Procedure file

Basic information

CNS - Consultation procedure
Regulation

2008/0103(CNS)

Procedure completed

Common agricultural policy CAP: support schemes for farmers

Repealing Regulation (EC) No 1782/2003 2003/0006(CNS)
Amending Regulation (EC) No 1290/2005 2004/0164(CNS)
Amending Regulation (EC) No 247/2006 2004/0247(CNS)
Amending Regulation (EC) No 378/2007 2006/0083(CNS)
Amended by 2009/0084(CNS)
Repealed by 2011/0280(COD)
Amended by 2011/0286(COD)
Amended by 2013/0117(COD)

Subject
3.10.14 Support for producers and premiums

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	AGRI Agriculture and Rural Development		01/04/2008
		PSE CAPOULAS SANTOS Luis Manuel	
	Committee for opinion	Rapporteur for opinion	Appointed
	REGI Regional Development		16/07/2008
		PPE-DE PIEPER Markus	
	BUDG Budgets		18/06/2008
		PPE-DE STOLOJAN Theodor Dumitru	
	ENVI Environment, Public Health and Food Safety		03/07/2008
		Verts/ALE BUITENWEG Kathalijne Maria	
Council of the European Union	Council configuration	Meeting	Date
	Agriculture and Fisheries	2918	19/01/2009
	Agriculture and Fisheries	2904	18/11/2008
	Agriculture and Fisheries	2900	27/10/2008
	Environment	2898	20/10/2008
	Agriculture and Fisheries	2892	29/09/2008
	Agriculture and Fisheries	2884	15/07/2008
	Agriculture and Fisheries	2881	23/06/2008
European Commission	Commission DG	Commissioner	
	Agriculture and Rural Development	FISCHER BOEL Mariann	

Key events

19/05/2008	Legislative proposal published	COM(2008)0306	Summary
19/06/2008	Committee referral announced in Parliament		

23/06/2008	Debate in Council	2881	Summary
15/07/2008	Debate in Council	2884	Summary
29/09/2008	Debate in Council	2892	
07/10/2008	Vote in committee		Summary
20/10/2008	Debate in Council	2898	
21/10/2008	Committee report tabled for plenary, 1st reading/single reading	A6-0402/2008	
27/10/2008	Debate in Council	2900	
18/11/2008	Debate in Parliament		
19/11/2008	Results of vote in Parliament		
19/11/2008	Decision by Parliament	T6-0549/2008	Summary
19/01/2009	Act adopted by Council after consultation of Parliament		
19/01/2009	End of procedure in Parliament		
31/01/2009	Final act published in Official Journal		

Technical information

Procedure reference	2008/0103(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Repealing Regulation (EC) No 1782/2003 2003/0006(CNS) Amending Regulation (EC) No 1290/2005 2004/0164(CNS) Amending Regulation (EC) No 247/2006 2004/0247(CNS) Amending Regulation (EC) No 378/2007 2006/0083(CNS) Amended by 2009/0084(CNS) Repealed by 2011/0280(COD) Amended by 2011/0286(COD) Amended by 2013/0117(COD)
Legal basis	EC Treaty (after Amsterdam) EC 037; EC Treaty (after Amsterdam) EC 299-p2; EC Treaty (after Amsterdam) EC 036
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/6/63395

Documentation gateway

Legislative proposal		COM(2008)0306	20/05/2008	EC	Summary
Document attached to the procedure		SEC(2008)1885	20/05/2008	EC	
Document attached to the procedure		SEC(2008)1886	20/05/2008	EC	
Committee draft report		PE407.775	25/06/2008	EP	

Amendments tabled in committee		PE407.776	01/09/2008	EP	
Amendments tabled in committee		PE412.042	02/09/2008	EP	
Amendments tabled in committee		PE412.053	03/09/2008	EP	
Amendments tabled in committee		PE412.054	03/09/2008	EP	
Amendments tabled in committee		PE412.067	03/09/2008	EP	
Amendments tabled in committee		PE412.069	03/09/2008	EP	
Amendments tabled in committee		PE412.081	03/09/2008	EP	
Committee opinion	REGI	PE409.507	12/09/2008	EP	
Committee opinion	ENVI	PE409.570	16/09/2008	EP	
Amendments tabled in committee		PE413.949	02/10/2008	EP	
Committee opinion	BUDG	PE409.798	07/10/2008	EP	
Committee of the Regions: opinion		CDR0162/2008	08/10/2008	CofR	
Committee report tabled for plenary, 1st reading/single reading		A6-0402/2008	21/10/2008	EP	
Economic and Social Committee: opinion, report		CES1670/2008	23/10/2008	ESC	
Text adopted by Parliament, 1st reading/single reading		T6-0549/2008	19/11/2008	EP	Summary
Commission response to text adopted in plenary		SP(2008)7295	12/12/2008	EC	
Follow-up document		COM(2010)0665	15/11/2010	EC	Summary

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

Regulation 2009/73
OJ L 030 31.01.2009, p. 0016 Summary

Final legislative act with provisions for delegated acts

Delegated acts

2013/2687(DEA)	Examination of delegated act
2014/2653(DEA)	Examination of delegated act
2014/2760(DEA)	Examination of delegated act

Common agricultural policy CAP: support schemes for farmers

PURPOSE: to establish common rules for direct support schemes for farmers under the CAP and to establish certain support schemes for farmers.

PROPOSED ACT: Council Regulation

CONTENT: this proposal follows the Commission Communication "Preparing the Health Check of the CAP reform" of 20 November 2007. It should be noted that this proposal is closely linked to the following procedures: CNS/2008/0104, CNS/2004/0105, and CNS/2008/0106.

It is recalled that in recent months, there has been a sharp rise in the price of many agricultural commodities to exceptional levels. Their steady increase in 2006 and 2007 had already supported the conclusion that any remaining supply controls of the CAP (namely, dairy quotas and set-aside) should be removed. The Commission proposes further to break the link between direct payments and production and thus allow farmers to follow market signals to the greatest possible extent. Among a range of measures, the proposals call for the abolition of arable set-aside and a gradual increase in milk quotas before they are abolished in 2015, and a reduction in market intervention. These changes will free farmers from unnecessary restrictions and let them maximise their production potential. The Commission also proposes an increase in modulation, whereby direct payments to farmers are reduced and the money is transferred to the Rural Development Fund. This will allow a better response to the new challenges and opportunities faced by European agriculture, including climate change, the need for better water management, and the protection of biodiversity.

The main points of the proposals are as follows:

Abolition of set-aside: the Commission proposes abolishing the requirement for arable farmers to leave 10 percent of their land fallow. This will allow them to maximise their production potential. However, under the proposals for cross compliance and Rural Development, Member States are given the appropriate tools to ensure that the present environmental benefits of set aside can be retained.

Phasing out milk quotas: milk quotas will be phased out by April 2015. To ensure a 'soft landing', the Commission proposes five annual quota increases of one percent between 2009/10 and 2013/14.

Decoupling of support: the CAP reform "decoupled" direct aid to farmers i.e. payments were no longer linked to the production of a specific product. However, some Member States chose to maintain some "coupled" ? i.e. production-linked - payments. The Commission now proposes to remove the remaining coupled payments and shift them to the Single Payment Scheme, with the exception of suckler cow, goat and sheep premia, where Member States may maintain current levels of coupled support (as it exists currently) in order to sustain economic activity in regions where other economic alternatives are few or do not exist.

Moving away from historical payments: farmers in some Member States receive aid based on what they received in a reference period. In others, payments are on a regional, per hectare basis. As time moves on, the historical model becomes harder to justify, so the Commission is proposing to allow Member States to move to a flatter rate system.

Extending SAPS: ten of the 12 newest EU members apply the simplified Single Area Payment Scheme. This is supposed to expire in 2010, but the Commission proposes extending it to 2013.

Cross Compliance: aid to farmers is linked to the respect of environmental, animal welfare and food quality standards. Farmers who do not respect the rules face cuts in their support. This Cross Compliance will be simplified, by withdrawing standards that are not relevant or linked to farmer responsibility. In particular, the proposals aim at withdrawing certain Statutory Mandatory Requirements that are considered not relevant or linked to farmer responsibility, and to introduce into Good Agricultural Environmental Conditions requirements that retain the environmental benefits from set aside and address issues of water management.

Assistance to sectors with special problems: currently, Member States may retain by sector 10 percent of their national budget ceilings for direct payments for environmental measures or improving quality and marketing of products in that sector. The Commission wants to make this tool more flexible. The money would no longer have to be used in the same sector; it could be used to help farmers producing milk, beef, goat and sheep meat in disadvantaged regions; it could be used to support risk management measures such as insurance schemes for natural disasters and mutual funds for animal diseases; and countries operating the SAPS system would become eligible for the scheme.

Shifting money from direct aid to Rural Development: currently, all farmers receiving more than EUR 5 000 in direct aid have their payments reduced by 5 percent and the money is transferred into the Rural Development budget. The Commission proposes to increase this rate to 13 percent by 2012. Additional cuts would be made for bigger farms (an extra 3 percent for farms receiving more than EUR 100 000 a year, 6 percent for those receiving more than EUR 200 000 and 9 percent for those receiving more than EUR 300 000). The funding obtained this way could be used by Member States to reinforce programmes in the fields of climate change, renewable energy, water management and biodiversity.

Intervention mechanisms: market supply measures should not slow farmers' ability to respond to market signals. The Commission proposes to abolish intervention for durum wheat, rice and pig meat. For feed grains, intervention will be set at zero. For bread wheat, butter and skimmed milk powder, tendering will be introduced.

Payment limitations: 46.6% of the total direct payment beneficiaries in the EU-25 receive less than EUR 500. This number essentially includes small farmers, but it also includes in certain Member States recipients whose value of payment is below the administrative cost of managing it. In order to simplify and reduce the costs of administration of direct payments, it is proposed that Member States shall either apply a minimum amount of payments of EUR 250 or apply a minimum size of eligible area per holding of at least 1 hectare or apply both. Nevertheless, special provision is made for those Member States whose agricultural sector is mainly composed of very small holdings.

Other measures: a series of small support schemes will be decoupled and shifted to the SPS. For hemp, dried fodder, protein crops and nuts this would happen immediately. For rice, starch potatoes and long fibre flax, there would be a transitional period. The Commission is also proposing to abolish the energy crop premium.

Budgetary impact: proposals for modulation in the Single Payment Scheme and Rural Development are neutral with the respect to the EU budget, as it is a simple compulsory transfer between the second and the first pillar of the CAP. For national budgets the increased modulation could lead to additional national expenditure in view of the necessary co-financing needed in Rural Development. This would mean that some Member States have the possibility of returning to the (higher) level of national expenditure originally provided for before the decision on the Financial Framework 2007?2013. As regards the transfer of measures into the Single Payment Scheme there could be moderate financial consequences for the EU-budget, but most of the transfers are also budgetary neutral.

The expiry of the dairy quota will bring additional pressure on butter under all options. These proposals, by initiating a gradual process of a quota phasing-out, are more beneficial for the sector and for the long-term developments of the CAP. However, the need for some limited additional expenditure on butter exports cannot be excluded. Whether this materialises will depend on factors that are at this stage unknown (Doha Development Agenda, world market developments). Therefore the present proposals include a review clause in 2012 that would allow developments in dairy markets to be assessed to determine if additional measures will be needed to avoid any increase in the budget. Some savings are foreseen as a consequence of abolition of existing measures. However, the biggest budgetary effect of the soft-landing on the milk quota is a loss of budgetary revenue due to the decrease in milk levy.

Common agricultural policy CAP: support schemes for farmers

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 that 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.

Common agricultural policy CAP: support schemes for farmers

The European Parliament adopted, by 441 votes to 219 with 29 abstentions, a legislative resolution, amending 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. The report had been tabled for consideration in plenary by Luis Manuel CAPOULAS SANTOS (PES, PT), on behalf of the Committee on Agriculture and Rural Development

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

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 such points may be awarded. Bonus points may be used to offset penalty points incurred in the area of good agricultural and environmental condition. Arrangements for such 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 Commission's proposal 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. An amendment adopted in plenary stipulated that any amount of direct payments to be granted in a given calendar year to a farmer that exceeds EUR 10 000 (rather than EUR 5000) shall be reduced for each year until 2012 as follows should only be increased to 7% by 2013, rather than the 13% proposed by the Commission. MEPs agreed to a higher rate for farms that receive over EUR100, 000, but not nearly as high as the rate proposed by the Commission. They proposed 1% percentage point extra between EUR100,000 and EUR199,999 rather than 3 %; 2% between EUR 200,000 and EUR 299,999 rather than 6%; and 3% beyond EUR 300,000 rather than 9%.

Parliament 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.

Controls: Members state that administrative controls shall not be overly burdensome, particularly in terms of cost and paperwork, for the farmer. On-the-spot 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. By 31 December 2007 at the latest, and every two years thereafter, the Commission shall submit a report on the application of the cross-compliance system accompanied, if necessary, by appropriate proposals with a view to : amending the list of statutory management requirements set out in Annex III ; simplifying, deregulating and improving the legislation under the list of statutory management requirements, with special attention being paid to legislation concerning nitrates ; simplifying, improving and harmonising the arrangements for performing on-the-spot checks, taking into account the opportunities offered by the development of indicators and bottleneck-based controls, controls already performed under private certification schemes, controls already performed under national legislation implementing the statutory management requirements, and information and communication technology.

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. Any amounts saved as a result of the application of the first subparagraph shall remain in the national reserve of the Member State from which they originate.

National reserve: Parliament stated that Member States may give precedence in particular to newcomers, farmers who are younger than 35, family holdings or other priority farmers. 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): Member States may decide by 1 January 2010 at the latest, and thereafter during the period from 1 October

2011 to 1 January 2012 at the latest, to use from 2010 and/or from 2012 up to 15% of their national ceilings referred to in Article 41 to grant support to farmers. Accordingly, Member States can :

- 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.

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: the Commission's proposal to increase Member States' milk quotas by 1% per marketing year until 2013/2014, in order to pave the way for the complete abolition of ceilings in 2015, also exposed differing views amongst Members. Dairy farmers in several Member States where sale prices are already low face difficulties, while in other Member States, farmers want to increase production to take advantage of new opportunities on world markets. Parliament opted for an increase in quotas by 1% every year until 2013/2014 but asked the Commission to review the situation in 2010 and make new proposals before the end of quotas if necessary. Members also want to allow Member States to increase their quotas temporarily if the quotas of other Member States are under-used. They call for the creation of a milk fund to help restructure the sector.

Decoupled aid : given the current state of the markets and in particular the implications as regards farm production, Parliament's amendments had the effect of maintaining until the end of 2012 some part of decoupled aid (linked to production) for small CMO's (rice, dry forage, protein crops). For the harvest years 2010, 2011 and 2012, aid may be granted to farmers producing raw tobacco.

Common agricultural policy CAP: support schemes for farmers

PURPOSE: to establish common rules for direct support schemes for farmers under the CAP and to establish certain support schemes for farmers.

LEGISLATIVE ACT: Council Regulation (EC) No 73/2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003.

CONTENT: the Council adopted, by qualified majority, a legislative package resulting from the "Health Check" of the reformed Common Agricultural Policy conducted during the second half of 2008. The Estonian and Slovak delegations voted against the four acts, the Latvian delegation voting against the "Direct Support" Regulation and the Regulation and Decision on Rural Development, and the Czech delegation abstaining on the whole package. (Please also refer to the following procedures: CNS/2008/0104, CNS/2008/0105, and CNS/2008/0106.)

The purpose of these measures is to simplify the single farm payment scheme and improve its effectiveness, to bring agricultural production more into line with global markets, and through rural development programmes to be better able to meet the new challenges of climate change, renewable energies, water management and preservation of biodiversity with innovation underpinning these 4 points, as well as those in the dairy sector.

The main elements of the legislative package can be summarised as follows:

1) Farm payments:

Compulsory modulation: i. e. transfer of a percentage of funds earmarked for farm payments to the Rural Development Fund. In order to reinforce the financing of the new challenges faced by agriculture, the amount of this transfer will be increased in two ways:

- for the EU 15, the current 5 % transfer rate will be raised by 2% in 2010 and by a further 1% each of the following three years so as to reach 10% in 2013. In addition, a further "progressive modulation" rate of 4% will apply to farm payments above EUR 300 000 from 2009 (budget year 2010) onwards;
- for the new Member States compulsory modulation will only apply in the year when the level of direct payments will be at least equal to the level paid in the EU 15.

The exemption for the first EUR 5 000 of farm payments will continue to apply.

Cross compliance rules: the list of environmental, health and animal welfare requirements which are conditional for payment of the full amount of farm payments has been adjusted so as to correspond better to the work of the farmer and to the farm. Moreover the standards for maintaining land in good agricultural and environmental condition have been strengthened as regards protection of the landscape (which was necessary as a consequence of the abolition of the set aside requirement) and water management.

The Council and the Commission have undertaken to continue to work towards further simplification of the cross compliance rules for farmers as well as for the national administrations.

Minimum thresholds applicable to the amount of farm payments: in order to reduce the administrative cost incurred in disbursing small amounts of farm payments, farm payments will be subject to minimum thresholds per farm payment amount or per eligible area size. However, the fixed standard thresholds (EUR 100 and 1 hectare) may be adjusted according to the particular situation of the individual countries (in the case of Hungary, for example, Hungary will have the flexibility to set the threshold up to EUR 200 or down to 0.3 hectare, while France may increase the threshold up to EUR 300 or 4 hectares).

Choice of regional or historical reference basis for farm payments: in order to allow Member States more flexibility in the distribution of farm payments and to target better those payments, the new rules allow them to gradually level out the amounts of farm payments within their territory, and to change the basis for distribution of farm payments from a historical basis to a regional basis. In the framework of the discussion on the future of the CAP after 2013, the Council and the Commission are committed to examining thoroughly the possibilities for development of the farm payment system and addressing the differing level of farm payments between Member States.

Most farm payments will be decoupled between 2010 and 2012:

- aid for arable crops, durum wheat, olive groves and hops as well as for some payments for sheep and goat, and beef and veal on 1 January 2010;
- for other payments for beef and veal (with the exception of suckler cows), rice, nuts, seed, protein crops and starch potato cultivation on 1 January 2012 at the latest;
- for the processing of dried fodder on 1 April 2012, and for the processing of potato starch and flax and hemp on 1 July 2012.

All these aids will be integrated into the single farm payment scheme.

The Commission will draw up a report by 31 December 2012 on the implementation of the "Health Check", particularly with regard to progress on decoupling.

Specific support measures, especially for sectors in difficulty as well as for insurance and mutual funds ("Article 68 support"): Member States will be allowed to use up to 10 % of their national single farm payment ceilings to grant targeted support to farmers in clearly defined cases. This support may concern specific types of farming important for the protection or enhancement of the environment, measures to improve the quality of agricultural products or their marketing as well as for the practice of enhanced animal welfare and for agri-environment purposes.

It may also be used to address specific disadvantages in the beef and veal, sheep meat and goat meat, dairy, and rice sectors in economically vulnerable or environmentally sensitive areas, or, in the same sectors, for economically vulnerable types of farming. However, support of this kind is subject to several conditions, in particular excluding any increase in coupled aid compared to the previous situation.

Moreover, the specific support may take the form of a financial contribution towards the payment of crop, animal and plant insurance premiums covering financial loss caused by adverse climatic events and animal or plant diseases or pest infestation, or to mutual funds for animal or plant diseases or environmental incidents.

The new Member States not yet participating in the single farm payment scheme may continue to apply the single area payment scheme, which was due to expire in 2010, until the end of 2013.

2) Market management: the compulsory set-aside scheme for arable land is abolished. To compensate for the protection it offered for special landscape features such as buffer strips along water courses, provisions under cross-compliance have been strengthened in this respect. In addition, milk quotas are increased by 1 % annually from 2009 to 2013, to prepare for the expiry of the milk quota regime in 2015. In the case of Italy, a 5 % increase will take place as from 2009 in a single instalment in order to allow Italy to address the situation of excess quota production in its country.

The Commission will assess the situation in this sector in two reports to be presented by the end of 2010 and 2012. Further decisions regarding the dairy sector include the abolition of the aid for the private storage of cheese and the maintenance of the aid for the private storage of butter.

Public intervention: the measures for butter and skimmed milk powder will be continued in a simplified form. For soft wheat, a new ceiling is introduced, with purchase by tender beyond that ceiling. For durum wheat, rice, barley and sorghum, the intervention mechanism will be maintained as a market management instrument, but with ceilings set at zero, as in the case of intervention for maize.

For long and short fibre hemp and flax, new aid amounts have been fixed. They will remain in force until the total decoupling of this aid in 2012.

The restructuring of the tobacco sector will be supported by rural development funds.

The energy crop aid is abolished since this specific support is no longer warranted in view of the strong demand for such products on international markets and the introduction of binding targets for the share of bio-energy in total fuel by 2020. The EUR 90 million saved will be made available to the new Member States.

3) New challenges under rural development programmes: the additional funds generated by the increase in modulation (EUR 3 billion) are to be used by Member States to address the challenges in the areas of climate change, renewable energy, management of water and biodiversity as well as to finance innovation in the areas mentioned above or accompanying measures for restructuring in the dairy sector. Co-financing for resources stemming from modulation and allocated to those priorities under rural development programming will be at a rate of 75% or 90 for regions falling under the "convergence" objective).

ENTRY INTO FORCE: 01/02/2009.

APPLICATION: from 01/01/January 2009. However:

- the provisions regarding application to the outermost regions shall apply from 01/01/2010;
- the standards on establishment/and or retention of habitats, compliance with authorisation procedures in case of use of water for irrigation and the specification of landscape features, as provided for in Annex III, shall apply from 01/01/2010;
- the standard on establishment of buffer strips along water courses, as provided for in Annex III, shall apply from 01/01/2010 at the earliest and by 01/01/ 2012 at the latest.

Common agricultural policy CAP: support schemes for farmers

The Commission presents a report on the application of the Farm Advisory System (FAS) in accordance with Council Regulation (EC) No 73/2009. The report is based on replies by Member States to a Commission questionnaire for 2008 and the FAS evaluation study commissioned by the Commission in 2009.

The FAS evaluation report considers that the FAS did help increase farmers? awareness of material flows and on-farm processes relating to the environment, food safety and animal health/welfare. One-to-one advice using checklists was considered particularly effective, as it is a very individualised and structured way of providing advice. In some Member States, the establishment of the FAS represented a good opportunity to rethink and improve their wider advice and knowledge information systems in the agricultural sector.

The FAS helped farmers to meet cross-compliance requirements, and this was the main motivation for farmers to make use of the system. FAS support also increased farmers? financial management skills (accountancy) and improved their book-keeping as regards cross-compliance obligations.

Overall, however, the effectiveness of the FAS was still limited, since few farmers sought the advice on offer. The evaluators see potential for improvement since the FAS has reached more farmers (up to 20 % of those receiving direct payments) in Member States which implemented the system from 2005 onwards. In some cases the pre-financing of the advice may have discouraged some farmers from taking advantage of the FAS.

The evaluators considered it a fundamental prerequisite for the FAS that EU farmers should have access to the advice on a voluntary basis, since following advice is by its very nature voluntary ? in contrast with compulsory control/certification systems. So far, the FAS had done little to improve EU farmers? perception of the CAP. Farmers often saw the FAS as being strictly about cross compliance and the related system of farm inspections, and this cast it in a negative light. However, there were cases where the FAS had succeeded in building a trustful and effective relationship between the farmers and the advisors. The evaluation report recommends that the voluntary concept and overall flexible architecture of the FAS should be maintained.

The Commission considers that the FAS is an essential tool for a successful implementation of the CAP. Farmers are supported in their efforts to comply with the EU?s legal requirements relating to the environment, food safety and animal health and welfare. By assisting them with these ?cross-compliance? requirements, the FAS helps farmers avoid losing CAP payments. A farmer receiving advice is more likely to understand his cross-compliance obligations, and will thus more readily comply with them.

Advisory services are certainly not new in many Member States, but they may have been taking place in a piecemeal manner. By obliging each Member State to have a FAS in place, the legislator has adopted a more strategic overarching approach. The efforts being made in the Member States illustrate the important role that the system and the FAS coordinating bodies can play in helping farmers understand and implement EU rules.

The start-up phase has required considerable effort, especially from Member States where few if any advisory services were available in the past. For other Member States, setting up an FAS has been more a question of coordinating existing services so as to give farmers a single contact point for advice on practical questions.

Moreover, with new challenges emerging, expectations from advisory services have risen since 2003. The FAS should therefore pro-actively develop and encompass issues that go beyond legal requirements under cross compliance.

The Commission therefore makes the following recommendations to the Member States:

- keep the scope of the FAS broad but with the rules to be respected as the core minimum scope;
- emphasise the role of the FAS advisor as a 'general practitioner' directing farmers, if necessary, to specialist advisors;
- use aggregated farm inspection data to help target the advice better, while taking into account the great importance of respecting the confidentiality of advice data. The FAS advisor should act as a ?general practitioner?, interlinking all different aspects of farming with a holistic approach. He should explain to farmers not only the EU?s requirements but also their objectives, and the underlying policies;
- promote the FAS via specific measures, such as taking appropriate opportunities to give farmers the list of advisors, ensuring that small farms are reached too;
- improve the management of the FAS, and ensure that knowledge is shared between actors in the field of cross compliance. FAS coordinating bodies should enhance the synergies between various instruments such as advice, training, information, extension services and research. It is very important to evaluate and monitor the FAS.

The Commission further considers that the following actions are necessary:

- clarify the terms ?FAS? and ?farm advisory services?, clearly distinguishing advice from the mere provision of detailed information, and ensuring that the FAS is targeting all farmers in the EU;
- include within the minimum scope of the FAS the minimum requirements for fertiliser and plant protection products as laid down in national legislation, and highlight the need for specific action on climate change;
- explain the role of FAS advisors vis à vis other actors in the field of cross compliance, recommending a clear separation between advice and farm inspections;
- promote the FAS by introducing flexibility in the content and frequency of uptake of the advisory measure, and by obliging Member States to provide farmers with the list of FAS advisors;
- improve the management of the FAS by requiring that advisors are suitably qualified and regularly trained, with training sessions being organised by the FAS coordinating bodies.

These actions may lead to legislative changes in the post-2013 package