Common agricultural policy (CAP): adjustment rate for direct payments in respect of calendar year 2015

2015/0070(COD) - 26/03/2015 - Legislative proposal

PURPOSE: to fix the adjustment rate provided for in Regulation (EU) No 1306/2013 for direct payments in respect of calendar year 2015.

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: Article 25 of 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 Article 26 of that Regulation.

Article 25 of this regulation determines that the total amount of the reserve for crises in agricultural sector shall be EUR 2 800 million with equal annual instalments of EUR 400 million (at 2011 prices) for the period 2014-2020 and shall be included under Heading 2 of the Multiannual Financial Framework.

The calculation of the financial discipline adjustment rate is part of the preparation of the 2016 Draft Budget. The amount of the reserve for crises in the agricultural sector, foreseen to be included in the Commission 2016 Draft Budget, amounts to EUR 441.6 million in current prices. Based on the first estimates of budget appropriations for direct payments and market related expenditure, the net balance available for EAGF expenditure for 2016 is not likely to be exceeded.

Article 8(1) of Regulation (EU) No 1307/2013 lays down that the adjustment rate applied to direct payments determined in accordance with Article 26 of Regulation (EU) No 1306/2013 is only to apply to direct payments in excess of EUR 2 000 to be granted to farmers in the corresponding calendar year. Furthermore, it provides that as a result of the gradual introduction of direct payments, the adjustment rate is only to apply to Bulgaria and Romania from 1 January 2016 and to Croatia from 1 January 2022.

The Commission has to present a proposal to the European Parliament and to the Council concerning the adjustment rate no later than 31 March of the calendar year in respect of which that adjustment rate applies.

CONTENT: this proposal aims to implement the provisions of Article 26 of Regulation (EU) No 1306 /2013 and Article 8 of Regulation (EU) No 1307/2013. **It seeks to set the percentage rate of the financial discipline adjustment rate in respect of calendar year 2015**.

The proposed Regulation lays down the amounts of direct payments under the support schemes listed in Annex I to Regulation (EU) No 1307/2013 to be granted to a farmer in excess of EUR 2 000 for an aid application submitted in respect of calendar year 2015 shall be **reduced by 1.393041%.** The reduction shall not apply in Bulgaria, Croatia and Romania.

BUDGETARY IMPLICATION: the total reduction resulting from the application of financial discipline amounts to EUR 441.6 million. The percentage of the financial discipline adjustment rate is 1.393041%.

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 2015 (financial year 2016).