Common agricultural policy (CAP): adjustment rate to direct payments in respect of the year 2013

2013/0087(COD) - 25/03/2013 - Legislative proposal

PURPOSE: to apply the financial discipline adjustment rate to amounts in excess of EUR 5000, to be granted to farmers for aid applications lodged in calendar year 2013.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the first estimates of budget appropriations for direct payments and market related expenditure for the 2014 draft budget showed the **need to reduce the total amount of direct payments** that can be granted to farmers in respect of calendar year 2013 **by EUR 1 471.4 million** through financial discipline, in order to respect the EAGF net ceiling for financial year 2014 and establish the reserve for crises in the agricultural sector (EUR 424.5 million). As a consequence, the level of direct payments should be reduced in order to comply with the ceiling.

On this basis, the Commission presents a **proposal for setting the adjustment rate for direct payments in respect of calendar year 2013,** which must be adopted by the European Parliament and the Council by 30 June 2013 in accordance with Regulation (EC) No 73/2009.

However, if this adjustment rate has not been set by 30 June 2013, the Commission will set that rate pursuant to Council Regulation (EC) No 1290/2005 on the financing of the common agricultural policy.

IMPACT ASSESSMENT: the proposal implements the rules provided for in Article 11 of Council Regulation (EC) No 73/2009 and Article 18 of Council Regulation (EC) No 1290/2005. Prior consultation with the interested parties and the preparation of an impact assessment were not needed.

LEGAL BASIS: Article 43(2) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT : the draft regulation provides that **the amounts of direct payments within the meaning of Regulation (EC) No 73/2009 to be granted to a farmer in excess of EUR 5000 for an aid application submitted in respect of calendar year 2013 shall be reduced by 4.981759 %.**

The reduction provided for shall not apply in Bulgaria, Romania and Croatia.

The unequal distribution of direct payments between small and large beneficiaries remains a cause for concern for the Common Agricultural Policy. The draft regulation proposes to apply the financial discipline adjustment rate to amounts in excess of EUR 5000 in order to contribute to achieving the objective of a more balanced distribution of payments. This is in line with what is proposed on financial discipline in the context of the CAP reform, presented by the Commission in its proposal for a regulation establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy.

BUDGETARY IMPLICATIONS: the financial discipline adjustment rate of 4.981759 % has been calculated taking into account that it is to be applied only to amounts in excess of EUR 5000 and not in all Member States. **The application of this adjustment rate will result in the reduction of the amounts of**

direct payments for budget lines covering expenditure relating to aid applications submitted by farmers in respect of calendar year 2013 (financial year 2014). **The total reduction resulting from the application of financial discipline amounts to EUR 1471.4 million.**

The adjustment rate has been calculated taking into account the estimated share of direct payments to be granted to farmers below EUR 5000 for each direct payment scheme subject to financial discipline and for each Member State, except Bulgaria, Romania and Croatia. Since direct payments in Bulgaria, Romania and in Croatia, subject to accession, are in the process of phasing-in in calendar year 2013, the financial discipline will not apply to them as a consequence.

It should be noted that **the final calculation of the financial discipline rate will depend on the sub-ceiling under Heading 2 set by the Council Regulation laying down the multiannual financial framework for the years 2014-2020** and the Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management.