



19.12.2018

## NOTICE TO MEMBERS

**Subject: Petition No 0160/2018 by Jonas Vilionis (Lithuanian), on behalf of Lithuanian Agriculture and Food Council, bearing 52 359 signatures, on inequality in payments under the EU Common Agricultural Policy in Lithuania**

### 1. Summary of petition

The petitioner states that Lithuanian farmers have been eligible for direct support under the EU Common Agricultural Policy (CAP) since the country's accession to the EU, but they receive much lower payments than their counterparts in Western European countries. Lithuanian farmers are not receiving The fair and equal, non-discriminatory payments are not attributed to the farmers despite meeting environmental, food safety and animal welfare requirements. In view of the petitioner these payments were allegedly discriminatory in 2014, at the end of the transitional period of 10 years. After the reform of the EU Common Agricultural Policy (CAP) for the next financial period 2014-2020 Lithuanian farmers and agricultural enterprises will continue to be in a disadvantaged position and be discriminated when allocating funds to implement the CAP. The inequality in CAP payments contributes to the emigration of Lithuanian farmers to other EU Member States which are more developed and better supported by EU funding.

### 2. Admissibility

Declared admissible on 12 June 2018. Information requested from Commission under Rule 216(6).

### 3. Commission reply, received on 30 July 2018

For the Member States joining the Union in the last three rounds of enlargement, a phasing of direct payments over a 10 years period was agreed. The schedule of increments reflecting the phasing in is expressed in relation to the support level then applicable in the Union and has been reflected by the financial allocations of the acts of accession and the basic regulations

governing direct payments to farmers.

The question of the convergence of the direct payments between Member States is different from the "phasing in" of direct payments.

When introducing direct payments under the Common Agricultural Policy as part of the step away from price support, the allocation key was not based on a specific amount per hectare but linked to production (yield, productivity etc.), which for agronomic reasons vary between Member States. Historic support according to these criteria was the basis for the national allocations for decoupled support introduced by the reform in 2005.

The first partial step away from the allocation method described in the previous paragraph towards the so-called "convergence" of the direct payments, whereby national envelopes are adjusted in order to gradually reduce the gap between the support level per hectare in different Member States, was agreed by the Heads of State and Government in February 2013 as part of the overall agreement on the multiannual financial framework for 2014-2020.

This agreement was implemented through Regulation (EU) No 1307/2013, pre-allocating the yearly national envelopes taking into account the convergence targets. The implementation of the convergence of the direct payments is currently on-going to the benefit of Lithuanian farmers.

The Commission presented its Communication on the next multi-annual financial framework (MFF) on 2 May 2018 and the proposal for the common agricultural policy post 2020 on 1 June 2018<sup>1</sup>. For the Common Agricultural Policy, the Commission proposed a significant continuation of the convergence of direct payment levels per hectare between Member States. More precisely, the Commission has proposed that for all Member States with direct payments below 90% of the EU-average, the gap between their current level and 90% of the EU average shall be closed by 50% during the next MFF. This means that while for the majority of Member States, the direct payments will decrease up to 4% (compared to a reference value based on calendar year 2019), Lithuanian farmers will benefit from the upward convergence. Overall, the Commission proposal represents for Lithuania an increase of more than 4% of the direct payment envelopes (compared to a reference value based on calendar year 2019).

### Conclusion

The Commission proposals for the multiannual financial framework for 2021-2027 and for the common agricultural policy post-2020 are currently being negotiated between the institutions. It will ultimately be the responsible legislators that will decide on the future allocations for the common agricultural policy under the MFF 2021-2027.

#### **4. Commission reply (REV), received on 19 December 2018**

The Commission services have examined the petitioner's recent correspondence.

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<sup>1</sup> COM (2018) 321 final and COM (2018) 392 final

Concerning point 1 and 2, as already explained, "phasing in" of the direct payments is about the gradual introduction, over a ten years' period, of the direct payments in the Member States which joined the Union as from 2004 and thus agreed in the frame of the accession negotiations of those Member States.

The phasing-in of direct payments should be clearly distinguished from the "convergence" of the direct payments which is about narrowing down differences between Member States in the levels of aid per hectare. This convergence was firstly decided as part of the agreement on the Multiannual Financial Framework for the period 2014-2020. Before that, the size of the agricultural area was not directly used as a criterion for determining national allocations. Consequently, when expressing this support per hectare, there are obviously differences between Member States inherent to the allocation criteria previously used. Therefore, even when "phased in" to the level of 100% direct payments, the direct payments in a Member State do not necessarily translate into the EU average per hectare. Moreover, differences also exist between Member States which joined the European Union before 2004, reflecting the political choices taken so far with regard to the allocation of support.

Point 3: As previously explained, the agreement on the convergence of the direct payments was faithfully implemented through Regulation (EU) No 1307/2013, pre-allocating the yearly national envelopes taking into account the convergence targets. This regulation was adopted by the European Parliament and the Council of the European Union, being fully aware of the methodology applied in the calculation of the convergence, including the use of the 2009 areas as most recent historical data available at the moment of presenting the Commission proposal.

Subsequent to the setting of the national allocations, Lithuania decided to transfer a part of their direct payment allocations to rural development. Moreover, the agricultural area in Lithuania has increased somewhat in recent years. These two factors affect the present average aid per hectare.

Point 4 and 6: The Commission refers to point 3 above and, with regard to the Commission proposal for the Multiannual Financial Framework 2021-2027, to the first reply from the Commission sent to the EP on 30 July 2018. The proposal for a continued convergence of the direct payments should be seen in the light of the overall difficult budgetary context. The convergence parameters used in the proposal strike a balance between the gradual steps away from the historic reference for the allocations and the need for financing such convergence without disruptive implications for individual Member States.

Point 5: The factors affecting the economy of the individual farms such as cost of labour and land vary significantly between Member States. As such, the average levels of direct payments should not be used as sole source for drawing conclusions on the situation of individual farms.