Common agricultural policy (CAP): adjustment rate for direct payments in respect of the year 2014

2014/0097(COD) - 21/03/2014 - Legislative proposal

PURPOSE: to fix an adjustment rate for direct payments provided for in Council Regulation (EC) No 73 /2009 in respect of calendar year 2014.

PROPOSED ACT: Regulation of the European Parliament and 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: Regulation (EU) No 1306/2013 of the European Parliament and of the Council lays down that a reserve intended to provide additional support for the agricultural sector in the case of major crises affecting the agricultural production or distribution has to be established by applying, at the beginning of each year, a reduction to direct payments with the financial discipline mechanism referred to in the Regulation.

Article 26(1) of Regulation (EU) No 1306/2013 lays down that in order to ensure that the annual ceilings set out in Council Regulation (EU, Euratom) No 1311/2013 for the financing of the market related expenditure and direct payments are respected, an adjustment rate for direct payments has to be determined when the forecasts for the financing of the measures financed under that sub-ceiling for a given financial year indicate that the applicable annual ceilings will be exceeded.

The amount of the reserve for crises in the agricultural sector, foreseen to be included in the Commission 2015 Draft Budget, amounts to EUR 433 million in current prices. To cover this amount, the financial discipline mechanism has to apply to direct payments listed in Annex I to Council Regulation (EC) No 73 /2009 in respect of calendar year 2014.

CONTENT: the proposed Regulation **sets the financial discipline adjustment rate** to be applied to the amounts of direct payments to be granted to farmers in excess of **EUR 2 000 for aid applications lodged in respect of calendar year 2014**.

The amounts of direct payments to be granted to a farmer in excess of EUR 2 000 for an aid application submitted in respect of calendar year 2014 shall be reduced by **1.301951%.**

Since direct payments in **Bulgaria, Romania and Croatia**, are in the process of phasing-in in calendar year 2014, the financial discipline will not apply to these Member States as a consequence.

BUDGETARY IMPLICATION: the calculation of the financial discipline adjustment rate is part of the preparation of the 2015 Draft Budget.

The amount of the reserve for crises in the agricultural sector, foreseen to be included in the Commission 2015 Draft Budget, amounts to EUR 433 million in current prices. The first estimates of budget appropriations for direct aids and market related expenditure showed that the EAGF sub-ceiling for 2015 after financial transfers between EAGF and EAFRD is not likely to be exceeded. The net balance available for EAGF expenditure for 2015 used as a basis for this calculation is EUR 44 190 million.

Thus the total reduction resulting from the application of financial discipline amounts to **EUR 433 million** . T

The application of this adjustment rate (1.301951%) 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 2014 (financial year 2015).