

Common agricultural policy CAP: support schemes for farmers

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The Committee on Agriculture and Rural Development adopted a report drafted by Luis Manuel **CAPOULAS SANTOS** (PES, PT), and amended the proposal for a Council regulation establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers.

More than a thousand amendments to the Commission's proposal had been tabled by Members, reflecting the diversity in the situations facing farmers in the EU and the importance attached by Members to getting the right approach to the last major changes to be made to the CAP until the next negotiations on the EU's financing system. A series of compromise amendments had been negotiated between the rapporteur and the political groups ahead of the vote, dealing with the main points of the Commission's package of reform proposals. They were all adopted with a large majority, with the exception of the one on the milk sector, which was rejected in favour of a series of other amendments.

The main amendments – adopted in the framework of the consultation procedure – are as follows:

Scope: the Regulation establishes support schemes for farmers producing protein crops, and tobacco as well as rice, starch potatoes, cotton, sugar, fruit and vegetables, sheep meat and goat meat and beef and veal;

Conditionality: Members added that a farmer receiving direct payments shall be required to ensure **safety at the workplace** and to abide by the contractual rules laid down by the Member State concerned. Each Member State shall be free to introduce 'bonus' cross-compliance that awards farmers bonus points for actions fostering biodiversity and implemented in addition to the obligations arising from good agro-environmental cross-compliance. Each Member State shall define the actions for which those points can be awarded. The bonus points may be used to offset penalty points incurred in the area of the good agricultural and environmental condition described in the text. The arrangements for that offsetting shall be laid down by the Member States.

Food security: Member States shall ensure that, with a view to balanced and sustainable land use, priority is given to national and/or regional food security. To that end they shall carry out a food security assessment on any planned expansion of energy production from agricultural raw materials to ensure that it does not endanger food security.

Modulation: the plan to reduce further and faster direct support to farmers in order to strengthen Member States' rural development programmes ("modulation") was one of the most hotly debated among Members. The compromise they reached asks that the current 5% rate of modulation for farmers receiving more than **EUR 5 000 in EU subsidy should only be increased to 7%** by 2013, rather than the 13% proposed by the Commission. There should be a higher rate for farm businesses which receive over EUR 100 000, but not nearly as much as proposed by the Commission. Members stipulated that there should be **1%** extra modulation between EUR 100 000 and EUR 199 999 rather than 3%; **2%** between EUR 200 000 and EUR 299 999 rather than 6%; and **3%** beyond EUR 300 000 rather than 9%.

The committee also inserted a clause stating that modulation shall be compulsory for the new Member States only from the time when they receive full direct payments. It felt that modulation cannot be implemented in the new Member States before 2013, i.e. before full direct payments are introduced.

On-the-spot-checks: Members state that these checks shall take place within a period of not more than one day for a particular farm and shall not be overly burdensome for the farmer. Member States shall endeavour to plan controls in such a way that farms which can best be controlled in a particular period during the year, due to seasonal reasons, are indeed controlled in that particular period. However, if the controlling agency could not control a particular statutory management requirement, or a part thereof, or good agricultural and environmental conditions during an on-the-spot check, due to seasonal reasons, those requirements and conditions shall be deemed to be met..

Minimum thresholds: the Commission had proposed a minimum threshold of EUR 250 per year or 1 hectare. Below this level, farmers would not receive direct payments. Members recommend that this should be rejected. The amended text states that Member States may decide not to grant direct payments below a minimum threshold to be determined.

National reserve: the Committee stated that Member States may use the national reserve with effect from the entry into force of this Regulation in 2009, for the purpose of establishing payment entitlements and support measures for farmers for sectors in difficulty concentrated in the most disadvantaged areas, such as the sheep and goat sectors, in order to avoid abandoning of land and production. Any payment entitlement which has not been activated for a period of 3 years shall be allocated to the national reserve. Priority shall be given in the utilisation of these funds to facilitating young people's access to agricultural activity with a view to ensuring the transfer between generations.

Additional payments (Article 68): a new clause states that Member States may decide to use up to **15% of their national ceilings** to grant support to farmers. It provides:

- **10%** of the national ceilings may be used to grant integrated support to farmers or to organisations or groups of producers for the promotion of sustainable forms of production for : i) specific types of farming which are important for the protection or enhancement of the environment, the climate, biodiversity and water quality, in particular organic farming and pasture rearing; ii) improving the marketing, in particular regional marketing, and competitiveness of agricultural products; iii) to address specific disadvantages affecting farmers in the dairy and rice sectors in economically vulnerable or environmentally sensitive areas and producers of beef and veal, sheep meat and goat meat. Precedence shall be given in particular to newcomers, young farmers, family holdings or other priority farmers, such as producers belonging to a producers' organisation or farming cooperative;

- up to **5%** of the national ceilings may be used to grant support to farmers or to organisations or groups of producers in the form of contributions to insurance premiums and mutual funds.

Members deleted the provision in the Commission's proposal which stated that support under these measures shall be limited to 2.5% of the national ceilings. The ceiling will subsequently be determined objectively on the basis of the proposals adopted in this context and in accordance with the de minimis clause and the Agricultural Agreement's 'blue' box, as accepted by the EU within the WTO and in accordance with the Doha negotiating mandate. **Insurance arrangements and mutual funds:** the amended text provides that

- Member States may grant financial contributions to premiums for insurance for: (a) losses caused by adverse climatic events which can be assimilated to natural disasters; (b) other losses caused by climatic events; c) economic losses caused by animal or plant diseases or pest infestations. Member States' expenditure for the granting of financial contributions shall be co-financed by the Community from the funds referred to in Article 68(1a) at a rate of 50% (rather than 40%) of the eligible amounts of insurance premium. In the case of the new Member States, however, the rate shall be increased to 70% ;

- Member States may provide for financial compensation to be paid to farmers for economic losses caused by natural disasters, adverse climatic events, the outbreak of animal or plant disease by way of financial contributions to mutual funds, Community contribution will be 50% (rather than 40%) and up to 70% for the new Member States.

Milk sector: Members favour an increase in quotas by 1% in 2009 and 2010, but they ask the Commission to review the situation in 2010 before making proposals for later years. Members also want to allow Member States temporarily to increase their quotas if the quotas of other Member States are under-used. They call for the creation of a milk fund to help restructuring of the sector.

Decoupled aid : given the current state of the markets and in particular the implications as regards farm production, the following action should be taken: in the case of the slaughter of calves, coupled aid should be maintained ; for crops more closely related to animal production and in order to encourage a greater supply of animal feed against a background of high demand and high prices, coupled aid for dry forage and protein crops should be maintained; for small COMs the current scheme should remain in force until 2012/2013; the current scheme should be maintained for cotton; the current Community support scheme for sugar beet and sugar cane producers should be extended until the 2013/2014 marketing year for certain Member States.