COUNCIL OF THE EUROPEAN UNION

EN

Brussels, 27 March 2013
8005/13
(OR. en)
PRESSE 137

Reform of the Common agricultural policy (CAP) - Main elements of the Council position

At its meeting on Monday 25 March 2013, the Special Committee on Agriculture formally confirmed the Council's negotiating position on the four draft CAP reform regulations under the ordinary legislative procedure. This formal confirmation reflects the agreement on a General Approach reached after intensive negotiations led by the Irish Presidency in the Council ("Agriculture and Fisheries") at its session on 18 and 19 March. This marks an important step towards ministers' goal of reaching a political agreement with the European Parliament by the end of June.

The main elements of the Council position, which will serve as the Presidency's mandate for negotiations with the Parliament, are set out in annex. These elements are based on the compromise texts prepared by the Presidency on each of the CAP reform proposals:

– the regulation establishing rules for direct payments to farmers (Direct Payments Regulation) (7183/13 + ADD1 + ADD2);

– the regulation establishing a common organisation of the markets in agricultural products (Single CMO Regulation) (7329/13);

– the regulation on support for rural development (Rural Development Regulation) (7303/13);

– the regulation on the financing, management and monitoring of the CAP (Horizontal Regulation) (7304/13).

The final compromise texts on which an agreement was reached during the Council session on 18 and 19 March (7539/13 + ADD1) have also been taken into account.

P R E S S

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ANNEX

1. DIRECT PAYMENTS REGULATION

Points related to the MFF

The Council position on the Direct Payments Regulation reflects a number of points agreed at the level of Heads of State or Government in the European Council conclusions of 7-8 February on the Multiannual Financial Framework (MFF) (EUCO 37/13):

Financial discipline: the financial discipline mechanism, introduced by the 2003 CAP reform, aims to ensure that the level of direct support is adjusted whenever forecasts indicate that the CAP budget will be exceeded in a given financial year. In line with the European Council conclusions to maintain this mechanism (paragraph 66), the Council has set the level as of which any reductions of direct support would apply to farmers who receive more than EUR 2000 of direct support.

Capping of direct support to large farms: in line the European Council conclusions (paragraph 65), the Council position allows Member States wishing to do so to reduce the amount of direct support allocated to those farmers who receive more than EUR 150 000 per year.

Flexibility between pillars: in line with the European Council conclusions (paragraphs 68 and 69), the Council has provided for increased flexibility in the transfer of funds between the two CAP pillars. Member States may transfer up to 15% of their direct support envelopes under pillar 1 to their rural development envelopes under pillar 2, or vice versa. In addition, Member States whose direct support level is below 90% of the EU average may transfer an additional 10% of their pillar 2 rural development envelopes to their pillar 1 direct support envelopes. The Council also takes the view that these percentages may vary per calendar year and that Member States should be allowed to review their transfer decision.

As regards the redistribution of direct support between Member States (external convergence), the Council has still to confirm the exact figures for Member States' national envelopes reflecting the European Council conclusions on the MFF (paragraph 64).

Transition to the new basic payment scheme

The Commission proposal provides for the introduction of a new Basic Payment Scheme to replace the current Single Payment Scheme (SPS) and the Single Area Payment Scheme (SAPS).

The Council has made a large number of amendments in order to ensure the smooth transition to the new basic payment scheme both for Member States applying the SPS and for Member States applying the SAPS. Moreover, for Member States applying the SAPS the Council considers they should be able to continue with this scheme until 2020, with the option to grant transitional national aid in the period 2015 to 2020:

Two important new elements introduced by the Council are:

– the option for Member States to grant a top-up payment on the first hectares of each farm (the so-called 'redistributive payment'), in order to take account of the greater labour intensity on smaller farms and economies of scale on larger farms The maximum number of hectares eligible for this top-up would be either 30 hectares or a number of hectares corresponding to the average farm size in the member state concerned;

– the possibility for Member States to use more than 3% of their direct support envelope for funding their national reserve, in order to take account of ongoing land re-structuring and to promote bringing uncultivated land back into agricultural production.

Internal convergence (convergence of the level of direct payments within Member States)

The Council position provides for increased flexibility on internal convergence, particularly by allowing Member States to reach only partial convergence by 2019 (rather than full convergence, as proposed by the Commission). Those Member States aiming for partial convergence would be allowed to apply the mechanism for 'external convergence' (reducing the gap between direct payment levels between Member States) and to establish minimum and maximum limits to the value of payment entitlements in relation to their national or regional values. Moreover, those Member States would be allowed to apply internal convergence to the greening payment (see below) by fixing this payment as a percentage of the farmer's individual payment rather than as a percentage of the national or regional flat-rate payment.

Member States aiming for full convergence would also have further flexibility by being able to limit their first convergence step to 10% (rather than 40%, as proposed by the Commission).

Greening of direct support

The Commission provides for the greening of direct support by making 30% of direct support to farmers subject to the respect of agricultural practices beneficial for the environment and the climate. The European Council conclusions on the MFF (paragraph 67) confirm the 30% greening objective, whilst avoiding unnecessary administrative burden and with a clearly defined flexibility for Member States relating to the choice of equivalent greening measures. The European Council conclusions also stipulate that the requirement to have an agricultural focus area (EFA) on each farm should be implemented in ways that do not require the land in question to be taken out of production and that avoids unjustified losses in the income of farmers.

In line with these conclusions, the Council has made a significant number of adjustments to the greening provisions, which aim in particular to:

- adjust the scope of 'equivalent practices' (practices which yield an equivalent or higher benefit for the climate and the environment compared to the greening practices proposed by the Commission);
- provide for the progressive application of the requirement to provide for crop diversification on each farm, with a number of exemptions to that requirement;
- adjust the requirement to keep a minimum ratio of permanent grassland in relation to the total agricultural area;
- allow for the graduated application of the requirement to have an Ecological Focus Area (EFA) on each farm (starting at a 5% rate with the possibility to bring this up to 7% as appropriate and subject to an evaluation report from the Commission), along with certain adjustments to the scope of eligible EFA and a number of exemptions.

Voluntary coupled support

The Council position offers Member States increased possibilities to grant voluntary coupled support in sensitive sectors or regions. As a general rule, Member States may in future grant up to 7% of their direct support envelopes in the form of coupled support (compared to the current rate of 5%). Moreover, Member States fulfilling specific conditions may bring this rate up to 12% (compared to the current 10%). The Council did not make any changes to the sectors eligible for coupled support as proposed by the Commission.

Small farmers scheme

The small farmers scheme proposed by the Commission provides for a flat-rate payment to farmers who do not receive more than EUR 1000 of direct support. This scheme aims to bring about a significant reduction in the administrative burden on both farmers and national authorities.

The Council considers that Member States should be free to decide if they want to introduce this scheme or not. The Council position also includes a simplified method for calculating the flat-rate amount due to each farmer.

Young farmers scheme

The young farmers scheme proposed by the Commission aims to promote generation renewal in the farming sector by providing for a top-up payment for farmers below the age of 41 who are setting up or taking over an agricultural holding for the first time.

The Council considers that Member States should be able to choose how to target young farmers and should have the option to apply this scheme or not The Council also introduces a number of adjustments to simplify the calculation of the payments.

2. SINGLE CMO

Market intervention and specific provisions on individual sectors

On the market management instruments of public intervention and private storage, as well as the individual aid schemes, the Council General Approach stays close to the substance of the Commission proposal. However adjustments have been made by Council so that prices and quantitative limitations are fixed by Council in line with Article 43(3) TFEU. Moreover :

– on the fruit and vegetables sector, the Council extends the financing of operational aid programmes beyond producer organisations to associations of producer organisations;

– on the wine sector, the Council has reflected the outcome of the High Level Group on vine planting rights by introducing an authorisation system for wine producers wishing to plant or replant vines for the production of all categories of wine. This system would apply to all wine-producing Member States for 6 years (1 January 2019 to 31 December 2024) with a mid-term review. It would require Member States to make 1% of their total area planted available each year for new authorisations but also give Member States the possibility to apply a lower percentage at national or regional level for specific areas. These authorisations would be free and valid for three years.

– on aid in the apiculture sector the Council clarifies the list of the eligible measures as well as the possibility for Member States to top up the EU contribution.

– on sugar, the Council extends the existing quota regime until the end of the 2016/2017 marketing year.

– on hops the Council retains the existing provisions on aid to producer organisations and on certification and imports.

- on milk the Council copies over the milk package agreed upon by the European Parliament and the Council which entered into force at the end of 2012 (Regulation (EU) No 261/2012 of the European Parliament and of the Council of 14 March 2012 amending Council Regulation (EC) No 1234/2007 as regards contractual relations in the milk and milk products sector).

Furthermore the Council general approach better defines the crisis situations where the Commission would need to take exceptional measures to deal with significant disturbances in the market while ensuring that the Commission's possibilities of action remain flexible and effective. Furthermore the Council extends the scope of the measures which can be taken in order to take account of serious market disturbances directly attributed to a loss in consumer confidence, due to public or plant health risks, in any of the agricultural products listed in Annex I to the Treaty (TFEU).

Marketing standards

The Council General approach rejects the Commission's proposal for a general marketing standard for all agricultural products. Moreover it distinguishes between obligatory rules on marketing standards and optional reserved terms. To reflect the status quo, the Council also provides for the possibility of specific marketing standards for one or more of the following sectors and/or products:

- olive oil and table olives;
- fruit and vegetables;
- processed fruit and vegetables;
- bananas;
- live plants;
- eggs;
- poultry meat;
- spreadable fats intended for human consumption;
- hops.

In addition, mandatory origin labelling can be imposed by Commission by delegated acts to the above sectors or products, excluding those of poultry meat and spreadable fats . As for the indication of the country of origin it remains compulsory for products of the fruit and vegetables sector which are intended to be sold fresh to the consumer.

Producer organisations and associations, interbranch organisations

The Council adjusts the Commission proposal to give Member States the possibility but not the requirement to recognise, on request, producer organisations and their associations, and interbranch organisations. However, in line with current rules recognition of producer organisations remains mandatory for:

– the fruit and vegetables sector,

– the olive oil and table olives sector,

– the silkworm sector, and

– the hops sector.

The recognition of interbranch organisations in the olive oil and table olives sector and the tobacco sector also remains mandatory.

The Council further adjusts the Commission proposal to allow Member States the possibility to extend the rules foreseen for producer organisation and financial contributions to non-members except producers in the milk and milk products sector. This means that agricultural sectors other than dairy, producer organisation, associations of producer organisations and interbranch organisations may request their member states to extend the application of some rules clearly identified in the Single CMO regulation to producers who are not members, and to require them to pay financial contributions.

Finally on trade and competition rules the Council remains close to the Commission proposal.

3. RURAL DEVELOPMENT

The main new elements proposed by the Commission in the draft Rural Development Regulation and considered essential by the Council are the reform of payments for Areas with Natural Constraints, the introduction of Risk management measures and the simplification of the programming process.

Areas with natural constraints

As regards areas with natural constraints the Council has given its support to the reform, confirming that the new bio-physical criteria provide an objective and transparent method for delimiting such areas in the entire territory of the EU. However, in view of the different conditions in each Member State, flexibility would be essential for the implementation of the system. Therefore the period for degressive phasing out payments has been amended to start only when the new delimitation is completed which would be in 2016 at the latest.

As regards, the aggregation threshold determining the existence of a significant constraint, the Council decided to reduce it to 60%. Furthermore, when carrying out the fine-tuning exercise to exclude areas in which significant natural constraints have been overcome, Member States would also be able to consider evidence of normal land productivity or production methods and farming systems which offset the income loss or added costs for the farmers.

Greater flexibility has also been provided regarding areas which were eligible during the current programming period. In those areas, Member States may apply a combination of two biophysical criteria at a lower threshold for the delimitation of the areas.

Risk management

The Council has also given its support to the introduction of Risk Management measures regarding crop, animal and plant insurance, mutual funds for animal and plant diseases and environmental incidents, and an income stabilisation tool in the form of mutual funds. However, the Council took the view that in order to be effective, the measures must cover all the main risks which farmers face today, including therefore adverse climatic events, pest infestations and losses caused by wild animals. Moreover, the text has been amended to allow and encourage the use of indexes and modern technology in order to gather the necessary data concerning the production levels and losses of each farmer.

Programming

Throughout the reform of the CAP, Member States have insisted on the need for simplification in all domains, and in particular for Rural Development the programming process. The Preparatory bodies of the Council have reviewed and amended the relevant provisions on numerous occasions, simplifying the procedures and clarifying the requirements in order to allow efficient and targeted implementation of the measures. Particular emphasis has been placed on the SWOT analysis, as it would permit each Member State to define which priorities are most relevant to its agriculture and rural areas and focus support on the related measures.

Transition regions

Following the conclusions of the European Council on the MFF, the Council has introduced specific support for regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25, but whose GDP per capita for the next programming period is above 75% of the GDP average of the EU-27, also referred to as transition regions. Those regions would now receive higher levels of support as is also the case for less developed regions, with co-financing rates of 75%.

4. HORIZONTAL REGULATION

The main new elements proposed by the Commission in the draft Horizontal Regulation and considered essential by the Council are a unified framework for all penalties imposed on farmers and beneficiaries for non-compliance with the requirements laid down by agricultural legislation, exceptions to the principle of double funding and new rules on the publication of the names of the beneficiaries of the CAP funds.

Penalties

Under the current legal framework of the common agricultural policy, the general principles of the penalties for non-compliance with the obligations provided for in sectoral agricultural legislation are laid down in each sectoral regulation itself (e.g. Council Regulations (EC) No 73/2009, 1698/2006 and 1234/2007). The draft horizontal regulation lays down all penalties for non-compliance with obligations provided or to be provided for in different sectoral regulations. To this effect, the draft horizontal regulation contains three sets of provisions (general rules on penalties, supplemented by two sets of special rules relating to area-based schemes governed by the Integrated Administration and Control System (IACS) and to cross-compliance).

Since, in the European Council conclusions on the MFF, the Heads of State or Government decided that greening was mandatory for all farmers applying for the basic payment, the Council decided that in the event a farmer does not comply (or not fully comply) with the greening requirements or does not apply for the greening payment, the greening payment should be withdrawn or partially withdrawn. In addition, given the mandatory nature of the greening obligations, an additional penalty amounting up to 25 % of the greening payment and offset against other payments should be imposed on the non-compliant farmer.

Exceptions to the principle of double funding

As a rule, pursuant to the draft Horizontal Regulation, rural development expenditure cannot be subject of any other financing under the EU budget. The Council position provides that commitments undertaken under the agri-environment-climate measures provided for by the draft Rural Development regulation should be considered equivalent to the agricultural practices for the climate and the environment (greening). The Council also decided that the beneficiaries undertaking such commitments might be rewarded for this both via the first pillar (direct payments) and the second pillar (rural development support). As regards organic farming, the Commission initial proposal already provided for the same mechanism, which the Council endorsed.

Transparency

The Council endorsed the Commission proposal as regards the rules on the publication of the names of the beneficiaries of the CAP funds. The Council position provides for a threshold as regards the amount of aid received below which the name of the beneficiary should not be published. Where the amount of aid received in one year by a beneficiary is equal or less than the amount fixed by a Member State for the small farmers scheme proposed by the Commission (in the Direct Payments proposal), the recipient's name should not be published.