Common agricultural policy (CAP): adjustment rate for direct payments in respect of calendar year 2016

2016/0086(COD) - 22/03/2016 - Legislative proposal

PURPOSE: to set 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 2016.

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 a reserve intended to provide additional support for the agricultural sector in the case of major crises affecting the agricultural production or distribution is 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.

According to this Regulation, 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 amount of the reserve to be included in the Commission 2017 Draft Budget amounts to EUR 450.5 million in current prices, covered via a reduction to direct payments listed in Annex I of Regulation (EU) No 1307/2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy.

In drawing up the 2017 Draft Budget, the first budgetary estimates for direct payments and market related expenditure showed that the net balance available for EAGF expenditure for 2017 is not likely to be exceeded and thus there is no need for further financial discipline.

On the basis of the above, the Commission presents a proposal for setting the adjustment rate for direct payments in respect of calendar year 2016, which is to be adopted by the European Parliament and the Council by 30 June 2016.

CONTENT: the proposed Regulation implements the rules provided for in Article 26 of Regulation (EU) No 1306/2013 and Article 8 of Regulation (EU) No 1307/2013. It **sets the percentage rate of the financial discipline adjustment rate in respect of calendar year 2016**.

The proposal provides that the amounts of direct payments under the support schemes listed in Annex I to Regulation (EU) No 1307/2013 to be granted to farmers in excess of EUR 2 000 for an aid application submitted in respect of the calendar year 2016 shall be **reduced by an adjustment rate of 1.366744%.** The reduction shall not apply in Croatia.

BUDGETARY IMPLICATION: the calculation of the financial discipline adjustment rate is part of the preparation of the 2017 Draft Budget. **The total reduction resulting from the application of financial**

discipline amounts to EUR 450.5 million. The percentage of the financial discipline adjustment rate is 1.366744%.

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 2016 (financial year 2017).