

CAP REFORM

DETAILS OF REFORM PACKAGE

1. DIRECT PAYMENTS

- Overall national budget for the Single Farm Payment reduced to €1,217m in 2014 from €1,230m (net of modulation) in 2013,
- Up to 2% of national ceiling to be used for young farmers' scheme,
- Up to 3% of basic payment ceiling to be used for the national reserve,
- Financial discipline: Linear cuts on payments above €2,000 to avoid breaches of the financial sub-ceiling and/or to finance the new crisis reserve,
- Minimum requirements: farmers whose direct payments are less than €100, or whose eligible area is less than one hectare, will not be granted direct payments. However, Member States may adjust these thresholds,
- * Capping/degression: The mandatory/voluntary nature of degression is still to be confirmed,
- * Flexibility between Pillars: Member States may transfer up to 15% of Pillar 1 (direct payments) funds to Pillar 2 (rural development), and vice versa, annually,
- Partnerships: Option for Member States to apply direct payments provisions (including financial discipline, capping/degression, redistributive payment and coupled support) at individual farmer level where national law provides for the individual members to assume rights and obligations comparable to those of individual farmers who have the status of head of holding.

Redistribution of Direct Payments

Two options - flat rate or partial convergence (Irish model) by 2019. Partial convergence:

- Farmers with payments below 90% of the national average payment per hectare have their payments raised by at least one-third of the difference between their current payment and 90% of the national average (Member States have the option to set the percentage higher than 90%, but no higher than 100%). Convergence is to take place in equal steps from 2015,
- This is financed by reductions to payments above the national average payment per hectare,
- Minimum payment of 60% of national/regional average payment per hectare,
- Optional maximum 30% loss on 2015 Initial Unit Value (NOT 2014 Payment) on convergence,
- MS flexibility on how payment reductions are applied to those above the average,
- 30% 'variable' greening (some 30% of a farmer's total individual payment, i.e. BPS + greening, rather than a flat rate).

As an add-on to either the flat-rate or partial convergence models, an optional redistributive payment, on up to 30 hectares or the national average farm size, if higher. This payment shall be no higher than 65% of the national or regional average value of payment entitlement.

Payment Entitlements

- Only farmers paid in 2013 can be automatically allocated new entitlements in 2015, provided they submit an application,
- The number of entitlements to be allocated to be equal to the number of eligible hectares declared in 2015. However, a Member State may decide that the number of entitlements to be allocated will be equal to the number of eligible hectares declared by the farmer in either 2013 or 2015, whichever is lower. Member States may apply a reduction coefficient to the number of eligible hectares in respect of permanent grassland located in mountainous areas, in areas subject to natural constraints such as poor soil quality, steepness and water supply, and in areas where grasses are traditionally not predominant,
- Land afforested since 2008 continues to be eligible,
- The Initial Unit Value of payment entitlements in 2015 is based on a fixed percentage of the payments received by the farmer in 2014 divided by the number of entitlements allocated to that farmer in 2015. The fixed percentage is calculated by dividing the ceiling available for the BPS scheme in 2015 by the total value of payments issued under the 2014 scheme,
- If a farmer sells or leases all or part of their holding to one or more active farmers before 2015, s/he can transfer the corresponding right to receive payment entitlements,
- Payment entitlements can only be transferred (leased or sold) to an active farmer, except through inheritance:
 - the reversion of entitlements upon expiry of a lease does not constitute a ‘transfer’,
 - entitlements may be transferred, including by way of lease, without land,
 - if entitlements are transferred without land, Member States may apply a claw-back of part of the entitlements transferred in favour of the National Reserve.

Active Farmer

- Member States to set minimum activity level for areas “naturally kept in a state suitable for grazing or cultivation”,
- Member States may also exclude from payment those for whom farming is an insignificant part of their economic activity,
- No payments to be made in respect of airports, railway services, waterworks, real estate services and permanent sport and recreational grounds. Member States may add to this list. Member States also have the discretion to categorise such entities as active farmers if the latter can provide verifiable evidence demonstrating that their agricultural activities are not insignificant, or that the annual amount of direct payments is at least 5% of the total receipts obtained from non-agricultural activities,
- Member States must also set a threshold amount, not exceeding €5,000, below which the negative list/economic activity will not be applied.

National or Regional Reserve

- Funded by up to 3% of 2015 basic payment ceiling,
- To be used to allocate payment entitlements as a priority to young farmers and to farmers commencing their agricultural activity, with discretion for Member States to set objective and non-discriminatory eligibility criteria,

- Optional uses include prevention of land abandonment, compensation for specific disadvantages and allocation of payment entitlements where a farmer did not get any entitlements as a result of force majeure or exceptional circumstances,
- Option for Member States to either allocate new entitlements or increase the unit value of existing entitlements up to the national or regional average value,
- National/regional reserve to be replenished through, inter alia:
 - payment entitlements not used for a period of two years,
 - payment entitlements not giving rise to payments because the farmer is not considered active, or does not meet the minimum payment/area requirements,
 - voluntary reversion of payment entitlements by farmers.

Greening

- 30% of direct payment is paid as a ‘greening’ payment, contingent on compliance with three greening criteria,
- Option to apply the 30% either as a flat rate or as a percentage of the farmer’s individual payment,
- Greening practices must be observed on all of a farmer’s eligible hectares, i.e. not just on the area covered by entitlements.

Three Greening Criteria:

Crop Diversification

- Exemption for farmers with less than 10 hectares of arable land,
- 2-crop requirement between 10 and 30 hectares, and 3-crop requirement over 30 hectares,
- Exemption for farmers with over 75% of holding under grassland (permanent and temporary), and with over 75% of arable land under temporary grassland, provided the remainder of their land is less than 30 hectares,
- Main crop maximum of 75% of arable land, and where there are three crops, the two main crops together cannot account for more than 95% of the arable land.

Permanent Grassland

- Maintenance of existing permanent grassland at national, regional or farm level,
- New permanent grassland ratio to be created using 2012 declarations, which will be updated using additional lands declared in 2015,
- Threshold for conversion of permanent grassland compared to reference ratio is 5% - where this is breached, there will be an obligation at individual farmer level to reconvert land into land under permanent grassland (except where the breach arises from afforestation),
- Ban on ploughing of certain designated lands in permanent grassland within Natura 2000 areas where the areas are environmentally sensitive and where the objectives of the Directive require them to be strictly protected.

Ecological Focus Areas

- Applies to arable land only,
- Permanent crops are excluded,
- Exemption where the arable land of a holding is less than 15 hectares,

- If over 15 hectares, 5% of the arable land must be ecological focus area, increasing to 7% in 2017 after a Commission report and legislative act,
- List of qualifying areas includes fallow land, terraces, landscape features and buffer strips,
- Weighting matrix (optional where ratio > 1) in respect of areas/features included,
- Similar to crop diversification, exemption for holdings where more than 75% of the holding is in grassland (permanent or temporary), or covered by crops under water, or a combination of both, subject to a maximum for the remaining land of 30 hectares,
- Exemptions also for holdings where more than 75% of the arable land is temporary grassland, fallow, leguminous crops, or a combination of these, subject to a maximum for the remaining land of 30 hectares.

Equivalence

- List of equivalent practices yielding an equivalent or higher level of benefit for the climate and the environment, allowing farmers to satisfy the three greening criteria,
- In addition to agri-environment-climate measures and national or regional environmental certification schemes, these can include practices such as crop rotation, maintenance of landscape features on permanent grassland and ecological set-aside,
- Commission can add practices to list and establish certification scheme requirements,
- Equivalent practices will not be the subject of double funding.

Greening Penalty

- No additional penalty for non-compliance in the first two years,
- Maximum of 20% of greening payment in year 3 (2017), and 25% in year 4 (2018).

Payments for Areas with Natural Constraints

- Optional top-up payments for farmers in new ANCs (formerly LFAs),
- Member States may set maximum number of hectares per holding on which these payments can be made,
- Member States may use up to 5% of their annual national ceiling for these payments.

Young Farmers' Scheme

- Mandatory scheme under Pillar 1,
- Applicants must be under 40 years of age in the year in which the application is submitted ,
- Applicants must be setting up an agricultural holding for the first time or have set up a holding in the previous five years,
- Member States may define further objective and non-discriminatory eligibility criteria,
- Payment to be granted for a maximum period of five years from the date of setting up,
- Member States may choose one of the following payment calculation methods:
 - 25% of the average value of the payment entitlements held by the farmer,
 - 25% of the average value of entitlements in the Member State,
 - 25% of the national average payment per hectare in the Member State (based on the national ceiling), multiplied by the number of entitlements activated by the young farmer, or
 - a lump sum payment

- Member States must apply a maximum limit of not less than 25 and not more than 90 payment entitlements activated or eligible hectares declared by the farmer (this does not apply to the lump sum payment),
- Member States can use up to 2% of their annual national ceiling for the scheme.

Coupled Payments

- Voluntary provision for Member States to use up to 8% of their annual national ceiling for coupled support in specific sectors, plus a further 2% for protein crops,
- Member States who implemented more than 5% coupled aid in one year in the period 2010-2014 permitted a level of 13%, plus 2% for protein crops,
- Member States who implemented more than 10% in one year in the 2010-2014 period may decide to use more than 13% upon approval by the Commission.

Small Farmers' Scheme

- Optional scheme, with a maximum payment of €1,250,
- Member States can use up to 10% of their national ceiling, unless they choose to calculate the payment on the basis of what the applicant is entitled to receive each year and opt not to round low payments up to €500. In this case, there is no maximum percentage of the national ceiling that can be used for the scheme,
- Farmers must lodge an application no later than 15 October 2015,
- Member States may provide that farmers whose payments are lower than €1,250 are automatically included in the small farmers' scheme, unless they expressly withdraw from it,
- Member States may choose one of the following payment calculation methods:
 - up to 25% of the national average payment per beneficiary, based on the national ceiling set for calendar year 2019,
 - the national average payment per hectare multiplied by a figure up to 5,
 - an amount equal to what the individual applicant is entitled to in 2015,
 - an amount equal to what the individual applicant is entitled to receive, under the BPS and related schemes, for each year,
 - in the case of the first two options above, where the calculations result in an amount either lower than €500 or higher than €1,250, the amount shall be rounded up or down, respectively, to the minimum or maximum amount. In the case of the third and fourth options above, where the payment amount is less than €500, Member States may round this amount up to €500
- Cross-compliance and greening controls are not applied to farmers in this scheme.

2. SINGLE CMO

Market Supports

- Marketing year for fruit and vegetables, processed fruit and vegetables and bananas sectors set at 1 January-31 December,
- Former classification of 'adult bovines' changed to 'bovine animals aged 8 months or more',

- Reference prices redefined as reference thresholds, to be kept under review by the Commission, and updated when necessary in accordance with the ordinary legislative procedure,
- Reference thresholds added for olive oil sector,
- Durum wheat added to the list of products eligible for public intervention,
- Opening of public intervention to be mandatory for common wheat, butter and skimmed milk powder, and discretionary for beef and veal, barley, maize, durum wheat and paddy rice,
- Intervention price for beef and veal increased to 85% of the reference threshold (previously €1,560 per tonne),
- Production costs and the negative effects on sectoral margins of difficult market conditions are to be taken into account by the Commission when deciding whether to introduce APS,
- Export refunds to be set at zero, and confined to exceptional circumstances.

Specific Milk Measures

- The intervention period for butter and skimmed milk powder to be extended by one month, to end-September,
- The limit for fixed-price buying-in of butter/SMP into intervention to increase to 50,000 tonnes (from 30,000 tonnes),
- PDO/PGI cheeses to be included in the list of products eligible for APS (but only after maturation period),
- Inclusion of a recital acknowledging the need to particularly address market disturbance and specific problems in case of emergency in the milk sector,
- European Parliament withdrew its amendment introducing supply controls in the milk sector.

School Fruit and School Milk Schemes

- Schemes aimed at children who regularly attend nurseries/pre-schools, and primary or secondary-level educational establishments that are administered or recognized by the competent authorities of Member States,
- Member States must draw up national or regional strategies for implementation and provide for accompanying measures (discretionary under school milk scheme), which may include education about healthy eating habits, local food chains and combating food wastage,
- Union aid cannot be used to replace existing national funding for such schemes, except to extend or to make these schemes more effective,
- In the case of the school fruit scheme, certain high-fat and high-sugar products are excluded, unless Member States want to ensure a broad assortment of products,
- Member States must publicise the fact that the schemes are subsidised by the Union.

Sectoral Aids

- Programmes to support the olive oil and table olives sector,
- Aid in the fruit and vegetables sector :
 - establishment of operational funds by producer organisations and associations of producer organisations
 - funded by Union financial assistance (maximum 50% of actual expenditure incurred) or by members themselves,
 - operational programmes to have 3-5 year duration,

- objectives of programmes may include crisis prevention and management,
- national financial assistance possible under certain circumstances,
- Member States to establish national frameworks and national strategies for operational programmes
- Support programmes in the wine and hops sectors,
- Aid in the apiculture sector:
 - Member States may draw up national programmes for a period of three years,
 - Union contribution equivalent to 50% of the expenditure borne by Member States,
 - measures may include, inter alia, technical assistance, disease prevention, measures to support restocking and enhancement of product quality.

Wine

- New planting authorisations system to commence in 2016,
- Five-year period from the end of 2015 to convert existing rights into authorisations,
- Expiry date 2030,
- 1% annual increase in vine planting authorisations.

Rules Concerning Marketing

- Marketing Standards:
 - in general, existing marketing standards provisions incorporated into SCMO regulation, and divided between obligatory rules and optional reserved terms,
 - marketing standards to apply to specified sectors/products (no general marketing standard),
 - Commission may update list of sectors/products, but only under strictly circumscribed conditions and after presentation of a report to the European Parliament and Council (Commission statement to this effect to be included in the SCMO regulation),
 - definitions, designations and sales descriptions - includes amended text in relation sales descriptions for spreadable fats, which brings the SCMO regulation into line with the Nutrition and Health Claims regulation (1924/2006),
- Designations of origin (PDOs), geographical indications (PGIs) and traditional terms in the wine sector.

Sugar

- Quotas to be abolished in 2017,
- No re-allocation of quotas to Member States who relinquished quotas in 2006,
- Organisation of the sector strengthened through contracts and inter-professional agreements,
- Temporary market management measure to ensure sufficient supplies of sugar to the EU market in the period up to the end of quotas. Allows changes to be made to the surplus levy and to the level of the duty payable on imported raw sugar. Commission will have regard to the interests of both Union sugar beet growers and raw cane refiners in applying this mechanism,
- Retention of the 3-month exclusive import capacity of 2.5 million tonnes for full-time refiners in the period up to the end of quotas.

Milk Package

- Retention of provisions on contractual relations and contractual negotiations in the milk sector,
- Retention of provisions on recognition of POs, APOs and IBOs in the milk sector,
- Harmonisation with other sectors of provisions in milk sector on extension of rules and financial contributions to non-members - Member States' discretionary power to permit POs and IBOs to so extend will now apply also to the milk sector,
- The application of competition rules to agreements, decisions and concerted practices of recognised IBOs will now apply also to the milk sector,
- Communications requirements will now also apply to the milk sector.

Producer Organisations

- Voluntary recognition of producer organisations, except in sectors where recognition is already mandatory (milk, fruit and vegetables, olive oil and table olives, silkworms and hops),
- Voluntary recognition of associations of producer organisations,
- Voluntary recognition of inter-branch organisations, except in sectors where recognition is already mandatory (olive oil and table olives, and tobacco),
- Longer list of permitted activities of producer organisations, linked to the continued application of competition rules to their activities,
- Member States may extend rules of POs and APOs to non-members in all sectors, including the milk sector,
- Contractual relations - without prejudice to the provisions on milk and sugar, Member States may decide that all deliveries of agricultural products from sectors listed in article 1(2) must be covered by a written contract,
- Contractual negotiations - the ability of producer organisations to negotiate contracts on behalf of their members is extended from the milk sector to beef and veal, olive oil and certain arable crops. This is contingent on the quantity of production not exceeding 15% of total national production (beef and veal, and arable crops) or 20% of the relevant market (olive oil),
- Regulation of supply of PDO/PGI ham,
- Delegated powers for the Commission to specify conditions for recognising transnational organisations and rules governing transnational cooperation.

European Food Price Monitoring Tool

- Commission declaration inserted in the text to the effect that it will report regularly to the European Parliament and the Council on the activities of the EFPMT.

Trade with Third Countries

- Provisions governing:
 - import and export licences,
 - import duties,
 - tariff quota management and special treatment of imports by third countries,
 - special import provisions for certain products (including imports of raw sugar for refining and suspension of sugar import duties),
 - safeguard and inward processing,
 - outward processing.

Competition Rules

- Commission and Member State competition authorities to co-operate closely in the application of competition rules, and the Commission will publish guidelines where appropriate to assist national competition authorities,
- Definitions/explanations of ‘relevant market’ and ‘dominant position’ included,
- In general, articles 101 to 106 of the Treaty (competition rules) apply to all agreements, decisions and practices relating to the production of, or trade in, agricultural products, except where necessary for the attainment of the objectives of the CAP as set out in Article 39 of the Treaty, or to the activities of POs and APOs where they do not jeopardise those objectives or entail an obligation to charge an identical price or exclude competition,
- The burden of proving an infringement rests on the party alleging the infringement, but any party claiming the exemptions provided for in the SCMO shall bear the burden of proving it meets the relevant conditions,
- Particular provisions relating to agreements, decisions and concerted practices of IBOs.

State Aid Rules

- Retention of existing provisions on, inter alia, national payments for wine programmes, apiculture, school schemes and the sugar sector in Finland.

Exceptional Measures and Crisis Reserve

- In general, greater flexibility for Commission to intervene in exceptional circumstances, covering three aspects:
 - measures against market disturbance,
 - market support measures related to animal diseases and loss of consumer confidence due to public, animal or plant health risks,
 - specific problems
- Commission may decide by implementing act that competition rules do not apply to certain categories of agreements and decisions of POs, APIs and IBOs during periods of severe imbalance in markets,
- Crisis reserve funds to be made available for market support measures where circumstances go beyond normal market developments.

3. RURAL DEVELOPMENT

- * Annual average EU funding of €313 million until 2020,
- * Co-funding rates - 53% general rate, other rates according to region/measure
- EAFRD to act in Member States through rural development programmes, which may include thematic sub-programmes related to, for example, young farmers, small farms, mountain areas and short supply chains, women in rural areas, and climate change mitigation and biodiversity,
- Rural development programmes must include ex-ante evaluations, SWOT analyses, a description of the strategy, a description of each of the measures selected, and a financing plan,
- There should be a minimum spend of 30% of funding on agri-environment measures,
- Establishment of a monitoring and evaluation system.

Objectives

Support for rural development must contribute to achieving the following objectives:

- Fostering the competitiveness of agriculture,
- Ensuring the sustainable management of natural resources, and climate action,
- Achieving a balanced territorial development of rural economies and communities, including creating and maintaining employment.

Priorities

The achievement of these objectives shall be pursued through the following Union priorities:

- Fostering knowledge transfer and innovation in agriculture, forestry and rural areas,
- Enhancing farm viability and competitiveness of all types of agriculture in all regions, and promoting innovative farm technologies and sustainable management of forests,
- Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management,
- Restoring, preserving and enhancing ecosystems related to agriculture and forestry,
- Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in the agriculture, food and forestry sectors,
- Promoting social inclusion, poverty reduction and economic development in rural areas.

Measures

- Knowledge transfer and information actions - support to cover vocational training and skills acquisition (including training courses, workshops and coaching), demonstration activities and information actions. Support may also cover short-term farm and forest management exchange, and farm and forest visits,
- Advisory services, farm management and farm relief services - support to help farmers, young farmers, forest holders, other land managers and SMEs in rural areas to benefit from the use of advisory services. Also, to promote the establishment of farm management, farm relief and farm advisory services, and training of advisors,
- Quality schemes - support to cover new participation by farmers and groups of farmers in quality schemes, including farm certification schemes. Support may also cover costs arising from information and promotion activities,
- Investments in physical assets - support to cover tangible and/or intangible investments which either:
 - improve the overall performance and sustainability of the agricultural holding,
 - concern the processing, marketing and/or development of agricultural products covered by Annex I to the Treaty,
 - concern infrastructure related to the development, modernisation or adaptation of agriculture and forestry, including access to farm and forest land, land consolidation and improvement, and the supply and saving of energy and water, or
 - are non-productive investments linked to the achievement of agri-environment-climate objectives, including biodiversity and the enhancement of the public amenity value of Natura 2000 or other high nature value systems,
 - a series of conditions must be fulfilled in order for investment in new and existing irrigated areas to be considered as eligible expenditure

- Restoring agricultural production potential after natural disasters - support to cover investments in preventive actions and restoration of production potential, but not loss of income,
- Farm and business development - support to cover business start-up aid (for young farmers, non-agricultural activities in rural areas and the development of small farms, subject to submission of a business plan), investment in the creation and development of non-agricultural activities and payments to farmers eligible for the small farmers' scheme who transfer their holding to another farmer,
- Basic services and village renewal in rural areas - support to cover the drawing up and updating of development plans, investments in small-scale infrastructure (including renewable energy and energy saving), broadband infrastructure, and investment in local basic services, including leisure and culture,
- Investments in forest area development and viability - support to cover:
 - afforestation and creation of woodland,
 - establishment of agro-forestry systems,
 - prevention and restoration of damage to forests,
 - investments improving the resilience and environmental value as well as the mitigation potential of forest ecosystems,
 - investments in forestry technologies and in the processing, mobilising and marketing of forest products
- Setting up of producer groups and organisations - support to cover their establishment for the purpose of:
 - adapting production and output of members to market requirements,
 - jointly placing goods on the market,
 - establishing common rules on production information,
 - other activities such as development of business and marketing skills
- Agri-environment-climate - compulsory inclusion in Member States' rural development programmes of a measure aimed at preserving and promoting the changes necessary in agricultural practices that make a positive contribution to the environment and climate. Commitments to be defined by Member States, and undertaken voluntarily by farmers or groups of farmers,
- Organic farming - support to cover voluntary conversion to, or maintenance of, organic farming. Support granted per hectare of agricultural area,
- Natura 2000 and Water Framework Directive payments - support to cover additional costs and income foregone related to the implementation of these directives. Support granted per hectare of agricultural area or per hectare of forest,
- Areas facing natural or other specific constraints (ANCs):
 - payments to be granted annually per hectare of agricultural area to farmers in mountain areas and other areas facing such constraints as compensation for additional costs and income foregone,
 - will replace current Less Favoured Areas,
 - From 2018, Member States to designate non-mountain ANCs if at least 60% of the agricultural area (at LAU2 level or at the level of a clearly delineated local unit) meets at least one of eight new biophysical criteria at the relevant threshold. Areas will also be eligible where:
 - at least 60% of the agricultural area meets at least two of the criteria within a margin of not more than 20% of the relevant threshold, and
 - where at least 60% of the agricultural area is composed of areas meeting at least one of the criteria at the relevant threshold, and areas meeting at least two criteria within a margin of not more than 20%

- Member States to undertake fine-tuning exercise to exclude areas where constraints have been overcome,
- additional areas may be identified covering no more than 10% of the area of the Member State,
- degressive payments may be made to farmers in areas no longer eligible following the new delimitation, commencing in 2018 at the latest and moving from 80% of the average payment in the 2007-2013 period to 20% by 2020
- Animal welfare - support to cover voluntary fulfilment by farmers of commitments going beyond mandatory animal welfare requirements, over a renewable period of one to seven years,
- Forest-environmental and climate services, and forest conservation - support to be granted per hectare of forest to public and private forest holders who voluntarily undertake forest-environment commitments. In the case of forest holdings above a certain threshold to be defined by Member States, support will be conditional on the presentation of information from a forest management plan or equivalent,
- Co-operation - support to promote forms of co-operation involving at least two entities, including producer groups, co-operatives and inter-branch organisations, and the creation of clusters and networks. It can relate to, inter alia, pilot projects, the development of new products/processes/technologies and promotion activities,
- Risk management - support to cover:
 - financial contributions to premiums for crop, animal and plant insurance against economic losses caused by adverse climatic events, animal or plant diseases or pest infestation, or an environmental incident,
 - financial contributions to mutual funds compensating farmers for economic losses as above,
 - an income stabilisation tool, in the form of financial contributions to mutual funds compensating farmers for a severe drop in their income
- LEADER - local action groups may include as partners groups of local public and private partners in a rural or non-rural territory that is implementing a local development strategy.

Technical Assistance and Networking

- Funding of technical assistance,
- European network for rural development - increasing the involvement of all stakeholders in the implementation of rural development and improving the quality of rural development programmes,
- European Innovation Partnership network - facilitating the exchange of good practices, and establishing a dialogue between farmers and the research community,
- National rural network - grouping the organisations involved in rural development.

4. HORIZONTAL REGULATION

- Covers the financing, management and monitoring of the CAP,
- Provides the basis for the financing of CAP measures through the EAGF and EAFRD.

Accreditation of Paying Agencies

- Current number of paying agencies retained, with agreement not to increase the number of agencies in Member States.

Farm Advisory System

- Member States required to establish a system of advising beneficiaries on land management and farm management, covering at least:
 - the Statutory Management Requirements and GAEC standards,
 - greening,
 - Water Framework Directive (WFD) and Sustainable Use of Pesticides Directive (SUPD) requirements, and
 - rural development measures.

Only those elements of the WFD and SUPD that are already applicable at farm level need be included pending full transposition of these Directives in all Member States, whereupon the requirements will be included as part of Cross-Compliance.

EAGF

- Covers the financing of expenditure (monthly payments by the Commission to Member States) and budget discipline (including provision for the crisis reserve and for financial discipline).

EAFRD

Provisions covering:

- The elimination of double funding in respect of expenditure financed under the EAFRD,
- Prefinancing arrangements, interim payments, balancing payments and automatic decommitments for rural development programmes (paid in instalments by the Commission to Member States).

Common Provisions

- Compliance with payment deadlines (with no interest payable on late payments),
- Reduction and suspension of monthly and interim payments,
- Suspension of up to 1.5% of the expenditure in respect of which statistical information (control statistics) has not been submitted to the Commission on time.

Clearance of Accounts

- On-the-spot checks by the Commission,
- Access to information/documentation,
- Processing of irregularities (including application of 50/50 rule if recovery has not taken place within four years of recovery request, or eight years where recovery is sought through the courts),
- Clearance of accounts,
- Conformity clearance.

Control Systems and Penalties

Provides for:

- Systematic administrative checking of all aid applications and payment claims, including on-the-spot checks,
- Undue payments and administrative penalties,
- Securities.

Integrated Administrative and Control System (IACS)

Provides for:

- Individual components of IACS (including a computerised database and an identification system for agricultural parcels),
- A reference layer to accommodate ecological focus areas to be in place for claim year 2018 at the latest,
- An option for the non-declaration of agricultural parcels of up to 0.1 hectares on which an application for payment is not made, provided the sum of such parcels does not exceed 1 hectare,
- Harmonisation of Pillar 1 and Pillar 2 payment dates - with effect from claim year 2018 (financial year 2019), advance payments under both pillars to commence on 16 October, with a 50% advance under Pillar 1 when all on-the-spot checks and administrative control have been finalised, and a 75% advance under Pillar 2 when all administrative checks only have been carried out,
- The application of administrative penalties (including the greening penalty) and the circumstances in which administrative penalties will not be imposed.

Cross Compliance

Provision made for:

- Control system and administrative penalties,
- Rules on cross-compliance (including the incorporation of the existing requirement to maintain permanent pasture for the years 2015 & 2016),
- Obligations of Member States as regards maintenance of all agricultural area in good agricultural and environmental condition,
- Provision of information on requirements to beneficiaries,
- Early warning system (no penalty) for minor cases of non-compliance,
- The scope of cross-compliance to be made more consistent, with one single list of SMRs and GAEC standards in the areas of:
 - environment, climate change, good agricultural condition of land
 - public health, animal health and plant health,
 - animal welfare
- The number of SMRs to be reduced from 18 to 13.

Monitoring and Evaluation of CAP

- Common framework to be established to measure the performance of the CAP.

Transparency

- Publication of beneficiaries (name, municipality, payment amounts and measures) above a certain threshold (€1,250 for Member States not implementing a small farmers' scheme, or the relevant amount fixed by Member States implementing the small farmers' scheme),
- Provisions governing the processing and protection of personal data.

* to be confirmed following agreement on EU budget.