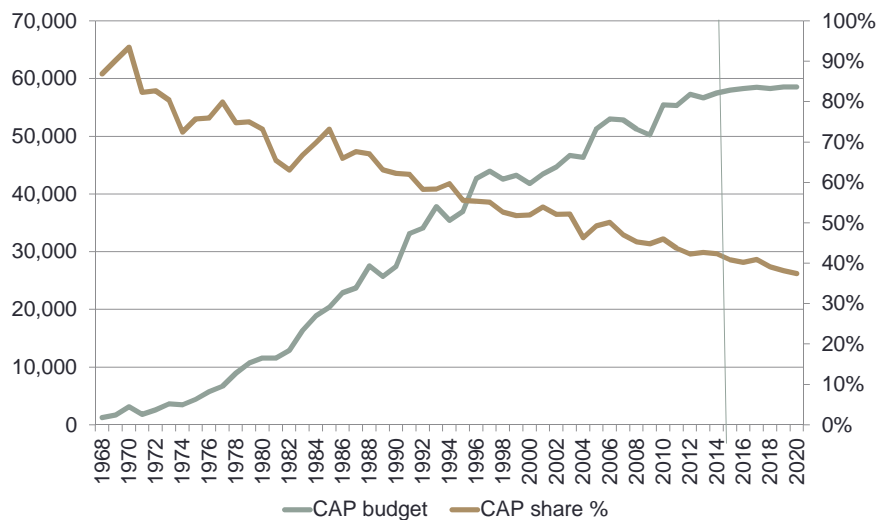


Comparison CAP national envelopes (exc. markets) (€ billion, 2011 constant prices, EU27 only)

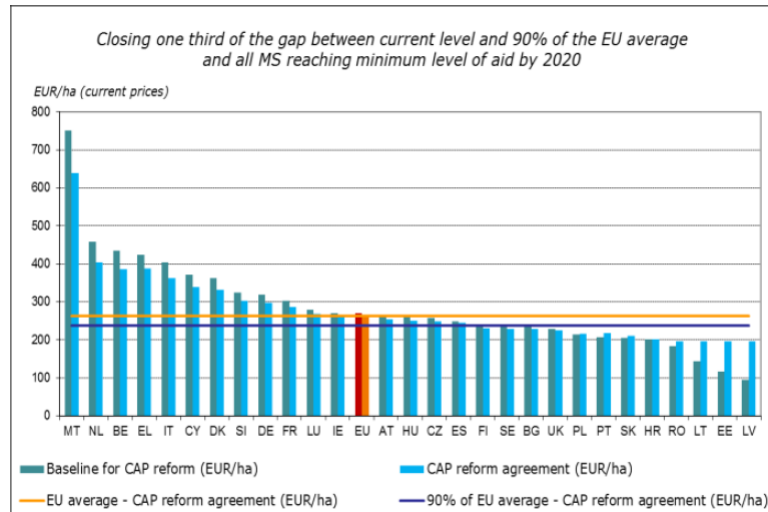
Impact of capping, crisis reserve and pillar flexibility not taken into account in P1/P2 balance



The CAP in the EU budget Payment appropriations, current prices



Changes in the distribution of P1 direct payments

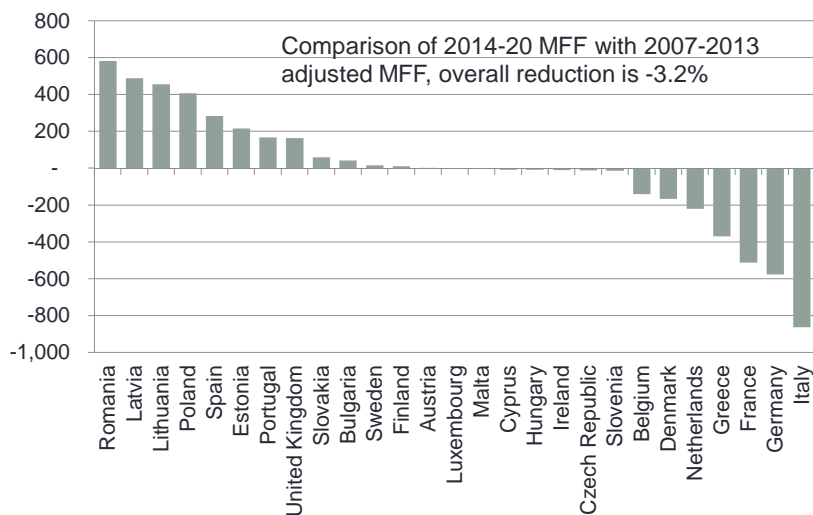


Source: DG Agri, Overview of CAP Reform 2014-2020 Agricultural Policy Perspectives Brief 2013

The impact of external convergence

- Cioloş reform was the first with an explicitly redistributive motivation...
- ... but the results were minimal
- Just €2.9 billion out of total DP envelope of €265 billion – **just over 1%** - was shifted between member states over period 2014-2020 (constant 2011 prices) compared to 2007-13
- Commission estimated around €5 billion – **just under 2%** - (in constant 2011 prices) compared to 2013 base based on its original proposals
- 2019 redistribution is around **4% of total** in that year

Who gained from and paid for external convergence? (€million 2011 constant prices)



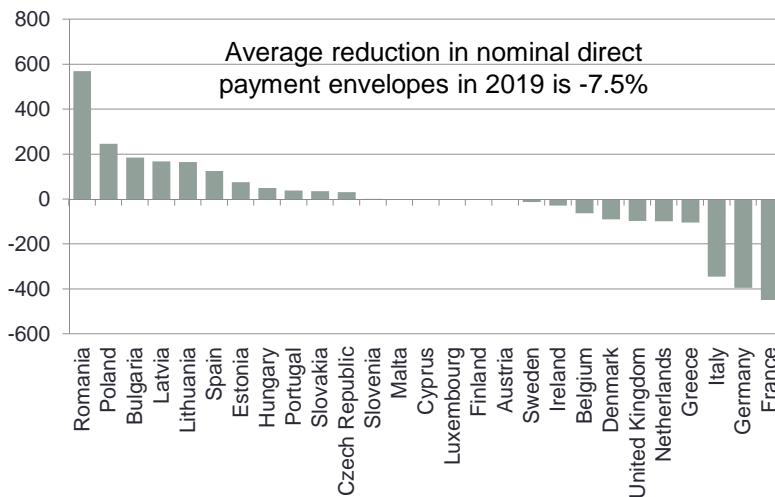
Impact of external convergence formula on member state Pillar 1 direct payment en

Country	Baseline (100% phase in) 2007-2013 €m	Total 2014-2020 €m	Allocation based on common 3.2% cut €m	Impact of external convergence €m	Impact of external convergence (%)
	(1)	(2)	(3)	(4)	(5)
Latvia	911	1,372	882	490	53.8%
Estonia	629	826	609	217	34.5%
Lithuania	2,363	2,744	2,288	456	19.3%
Romania	10,132	10,393	9,810	583	5.8%
Portugal	3,897	3,940	3,773	167	4.3%
Slovakia	2,399	2,382	2,323	59	2.5%
Poland	18,932	18,739	18,331	408	2.2%
Bulgaria	4,652	4,547	4,504	43	0.9%
Spain	32,472	31,725	31,441	284	0.9%
United Kingdom	22,705	22,148	21,984	164	0.7%
Sweden	4,463	4,337	4,321	16	0.4%
Finland	3,354	3,258	3,247	11	0.3%
Austria	4,452	4,313	4,311	2	0.1%
Luxembourg	216	209	209	-0	-0.1%
Hungary	8,169	7,901	7,910	-9	-0.1%
Ireland	7,810	7,552	7,562	-10	-0.1%
Czech Republic	5,617	5,427	5,439	-12	-0.2%
France	49,830	47,736	48,248	-512	-1.0%
Slovenia	897	856	869	-13	-1.4%
Germany	33,419	31,782	32,358	-576	-1.7%
Greece	14,703	13,866	14,236	-370	-2.5%
Cyprus	333	314	322	-8	-2.5%
Denmark	5,999	5,642	5,809	-167	-2.8%
Italy	25,681	24,003	24,865	-862	-3.4%
Belgium	3,539	3,287	3,427	-140	-3.9%
Netherlands	5,167	4,783	5,003	-220	-4.3%
Malta	34	31	33	-2	-5.6%
Croatia		1,014			
EU-27	272,775	264,113	264,113		0.0%

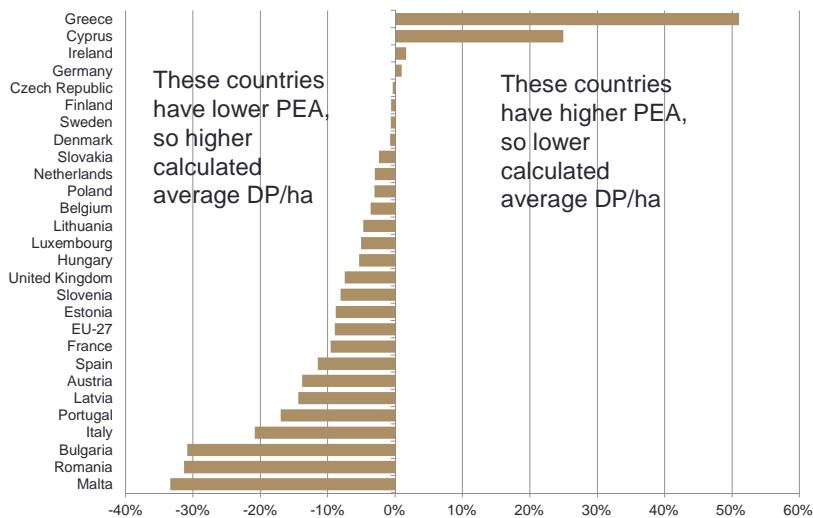
Source: Own calculations based on figures in European Parliament (2013)

This table explains the calculation of gainers and payers from external convergence. It is the difference between the final outcome and what each country might have received had it kept its 2007-13 allocation reduced by the common 3.2% cut.

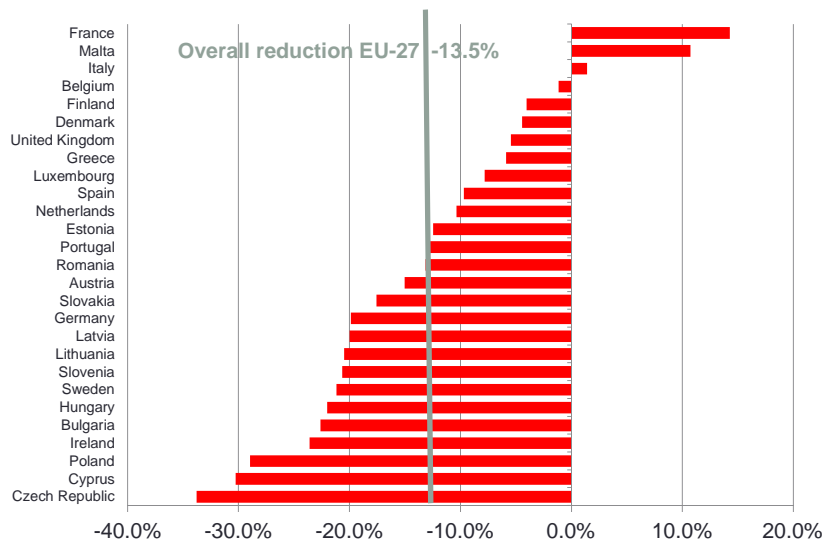
Who gained from and paid for external convergence? (2019 year €million nominal prices)



Ratio of PEA ha to UAA ha



Gainers and losers in Pillar 2, percent change
 Comparison 2014-20 with 2007-2013 commitments
 EU-27, 2011 constant prices



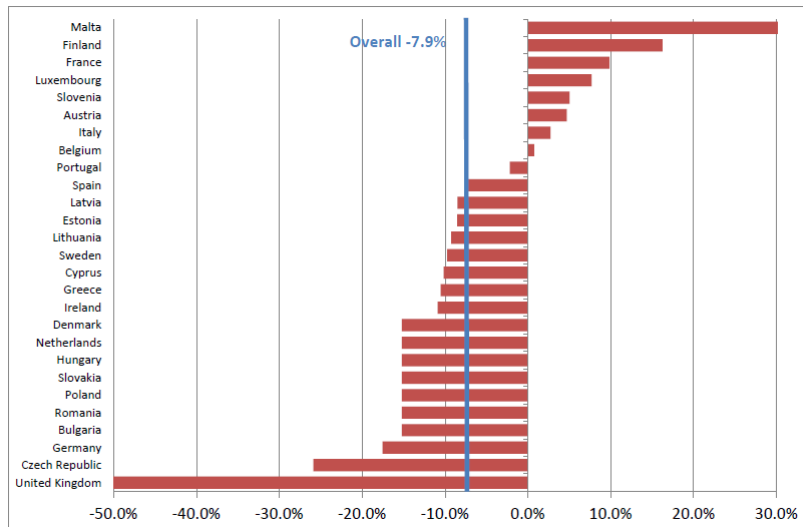
Pillar 2 rural development allocations in the European Council MFF decision February 2013

	Baseline 2007-2013	2014-2020 Distribution prior to discrete allocations	Discrete allocations	Total 2014- 2020	Change before discrete allocations	Change due to discrete allocation	Total change
	€m	€m	€m	€m	%	%	%
France	7,705.3	7,804.6	1,000.0	8,804.6	1.3%	13.0%	14.3%
Malta	79.4	55.9	32.0	87.9	-29.6%	40.3%	10.7%
Italy	9,138.5	7,766.9	1,500.0	9,266.9	-15.0%	16.4%	1.4%
Belgium	496.1	410.3	80.0	490.3	-17.3%	16.1%	-1.2%
Finland	2,203.7	1,514.6	600.0	2,114.6	-31.3%	27.2%	-4.0%
Denmark	585.5	559.4		559.4	-4.5%		-4.5%
United Kingdom	2,426.0	2,293.4		2,293.4	-5.5%		-5.5%
Greece	3,962.8	3,729.1		3,729.1	-5.9%		-5.9%
Luxembourg	97.0	69.4	20.0	89.4	-28.5%	20.6%	-7.8%
Spain	8,161.8	6,868.3	500.0	7,368.3	-15.8%	6.1%	-9.7%
Netherlands	602.3	539.8		539.8	-10.4%		-10.4%
Estonia	737.1	595.1	50.0	645.1	-19.3%	6.8%	-12.5%
Portugal	4,140.7	3,105.6	500.0	3,605.6	-25.0%	12.1%	-12.9%
Romania	8,203.8	7,124.1		7,124.1	-13.2%		-13.2%
Austria	4,117.6	2,798.4	700.0	3,498.4	-32.0%	17.0%	-15.0%
Slovakia	2,038.4	1,680.0		1,680.0	-17.6%		-17.6%
Germany	9,117.0	7,303.8		7,303.8	-19.9%		-19.9%
Latvia	1,076.3	794.1	67.0	861.1	-26.2%	6.2%	-20.0%
Lithuania	1,802.9	1,333.5	100.0	1,433.5	-26.0%	5.5%	-20.5%
Slovenia	938.4	594.4	150.0	744.4	-36.7%	16.0%	-20.7%
Sweden	1,968.0	1,400.9	150.0	1,550.9	-28.8%	7.6%	-21.2%
Hungary	3,938.2	3,071.0		3,071.0	-22.0%		-22.0%
Bulgaria	2,686.5	2,078.6		2,078.6	-22.6%		-22.6%
Ireland	2,547.8	1,846.2	100.0	1,946.2	-27.5%	3.9%	-23.6%
Poland	11,693.3	8,724.2		8,724.2	-28.0%		-28.0%
Cyprus	168.5	110.5	7.0	117.5	-34.4%	4.2%	-30.3%
Czech Republic	2,914.5	1,929.4		1,929.4	-33.8%		-33.8%
Croatia		2,066.3		2,066.3			
EU-27	95,545.4	77,101.5	5,556.0	82,657.5	-19.3%	5.8%	-13.5%
EU-28		79,167.8	5,556.0	84,723.7			
EU-28 + Technical assistance				84,936.0	-11.1% (1)		-11.1% (1)

The European Council conclusions on Pillar 2 allocations – the messy detail

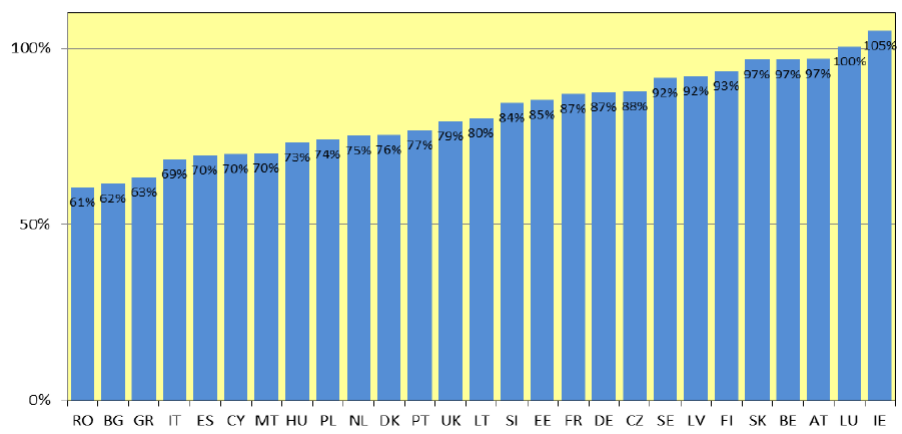
Source: European Parliament 2013 (with correction for total of discrete allocations)
 Note: (1) This percentage change is calculated relative to the EU-27 total in 2007-2013.

Changes in RD commitments, % 2013-2014 current prices



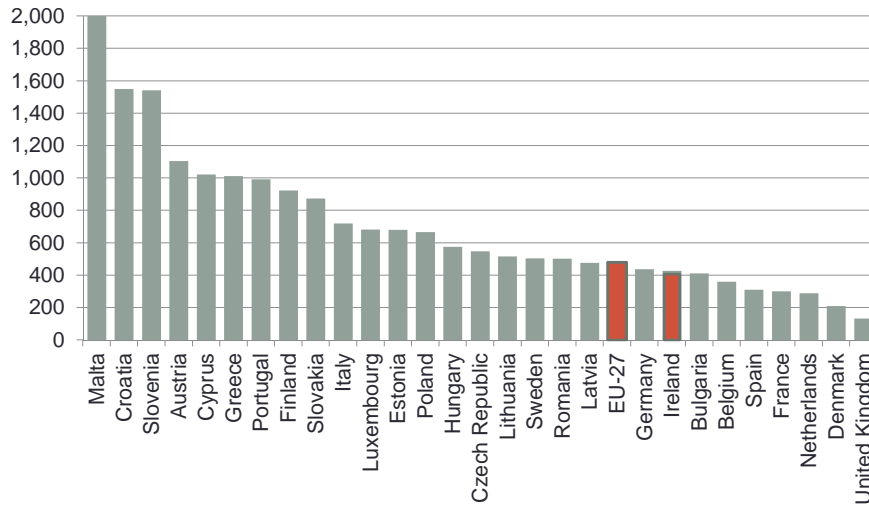
Ireland most successful in drawing down Pillar 2 payments 2007-2012

Graph 2 - Financial implementation rate of RD programs by Member State (% of the EAFRD payments including payment claims Q4 2012 compared with 2007-2012 commitments)

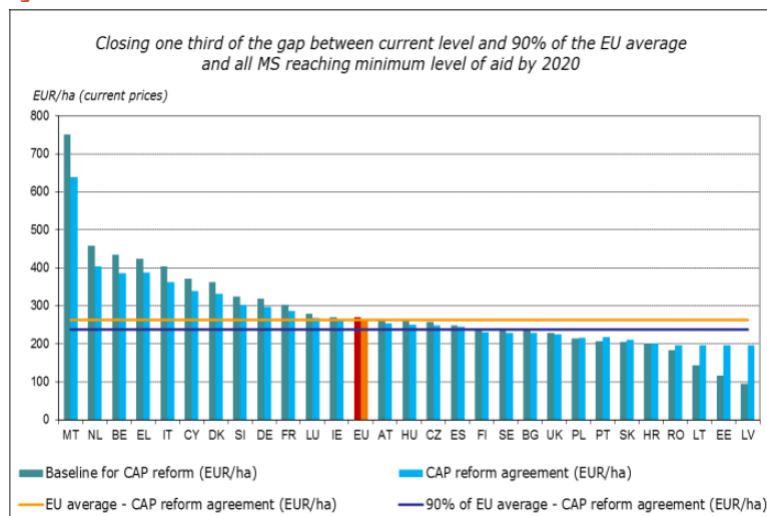


Source: EAFRD Financial Report 2012

Distribution of P2 spending/ha UAA 2014-2020 (€ 2011 constant prices)

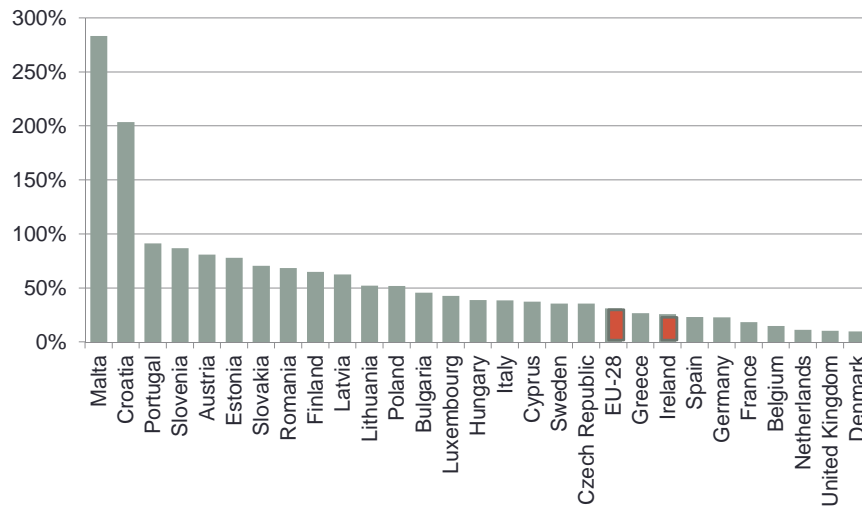


Changes in the distribution of P1 direct payments



Source: DG Agri, Overview of CAP Reform 2014-2020 Agricultural Policy Perspectives Brief 2013

Relative importance of P1 and P2 spending in 2014-2020 (ratio P2 to P1 %)



Flexibility between Pillars – 2014 payments

- Decision for 2014 payments had to be made by 31 Dec 2013
- **Transfers from first to second pillar.**
 - UK 10.8% (England 12%, Scotland 9.5%, Wales 15%, Northern Ireland (0%)*
 - France 3%
 - Latvia 7.46%
 - Germany and Netherlands likely to do so in following years
- **Transfers from second to first pillar**
 - Poland 25% until 2019
 - Slovakia 21.3% until 2019
 - Croatia 15% until 2019
 - Malta likely to do so in following years
- Decision can be altered using review clause scheduled for 2017

Conclusions

- Real reduction in CAP overall budget in line with long-term trends – a success for the Cioloş strategy?
- External convergence means (small) move to greater uniformity in payments across countries, but what is sensible long-term objective?
- Basis for Pillar 2 allocations remains unclear with no evident rationale