Strategic guidelines for rural development 2007-2013

2008/0106(CNS) - 19/01/2009 - Final act

PURPOSE: to amend Decision 2006/144/EC on the Community strategic guidelines for rural development (programming period 2007 to 2013)

LEGISLATIVE ACT : Council Decision of 19 January 2009 amending Decision 2006/144/EC on the Community strategic guidelines for rural development (programming period 2007 to 2013)

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/2008/01033.)

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).