Ensuring continuity of support for EU farmers in 2019 and 2020

Every year, more than 6 million EU farms receive income support from direct payments (DP), a key element of the Common Agricultural Policy (CAP) that represents more than 70% of total CAP expenditure. Rural development measures also support farming activities and contribute to enhancing people’s livelihoods in rural areas, which represent a large share of EU territory. To ensure continuity of EU support and guarantee a smooth continuation of the CAP’s implementation, the European Commission proposes to modify certain rules on DP and rural development, through the timely adoption of a regulation that should apply from 1 March 2019.

Background

Despite a downward trend in the share of EU spending on the CAP over time, EU support for farm incomes and rural areas still plays a major role both in the EU budget and in contributing to ensure EU farmers have a fair standard of living, as well as maintaining the vitality of EU rural communities. Under the current CAP legislative framework, which covers the years 2014-2020, over 6 million EU farms benefit from DP every year, while EU action in rural areas for the entire programming period is worth €100 billion, complemented by national funding. These interventions are mainly set out in one regulation on DP to farmers and another on support for rural development. For their provisions to cover DP and rural development until the very last year of the current programming period (i.e. the 2020 calendar year, corresponding to the 2021 financial year, with 2021 being also the first year covered by the future budgetary and CAP legislative frameworks), both regulations would require an amendment of certain technical elements. Moreover, some other amendments would allow financing of particular activities aimed at timely preparation of the transition to the future CAP in the EU Member States, and smooth the effects of phasing out payments for beneficiaries affected by changes in the delimitation of areas facing natural constraints.

European Commission proposal

On 7 December 2018, the Commission published a proposal for a regulation amending certain provisions on direct payments and support for rural development in 2019 and 2020. The proposed amendments to some articles of the EU regulations on support for rural development and on DP to farmers would adjust the legislation to meet needs and requirements that were not envisaged at the time of their adoption. Although the proposal concerns legislative acts necessitating use of the ordinary legislative procedure for any amendments, the Commission put forward justifications for its request for fast adoption by the co-legislators, deviating from standard better regulation practices. In particular, the Commission stresses the need to have the regulation apply from 1 March 2019, to avoid financial disruption, with its transitional nature limited in scope and time, as well as the absence of new political or budgetary commitments.

Support for rural development

Two proposed amendments concern Articles 31 and 51 of Regulation (EU) No 1305/2013:

- Article 31 sets out a four-year schedule of degressive payments to beneficiaries in areas that, following the new delimitation, are no longer classified as areas subject to natural constraints other than mountain areas. According to this schedule, degressive payments should start at no more than 80% of the average payment fixed for the 2007-2013 programming period and end in 2020, at the latest, at no more than 20%. However, the agricultural part of the omnibus regulation, adopted in 2017, extended the deadline for setting up the new delimitation to 2019, thus limiting the time available to apply degressivity in payments and ensure a smooth phasing-out. Therefore, to avoid an overly sharp payment reduction for the beneficiaries concerned, the Commission proposes that degressive payments that only start in 2019 would start at no more than 80% of the average payment fixed for the 2014-2020 programming period and end in 2020 at half of the starting level.
Article 51 provides for funding of technical assistance required to implement the CAP in the Member States. To favour a smooth passage to the new policy cycle, the Commission also proposes the use of technical assistance for actions preparing for the implementation of the future CAP.

Direct payments to farmers
Four proposed amendments concern Articles 7, 11, 14 and 22 of Regulation (EU) No 1307/2013:

- Article 7 provides for the use of the amounts obtained from the reduction of payments referred to in Article 11 (see next point) as EU support for rural development measures. The Commission proposes to specify that such amounts should be available as EU support financed under the European Agricultural Fund for Rural Development (EAFRD).

- Article 11 establishes an obligation on Member States to reduce part of the amount of direct payments exceeding €150,000 to be granted to a farmer in a given calendar year. However, the obligation for the Member States to notify the Commission as regards their decisions and the estimated output of the reduction is set out only for the years 2015 to 2019. The Commission also proposes to set out a notification obligation for 2020.

- Article 14 sets out an option for Member States of transferring of funds between direct payments and rural development for calendar years 2014 to 2019. Several Member States have decided to apply this flexibility between CAP pillars, with amounts transferred from rural development to direct payments reaching between 15% and 25% of national ceilings in Croatia, Hungary, Poland and Slovakia, and lower but significant shares transferred from direct payments to rural development in a number of countries. With a view to ensuring that Member States can use this option until the end of the programming period, the Commission proposes that flexibility between the two CAP pillars would also apply to calendar year 2020.

- Article 22 establishes an obligation on Member States to comply with set national ceilings for the basic payment scheme and to apply a linear reduction or increase in the value of all payment entitlements to ensure such compliance. This also applies to fluctuations resulting from the application of flexibility between pillars. Therefore, due to the amendment of Article 14 (see previous point), the Commission proposes also to adjust this article to cover calendar year 2020.

Council position
At the Agriculture and Fisheries Council meeting of 17 December 2018, EU Commissioner for Agriculture and Rural Development Phil Hogan informed EU Agriculture Ministers of the Commission’s proposal, noting that its objective is to ensure a smooth continuation of CAP implementation until the end of the programming period. Although certain modifications would also favour a smooth transition between the current and future CAP, he emphasised that this is not a proposal on transitional measures as already called for by both Council and Parliament in the course of their recent discussions on the CAP reform package. Finally, Commissioner Hogan called for timely adoption by both co-legislators to avoid any disruptions in payments in some EU Member States. A few ministers took the floor welcoming the proposal, and the Austrian Presidency took note of the presentation.

European Parliament position
The legislative file (2018/0414(COD)) was referred to the Committee on Agriculture and Rural Development (AGRI), as announced in the Parliament’s plenary session of 13 December 2018. At the AGRI meeting of 7 January 2019, after a short Commission presentation that stressed the time-sensitive nature of the proposal, aimed at avoiding unnecessary interruption of CAP payments, AGRI Chair Czesław Adam Siekierski (EPP, Poland) proposed simplified adoption of the legislative act under Rule 50 of the EP’s Rules of Procedure. As Members agreed with this proposal, he will table a draft report without amendments.