Basic information

2008/0103(CNS) CNS - Consultation procedure Regulation	Procedure completed
Common agricultural policy CAP: support schemes for farmers Repealing Regulation (EC) No 1782/2003 2003/0006(CNS) Amending Regulation (EC) No 1290/2005 2004/0164(CNS) Amending Regulation (EC) No 247/2006 2004/0247(CNS) Amending Regulation (EC) No 378/2007 2006/0083(CNS) Repealed by 2011/0280(COD) Amended by 2009/0084(CNS) Amended by 2011/0286(COD) Amended by 2013/0117(COD) **Subject** 3.10.14 Support for producers and premiums	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	CAPOULAS SANTOS Luis Manuel (PSE)	01/04/2008

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	STOLOJAN Theodor Dumitru (PPE-DE)	18/06/2008
ENVI Environment, Public Health and Food Safety	BUITENWEG Kathalijne Maria (Verts/ALE)	03/07/2008
REGI Regional Development	PIEPER Markus (PPE-DE)	16/07/2008

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	2881	2008-06-23
Agriculture and Fisheries	2900	2008-10-27
Agriculture and Fisheries	2884	2008-07-15
Agriculture and Fisheries	2904	2008-11-18
Agriculture and Fisheries	2918	2009-01-19
Agriculture and Fisheries	2892	2008-09-29
Environment	2898	2008-10-20

European Commission	Commission DG	Commissioner
	Agriculture and Rural Development	FISCHER BOEL Mariann

Key events

Date	Event	Reference	Summary
20/05/2008	Legislative proposal published	COM(2008)0306	Summary
19/06/2008	Committee referral announced in Parliament		
23/06/2008	Debate in Council		Summary
15/07/2008	Debate in Council		Summary
29/09/2008	Debate in Council		
07/10/2008	Vote in committee		Summary
20/10/2008	Debate in Council		
21/10/2008	Committee report tabled for plenary, 1st reading/single reading	A6-0402/2008	
27/10/2008	Debate in Council		
18/11/2008	Debate in Parliament		
19/11/2008	Decision by Parliament	T6-0549/2008	Summary
19/11/2008	Results of vote in Parliament		
19/01/2009	Act adopted by Council after consultation of Parliament		
19/01/2009	End of procedure in Parliament		
31/01/2009	Final act published in Official Journal		

Technical information

Procedure reference	2008/0103(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation (EC) No 1782/2003 2003/0006(CNS) Amending Regulation (EC) No 1290/2005 2004/0164(CNS) Amending Regulation (EC) No 247/2006 2004/0247(CNS) Amending Regulation (EC) No 378/2007 2006/0083(CNS) Repealed by 2011/0280(COD) Amended by 2009/0084(CNS) Amended by 2011/0286(COD) Amended by 2013/0117(COD)
Legal basis	EC Treaty (after Amsterdam) EC 036 EC Treaty (after Amsterdam) EC 299-p2 EC Treaty (after Amsterdam) EC 037

Stage reached in procedure	Procedure completed
Committee dossier	AGRI/6/63395

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE407.775	25/06/2008	
Amendments tabled in committee		PE407.776	01/09/2008	
Amendments tabled in committee		PE412.042	02/09/2008	
Amendments tabled in committee		PE412.053	03/09/2008	
Amendments tabled in committee		PE412.054	03/09/2008	
Amendments tabled in committee		PE412.067	03/09/2008	
Amendments tabled in committee		PE412.069	03/09/2008	
Amendments tabled in committee		PE412.081	03/09/2008	
Committee opinion	REGI	PE409.507	12/09/2008	
Committee opinion	ENVI	PE409.570	16/09/2008	
Amendments tabled in committee		PE413.949	02/10/2008	
Committee opinion	BUDG	PE409.798	07/10/2008	
Committee report tabled for plenary, 1st reading/single reading		A6-0402/2008	21/10/2008	
Text adopted by Parliament, 1st reading/single reading		T6-0549/2008	19/11/2008	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2008)0306	20/05/2008	Summary
Document attached to the procedure	SEC(2008)1885	20/05/2008	
Document attached to the procedure	SEC(2008)1886	20/05/2008	
Commission response to text adopted in plenary	SP(2008)7295	12/12/2008	
Follow-up document	COM(2010)0665	15/11/2010	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofR	Committee of the Regions: opinion	CDR0162/2008	08/10/2008	
EESC	Economic and Social Committee: opinion, report	CES1670/2008	23/10/2008	

Additional information		
Source	**Document**	**Date**
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act	
Regulation 2009/0073 OJ L 030 31.01.2009, p. 0016	Summary

Delegated acts	
Reference	**Subject**
2013/2687(DEA)	Examination of delegated act
2014/2653(DEA)	Examination of delegated act
2014/2760(DEA)	Examination of delegated act

Common agricultural policy CAP: support schemes for farmers

2008/0103(CNS) - 19/01/2009 - Final act

PURPOSE: to establish common rules for direct support schemes for farmers under the CAP and to establish certain support schemes for farmers.

LEGISLATIVE ACT: Council Regulation (EC) No 73/2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378 /2007 and repealing Regulation (EC) No 1782/2003.

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/2008/0106.)

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).

ENTRY INTO FORCE: 01/02/2009.

APPLICATION: from 01/01/January 2009. However:

- the provisions regarding application to the outermost regions shall apply from 01/01/2010;
- the standards on establishment/and or retention of habitats, compliance with authorisation procedures in case of use of water for irrigation and the specification of landscape features, as provided for in Annex III, shall apply from 01/01/2010;
- the standard on establishment of buffer strips along water courses, as provided for in Annex III, shall apply from 01/01/2010 at the earliest and by 01/01/ 2012 at the latest.

Common agricultural policy CAP: support schemes for farmers

2008/0103(CNS) - 15/07/2008

The Council held a **policy debate** on the Health Check of the CAP, as reformed in 2003-2004. (See Council doc.*9656/08*). The debate was structured by a Presidency questionnaire relating to 4 important aspects of the proposal: modulation, market management mechanisms, dairy quotas and cross-compliance.

Regarding the **increase** in the rate of compulsory **modulation** proposed by the Commission, several delegations wanted to continue exploring the other options for the funding needed to meet the new challenges. Some Member States reiterated their preference for keeping a strong Pillar I, while others considered that Pillar II already took on board the new challenges. The co-financing of funds derived from modulation also raises questions from a number of Member States.

The discussion on **market management mechanisms** showed that maintaining a real safety net was a common objective. Nevertheless, a number of delegations expressed doubts regarding the abolition of intervention and the mechanism of buying-in under a tendering procedure.

Several delegations wished to maintain aid for private storage in the dairy sector, as well as intervention for pigmeat.

The "soft landing" principle for the phasing out of **milk quotas** is accepted by a majority of delegations, but on the other hand there is not yet any consensus on how to achieve it.

A number of delegations thus considered the level of the proposed annual increases (5 times 1 %) inadequate. The report envisaging a reassessment of the situation by the end of June 2011 was welcomed by some Member States, while others thought an immediate decision should be taken. The concern to provide for suitable accompanying measures was expressed by several Member States, especially in vulnerable areas.

All delegations welcomed the effort made to simplify the **cross-compliance rules** and pressed for the process to continue, making the rules more transparent both for operators and for the authorities monitoring their application.

A large number of delegations felt that **good agricultural and environmental practices** (GAEP) should remain indicative, in order to take account of the specific situations in the individual Member States.

The Council instructed the preparatory bodies to continue their technical and political proceedings with a view to reaching agreement on this matter in November 2008.

Common agricultural policy CAP: support schemes for farmers

2008/0103(CNS) - 19/11/2008 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted, by 441 votes to 219 with 29 abstentions, a legislative resolution, amending the proposal for a Council regulation establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers. The report had been tabled for consideration in plenary by Luis Manuel **CAPOULAS SANTOS** (PES, PT), on behalf of the Committee on Agriculture and Rural Development

The main amendments – adopted in the framework of the consultation procedure – are as follows:

Conditionality: Members added that a farmer receiving direct payments shall be required to ensure safety at the workplace and to abide by the contractual rules laid down by the Member State concerned. Each Member State shall be free to introduce 'bonus' crosscompliance that awards farmers bonus points for actions fostering biodiversity and implemented in addition to the obligations arising from good agroenvironmental crosscompliance. Each Member State shall define the actions for which such points may be awarded. Bonus points may be used to offset penalty points incurred in the area of good agricultural and environmental condition. Arrangements for such offsetting shall be laid down by the Member States.

Food security: Member States shall ensure that, with a view to balanced and sustainable land use, priority is given to national and/or regional food security. To that end they shall carry out a food security assessment on any planned expansion of energy production from agricultural raw materials to ensure that it does not endanger food security.

Modulation: the Commission's proposal to reduce further and faster direct support to farmers in order to strengthen Member States' rural development programmes ("modulation") was one of the most hotly debated among Members. An amendment adopted in plenary stipulated that any amount of direct payments to be granted in a given calendar year to a farmer that exceeds EUR 10 000 (rather than EUR 5000) shall be reduced for each year until 2012 as follows should only be increased to 7% by 2013, rather than the 13% proposed by the Commission. MEPs agreed to a higher rate for farms that receive over EUR100, 000, but not nearly as high as the rate proposed by the Commission. They proposed 1% percentage point extra between EUR100,000 and EUR199,999 rather than 3 %; 2% between EUR 200,000 and EUR 299,999 rather than 6%; and 3% beyond EUR 300,000 rather than 9%.

Parliament also inserted a clause stating that modulation shall be compulsory for the new Member States only from the time when they receive full direct payments. It felt that modulation cannot be implemented in the new Member States before 2013, i.e. before full direct payments are introduced.

Controls: Members state that administrative controls shall not be overly burdensome, particularly in terms of cost and paperwork, for the farmer. On-the-spot checks shall take place within a period of not more than one day for a particular farm and shall not be overly burdensome for the farmer. Member States shall endeavour to plan controls in such a way that farms which can best be controlled in a particular period during the year, due to seasonal reasons, are indeed controlled in that particular period. By 31 December 2007 at the latest, and every two years thereafter, the Commission shall submit a report on the application of the cross-compliance system accompanied, if necessary, by appropriate proposals with a view to : amending the list of statutory management requirements set out in Annex III ; simplifying, deregulating and improving the legislation under the list of statutory management requirements, with special attention being paid to legislation concerning nitrates ; simplifying, improving and harmonising the arrangements for performing on-the-spot checks, taking into account the opportunities offered by the development of indicators and bottleneck-based controls, controls already performed under private certification schemes, controls already performed under national legislation implementing the statutory management requirements, and information and communication technology.

Minimum thresholds: the Commission had proposed a minimum threshold of EUR 250 per year or 1 hectare. Below this level, farmers would not receive direct payments. Members recommend that this should be rejected. The amended text states that Member States may decide not to grant direct payments below a minimum threshold to be determined. Any amounts saved as a result of the application of the first subparagraph shall remain in the national reserve of the Member State from which they originate.

National reserve: Parliament stated that Member States may give precedence in particular to newcomers, farmers who are younger than 35, family holdings or other priority farmers. Member States may use the national reserve with effect from the entry into force of this Regulation in 2009, for the purpose of establishing payment entitlements and support measures for farmers for sectors in difficulty concentrated in the most disadvantaged areas, such as the sheep and goat sectors, in order to avoid abandoning of land and production. Any payment entitlement which has not been activated for a period of 3 years shall be allocated to the national reserve. Priority shall be given in the utilisation of these funds to facilitating young people's access to agricultural activity with a view to ensuring the transfer between generations.

Additional payments (Article 68): Member States may decide by 1 January 2010 at the latest, and thereafter during the period from 1 October 2011 to 1 January 2012 at the latest, to use from 2010 and/or from 2012 up to 15% of their national ceilings referred to in Article 41 to grant support to farmers. Accordingly, Member States can :

- 10% of the national ceilings may be used to grant integrated support to farmers or to organisations or groups of producers for the promotion of sustainable forms of production for : i) specific types of farming which are important for the protection or enhancement of the environment, the climate, biodiversity and water quality, in particular organic farming and pasture rearing; ii) improving the marketing, in particular regional marketing, and competitiveness of agricultural products; iii) to address specific disadvantages affecting farmers in the dairy and rice sectors in economically vulnerable or environmentally sensitive areas and producers of beef and veal, sheep meat and goat meat. Precedence shall be given in particular to newcomers, young farmers, family holdings or other priority farmers, such as producers belonging to a producers' organisation or farming cooperative;

- up to 5% of the national ceilings may be used to grant support to farmers or to organisations or groups of producers in the form of contributions to insurance premiums and mutual funds.

Insurance arrangements and mutual funds: the amended text provides that

- Member States may grant financial contributions to premiums for insurance for: (a) losses caused by adverse climatic events which can be assimilated to natural disasters; (b) other losses caused by climatic events; c) economic losses caused by animal or plant diseases or pest infestations. Member States' expenditure for the granting of financial contributions shall be co-financed by the Community from the funds referred to in Article 68 (1a) at a rate of 50% (rather than 40%) of the eligible amounts of insurance premium. In the case of the new Member States, however, the rate shall be increased to 70% ;

- Member States may provide for financial compensation to be paid to farmers for economic losses caused by natural disasters, adverse climatic events, the outbreak of animal or plant disease by way of financial contributions to mutual funds, Community contribution will be 50% (rather than 40%) and up to 70% for the new Member States.

Milk sector: the Commission's proposal to increase Member States' milk quotas by 1% per marketing year until 2013/2014, in order to pave the way for the complete abolition of ceilings in 2015, also exposed differing views amongst Members. Dairy farmers in several Member States where sale prices are already low face difficulties, while in other Member States, farmers want to increase production to take advantage of new opportunities on world markets. Parliament opted for an increase in quotas by 1% every year until 2013/2014 but asked the Commission to review the situation in 2010 and make new proposals before the end of quotas if necessary. Members also want to allow Member States to increase their quotas temporarily if the quotas of other Member States are under-used. They call for the creation of a milk fund to help restructure the sector.

Decoupled aid : given the current state of the markets and in particular the implications as regards farm production, Parliament's amendments had the effect of maintaining until the end of 2012 some part of decoupled aid (linked to production) for small CMO's (rice, dry forage, protein crops). For the harvest years 2010, 2011 and 2012, aid may be granted to farmers producing raw tobacco.

Common agricultural policy CAP: support schemes for farmers

2008/0103(CNS) - 23/06/2008

The Council held a **policy debate** on the proposed legislative package for the "Health Check" of the CAP since the 2003 reform. The debate focused on two questions drawn up by the Presidency, one on the proposal for further decoupling, and the other on the proposal for specific support measures under a revised version of Article 69 of Regulation 1782/2003.

- Most delegations welcomed the proposal for **further decoupling**, which is in the spirit of the 2003 reform, In their opinion, decoupling provides the necessary impetus to allow farmers to respond to market signals. However, several delegations considered that for certain vulnerable sectors **coupled or partial coupled payments may still be necessary** at least over a transitional period. In this context they highlighted the risks of land abandonment, loss of biodiversity and/or serious irreversible social impacts. With regard to the specific support provided for under a "**revised Article 69**" (new Article 68 in the proposal), several delegations reiterated their request for this to be **simpler and more flexible** so that each member state can choose how to target the support appropriately. Other delegations underlined the importance of ensuring that the measures would not distort trade or competition or reintroduce coupled payments and that to this end the measures envisaged should only be transitional.

- Delegations also had concerns about the proposed restrictions on the financing of this measure. Some delegations considered that there were other possible financing solutions such as using unused funds earmarked for direct payments, reclassifying some of the measures under rural development, and increasing the ceilings imposed). Some delegations also criticised the proposal on mutual funds to provide financial compensation to farmers as a result of animal or plant disease crises and considered that the current text set out in Article 44 of the Single CMO Regulation (Regulation 1234/2007) was a more satisfactory tool.

The future French Presidency indicated its intention to take forward its preparatory work, with the aim of reaching political agreement in November. To that end, it will table policy debates Council level on this item, in July and September 2008.

Common agricultural policy CAP: support schemes for farmers

2008/0103(CNS) - 15/11/2010 - Follow-up document

The Commission presents a report on the application of the Farm Advisory System (FAS) in accordance with Council Regulation (EC) No 73/2009. The report is based on replies by Member States to a Commission questionnaire for 2008 and the FAS evaluation study commissioned by the Commission in 2009.

The FAS evaluation report considers that the FAS did help increase farmers' awareness of material flows and on-farm processes relating to the environment, food safety and animal health/welfare. One-to-one advice using checklists was considered particularly effective, as it is a very individualised and structured way of providing advice. In some Member States, the establishment of the FAS represented a good opportunity to rethink and improve their wider advice and knowledge information systems in the agricultural sector.

The FAS helped farmers to meet cross-compliance requirements, and this was the main motivation for farmers to make use of the system. FAS support also increased farmers' financial management skills (accountancy) and improved their book-keeping as regards cross-compliance obligations.

Overall, however, the effectiveness of the FAS was still limited, since few farmers sought the advice on offer. The evaluators see potential for improvement since the FAS has reached more farmers (up to 20 % of those receiving direct payments) in Member States which implemented the system from 2005 onwards. In some cases the pre-financing of the advice may have discouraged some farmers from taking advantage of the FAS.

The evaluators considered it a fundamental prerequisite for the FAS that EU farmers should have access to the advice on a voluntary basis, since following advice is by its very nature voluntary — in contrast with compulsory control/certification systems. So far, the FAS had done little to improve EU farmers' perception of the CAP. Farmers often saw the FAS as being strictly about cross compliance and the related system of farm inspections, and this cast it in a negative light. However, there were cases where the FAS had succeeded in building a trustful and effective relationship between the farmers and the advisors. The evaluation report recommends that the voluntary concept and overall flexible architecture of the FAS should be maintained.

The Commission considers that the FAS is an essential tool for a successful implementation of the CAP. Farmers are supported in their efforts to comply with the EU's legal requirements relating to the environment, food safety and animal health and welfare. By assisting them with these 'cross-compliance' requirements, the FAS helps farmers avoid losing CAP payments. A farmer receiving advice is more likely to understand his cross-compliance obligations, and will thus more readily comply with them.

Advisory services are certainly not new in many Member States, but they may have been taking place in a piecemeal manner. By obliging each Member State to have a FAS in place, the legislator has adopted a more strategic overarching approach. The efforts being made in the Member States illustrate the important role that the system and the FAS coordinating bodies can play in helping farmers understand and implement EU rules.

The start-up phase has required considerable effort, especially from Member States where few if any advisory services were available in the past. For other Member States, setting up an FAS has been more a question of coordinating existing services so as to give farmers a single contact point for advice on practical questions.

Moreover, with new challenges emerging, expectations from advisory services have risen since 2003. The FAS should therefore pro-actively develop and encompass issues that go beyond legal requirements under cross compliance.

The Commission therefore makes the following recommendations to the Member States:

- keep the scope of the FAS broad but with the rules to be respected as the core minimum scope;
- emphasise the role of the FAS advisor as a 'general practitioner' directing farmers, if necessary, to specialist advisors;
- use aggregated farm inspection data to help target the advice better, while taking into account the great importance of respecting the confidentiality of advice data. The FAS advisor should act as a ‘general practitioner’, interlinking all different aspects of farming with a holistic approach. He should explain to farmers not only the EU’s requirements but also their objectives, and the underlying policies;
- promote the FAS via specific measures, such as taking appropriate opportunities to give farmers the list of advisors, ensuring that small farms are reached too;
- improve the management of the FAS, and ensure that knowledge is shared between actors in the field of cross compliance. FAS coordinating bodies should enhance the synergies between various instruments such as advice, training, information, extension services and research. It is very important to evaluate and monitor the FAS.

The Commission further considers that the following actions are necessary:

- clarify the terms ‘FAS’ and ‘farm advisory services’, clearly distinguishing advice from the mere provision of detailed information, and ensuring that the FAS is targeting all farmers in the EU;
- include within the minimum scope of the FAS the minimum requirements for fertiliser and plant protection products as laid down in national legislation, and highlight the need for specific action on climate change;
- explain the role of FAS advisors vis à vis other actors in the field of cross compliance, recommending a clear separation between advice and farm inspections;
- promote the FAS by introducing flexibility in the content and frequency of uptake of the advisory measure, and by obliging Member States to provide farmers with the list of FAS advisors;
- improve the management of the FAS by requiring that advisors are suitably qualified and regularly trained, with training sessions being organised by the FAS coordinating bodies.

These actions may lead to legislative changes in the post-2013 package

Common agricultural policy CAP: support schemes for farmers

2008/0103(CNS) - 20/05/2008 - Legislative proposal

PURPOSE: to establish common rules for direct support schemes for farmers under the CAP and to establish certain support schemes for farmers.

PROPOSED ACT: Council Regulation

CONTENT: this proposal follows the Commission Communication "Preparing the Health Check of the CAP reform" of 20 November 2007. It should be noted that this proposal is closely linked to the following procedures: CNS/2008/0104, CNS/2004/0105, and CNS/2008/0106.

It is recalled that in recent months, there has been a sharp rise in the price of many agricultural commodities to exceptional levels. Their steady increase in 2006 and 2007 had already supported the conclusion that any remaining supply controls of the CAP (namely, dairy quotas and set-aside) should be removed. The Commission proposes further to break the link between direct payments and production and thus allow farmers to follow market signals to the greatest possible extent. Among a range of measures, the proposals call for the abolition of arable set-aside and a gradual increase in milk quotas before they are abolished in 2015, and a reduction in market intervention. These changes will free farmers from unnecessary restrictions and let them maximise their production potential. The Commission also proposes an increase in modulation, whereby direct payments to farmers are reduced and the money is transferred to the Rural Development Fund. This will allow a better response to the new challenges and opportunities faced by European agriculture, including climate change, the need for better water management, and the protection of biodiversity.

The main points of the proposals are as follows:

Abolition of set-aside: the Commission proposes abolishing the requirement for arable farmers to leave 10 percent of their land fallow. This will allow them to maximise their production potential. However, under the proposals for cross compliance and Rural Development, Member States are given the appropriate tools to ensure that the present environmental benefits of set aside can be retained.

Phasing out milk quotas: milk quotas will be phased out by April 2015. To ensure a 'soft landing', the Commission proposes five annual quota increases of one percent between 2009/10 and 2013/14.

Decoupling of support: the CAP reform "decoupled" direct aid to farmers i.e. payments were no longer linked to the production of a specific product. However, some Member States chose to maintain some "coupled" – i.e. production-linked - payments. The Commission now proposes to remove the remaining coupled payments and shift them to the Single Payment Scheme, with the exception of suckler cow, goat and sheep premia, where Member States may maintain current levels of coupled support (as it exists currently) in order to sustain economic activity in regions where other economic alternatives are few or do not exist.

Moving away from historical payments: farmers in some Member States receive aid based on what they received in a reference period. In others, payments are on a regional, per hectare basis. As time moves on, the historical model becomes harder to justify, so the Commission is proposing to allow Member States to move to a flatter rate system.

Extending SAPS: ten of the 12 newest EU members apply the simplified Single Area Payment Scheme. This is supposed to expire in 2010, but the Commission proposes extending it to 2013.

Cross Compliance: aid to farmers is linked to the respect of environmental, animal welfare and food quality standards. Farmers who do not respect the rules face cuts in their support. This Cross Compliance will be simplified, by withdrawing standards that are not relevant or linked to farmer responsibility. In particular, the proposals aim at withdrawing certain Statutory Mandatory Requirements that are considered not relevant or linked to farmer responsibility, and to introduce into Good Agricultural Environmental Conditions requirements that retain the environmental benefits from set aside and address issues of water management.

Assistance to sectors with special problems: currently, Member States may retain by sector 10 percent of their national budget ceilings for direct payments for environmental measures or improving quality and marketing of products in that sector. The Commission wants to make this tool more flexible. The money would no longer have to be used in the same sector; it could be used to help farmers producing milk, beef, goat and sheep meat in disadvantaged regions; it could be used to support risk management measures such as insurance schemes for natural disasters and mutual funds for animal diseases; and countries operating the SAPS system would become eligible for the scheme.

Shifting money from direct aid to Rural Development: currently, all farmers receiving more than EUR 5 000 in direct aid have their payments reduced by 5 percent and the money is transferred into the Rural Development budget. The Commission proposes to increase this rate to 13 percent by 2012. Additional cuts would be made for bigger farms (an extra 3 percent for farms receiving more than EUR 100 000 a year, 6 percent for those receiving more than EUR 200 000 and 9 percent for those receiving more than EUR 300 000). The funding obtained this way could be used by Member States to reinforce programmes in the fields of climate change, renewable energy, water management and biodiversity.

Intervention mechanisms: market supply measures should not slow farmers' ability to respond to market signals. The Commission proposes to abolish intervention for durum wheat, rice and pig meat. For feed grains, intervention will be set at zero. For bread wheat, butter and skimmed milk powder, tendering will be introduced.

Payment limitations: 46.6% of the total direct payment beneficiaries in the EU-25 receive less than EUR 500. This number essentially includes small farmers, but it also includes in certain Member States recipients whose value of payment is below the administrative cost of managing it. In order to simplify and reduce the costs of administration of direct payments, it is proposed that Member States shall either apply a minimum amount of payments of EUR 250 or apply a minimum size of eligible area per holding of at least 1 hectare or apply both. Nevertheless, special provision is made for those Member States whose agricultural sector is mainly composed of very small holdings.

Other measures: a series of small support schemes will be decoupled and shifted to the SPS. For hemp, dried fodder, protein crops and nuts this would happen immediately. For rice, starch potatoes and long fibre flax, there would be a transitional period. The Commission is also proposing to abolish the energy crop premium.

Budgetary impact: proposals for modulation in the Single Payment Scheme and Rural Development are neutral with the respect to the EU budget, as it is a simple compulsory transfer between the second and the first pillar of the CAP. For national budgets the increased modulation could lead to additional national expenditure in view of the necessary co-financing needed in Rural Development. This would mean that some Member States have the possibility of returning to the (higher) level of national expenditure originally provided for before the decision on the Financial Framework 2007–2013. As regards the transfer of measures into the Single Payment Scheme there could be moderate financial consequences for the EU-budget, but most of the transfers are also budgetary neutral.

The expiry of the dairy quota will bring additional pressure on butter under all options. These proposals, by initiating a gradual process of a quota phasing-out, are more beneficial for the sector and for the long-term developments of the CAP. However, the need for some limited additional expenditure on butter exports cannot be excluded. Whether this materialises will depend on factors that are at this stage unknown (Doha Development Agenda, world market developments). Therefore the present proposals include a review clause in 2012 that would allow developments in dairy markets to be assessed to determine if additional measures will be needed to avoid any increase in the budget. Some savings are foreseen as a consequence of abolition of existing measures. However, the biggest budgetary effect of the soft-landing on the milk quota is a loss of budgetary revenue due to the decrease in milk levy.

Common agricultural policy CAP: support schemes for farmers

2008/0103(CNS) - 18/11/2008

The Council reached **political agreement** on this dossier, which pursues three essential objectives: to improve the single payment scheme, to modernise agricultural market management tools, and to respond to the new challenges of climate change such as bioenergy production, water management and the preservation of biodiversity.

The main elements of the agreement are as follows:

Additional modulation: the current 5 % modulation rate will be increased as set out in the following table, with a franchise of EUR 5 000.

Progressive modulation: a progressive modulation of 4 % will be added from 2009 (budget year 2010) onwards, for amounts above EUR 300 000.

Support for sectors in difficulty: from 2010, the Member States will be able to use up to 10 % of their national ceilings and up to 4 % of their unused national funds to grant support to farmers for certain types of agriculture which are important in terms of the protection or improvement of the environment, to improve the quality of agricultural products or their marketing and for the purposes of animal welfare and protection. This support may also be used to compensate for specific disadvantages in certain sectors.

Crop insurance and mutual funds: support from Member States may also take the form of a financial contribution to the payment of crop, animal and plant insurance premiums covering financial loss caused by unfavourable weather conditions and animal or plant diseases or parasitic infections, or of contributions to mutual funds in the case of animal or plant diseases or environmental incidents.

Abolition of set-aside: this abolition is to be compensated for by a strengthening of Community provisions to protect, where appropriate, special features of the landscape such as buffer strips along water courses.

Pace of decoupling: aid for arable crops, durum wheat, olive oil and hops will be decoupled on 1 January 2010. Aid for beef and veal (with the exception of suckling cows), rice, nuts, seed, protein plants and starch potato cultivation will be decoupled on 1 January 2012 at the latest. Finally, the decoupling of aid for the processing of dried fodder will take place by 1 April 2012 at the latest, and that for potato starch, hemp and flax on 1 July 2012.

Minimum conditions for the granting of aid: no payment for an amount of aid of less than EUR 100 or for an eligible area smaller than 1 hectare (with the possibility for Member States to refine the thresholds).

New challenges: besides the new challenges identified in the Commission proposal (climate change, renewable energy, management of water, biodiversity), the additional funds stemming from the increase in modulation may be used to finance measures such as innovation in the areas mentioned above, or accompanying measures in the dairy sector.

Dairy sector: to ensure that there is a "soft landing" for the milk quota scheme, an increase of 1 % per year in 2009, 2010, 2011, 2012, and for the marketing year 2013/2014, to prepare for their planned disappearance in 2015, has been accepted. Two interim reports by the Commission will assess the situation in the sector at the latest in December 2010 and December 2012. The status quo is maintained for aid for the private storage of butter.

Tobacco: the sector will be restructured through the rural development funds, with the assistance of the Commission.

Hemp and flax: aid for long fibres is set at: EUR 200 per tonne with effect from 1 July 2009; EUR 160 per tonne with effect from 1 July 2010, with total decoupling from 1 July 2012 and integration into the single payment scheme on 1 January 2012.

Intervention: the measures in force in the dairy sector will be maintained in a simplified form, with the maximum quantities being set at 30 000 tonnes for butter and 109 000 tonnes for skimmed milk powder. For soft wheat, intervention will take place from 1 November to 31 May, at the intervention price of EUR 101.31 per tonne, for a maximum quantity of 3 million tonnes, and purchase by tender beyond that. Finally, intervention for durum wheat, rice, barley and sorghum will be maintained as a market management instrument but with the thresholds set at zero as for intervention for maize.

Cross-compliance: the list of legislative texts setting conditions for payment of the full amount of Community aids has been adapted. The Council and the Commission have undertaken to continue the exercise of simplification of the cross-compliance rules, both for national administrations and for those they administer.