European Parliament

Stability of EU farmer income support post 2020

EU farmer income support benefits millions of farmers across Europe every year. The existing legal basis for this support covers the years 2014 to 2020. Delays in the negotiating process on both the EU budget and farm policy for 2021-2027 necessitate adoption of transitional provisions to ensure the continuation of the current rules. The Parliament is due to vote on a Commission proposal on these issues during its December plenary session.

Background

The Common Agricultural Policy (CAP) is one of the main EU's spending programmes, representing around 40 % of the 2014-2020 Union budget. Over 70 % of the CAP's budget supports farmer incomes, in the form of direct payments per hectare of agricultural area. These payments benefited between six and seven million farms per year across the EU in the last few years, with an increasing average payment per beneficiary and farmers' agricultural income significantly dependent on these payments. In May 2018, the European Commission put forward its proposal on the 2021-2027 multiannual financial framework (MFF), followed shortly after by proposals on the spending programmes. These include the CAP reform, to run from 1 January 2021. This proposal requires adaptation of current planning and implementation practices at both EU and Member State levels, for which supporting legislative acts are still to come. Delays in the negotiating process on the MFF and the absence of a position of the European Parliament and Council on the future CAP make it necessary to set down transitional rules to ensure a legal basis for the continuation of EU support to farmers ahead of the adoption of the new CAP rules.

European Commission proposal

On 31 October 2019, the Commission adopted a legislative package putting forward transitional provisions to smooth both continuity of CAP support and the transition from the present to the future CAP framework. The package includes a proposal for a regulation on continuity of CAP income support that would extend certain provisions on direct payments to 2021. Although this proposal concerns legislative acts necessitating the ordinary legislative procedure for any amendments, the Commission justifies its request for fast adoption by the co-legislators given its technical nature, its financial involvement related to the end of the current budgetary period and the absence of new political commitments.

Regulation (EU) No 1306/2013: financial discipline

The proposed amendments concern Articles 16 and 26 of Regulation (EU) No 1306/2013:

- Article 16 establishes that the annual ceilings for expenditure under the European Agricultural Guarantee Fund (EAGF), which primarily finances direct payments to farmers and agricultural market measures, are the maximum amounts defined in the 2014-2020 MFF (see Annex I to Council Regulation (EU, Euratom) No 1311/2013). Since the latter only covers the years up to 2020, the proposed amendment introduces the 2021-2027 MFF as a reference for the annual ceiling.
- Article 26 regulates the financial discipline that ensures respect of the annual ceilings referred to above (i.e. a mechanism to adjust direct payments when forecasts indicate that they would exceed their annual ceiling). To extend this provision after 2020, the proposed amendment refers to ceilings stemming from the amended Article 16, rather than from the 2014-2020 MFF.

Regulation (EU) No 1307/2013: flexibility between pillars and voluntary coupled support

The proposed amendments concern Articles 14 and 53, and Annex VI of Regulation (EU) No 1307/2013:

- Article 14 sets out an option for Member States to transfer funds between direct payments and rural development in years 2014 to 2019. These transfers are possible from direct payments to rural development at up to 15 % of the annual national ceiling for direct payments, and from rural development to direct payment at up to 15 % (or 25 % in Bulgaria, Estonia, Spain, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Finland, Sweden, and the United Kingdom) of the amount

Author: Rachele Rossi, Members' Research Service
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allocated to rural development measures. Some Member States apply this flexibility: over the 6 years, 12 Member States transferred a total of €7.12 billion from direct payments to rural development, and 5 Member States transferred a total of €3.4 billion from rural development to direct payments. With a view to ensuring that Member States can transfer funds from rural development to direct payments in the 2020 calendar year (corresponding to the 2021 financial year), the proposed amendment establishes that such transfers cannot be higher than the amount set out in proposed Annex VIa. The rationale behind this proposal is the lack of information about rural development envelopes for the 2021 financial year, at the time when transfer decisions should be made by Member States (i.e. by the end of 2019). To avoid interruption of income support stemming from these transfers, proposed Annex VIa replaces the maximum transfer percentages mentioned above with maximum absolute amounts. These derive from applying current percentages to the rural development envelope proposed by the Commission in its CAP proposal for 2021-2027.

- Article 53 establishes financial provisions for voluntary coupled support that the Member States may provide to certain sectors or products experiencing difficult circumstances. All Member States, except Germany, applied this scheme between 2015 and 2020, covering different sectors, such as: beef and veal (around 40 % of the budget for voluntary coupled support); milk and milk products (21 %); sheep and goat meat (13 %); protein crops (11 %); sugar beet, and fruits and vegetables (around 4 % each). In August each year, Member States notify their decisions on voluntary coupled support, up to a maximum percentage of the annual ceiling for direct payments. The proposed amendment therefore extends the possibility for Member States to revise their decision by the end of 2019, in relation to their decision on flexibility taken in accordance with amended Article 14.

Stakeholders' views

In a press release of 5 November 2019, Copa-Cogeca, the union of EU farmers and their cooperatives, recognised the need for a rapid decision on legislative provisions that would provide farmers with stability and financial continuity. However, it stresses that there should be no cuts to the CAP funds, nor decisions taken outside the CAP reform process during the transition period. The European Council of Young Farmers (CEJA) called for stability both at farm level and in the CAP budget.

Council position

At the Agriculture and Fisheries Council meeting of 18 November 2019, EU Commissioner for Agriculture and Rural Development Phil Hogan presented the Commission reform package. Noting that the proposal regarding financial discipline as from 2021, and flexibility between pillars for 2020, aim to guarantee the continuity of CAP income support and that the new policy framework will not be ready for implementation on 1 January 2021, Commissioner Hogan called for adoption by both co-legislators, ideally by the end of 2019. On 25 November, the Special Committee on Agriculture (SCA), noting that all delegations supported the proposal without amendments, mandated the Finnish Presidency to inform the European Parliament that an agreement at first reading was possible.

European Parliament position

The legislative file was referred to the Committee on Agriculture and Rural Development (AGRI) on 13 November 2019. Presenting the proposal at an AGRI committee meeting in early November, a Commission representative stressed its technical and time-sensitive nature, which explains the call for a rapid adoption. Although emphasising that the proposal was submitted very late, AGRI Members welcomed it as necessary. On 25 November, the Committee on Budgets (BUDG) submitted its opinion supporting the swift adoption of the act. Following the Coordinators' decision to follow the simplified procedure under Rule 52 of the European Parliament's Rules of Procedure, on 4 December 2019, AGRI Members agreed on a draft report without amendments. The Parliament is expected to vote on its first-reading position during the December plenary session.

First-reading report: 2019/0253(COD); Committee responsible: AGRI; Rapporteur: Norbert Lins (EPP, Germany).