Health Check of the CAP
(current situation, Commission proposal and Council outcome)

DIRECT PAYMENTS

1. SPS model

Current situation

In implementing the SPS, MS could opt for a historic model (payment entitlements based on individual historic reference amounts per farmer), a regional model (flat rate payment entitlements based on amounts received by farmers in a region in the reference period) or a hybrid model (mix of the two approaches, either in a static or in a dynamic fashion).
Historic: Austria (2005), Belgium (introduced in 2005), Ireland (2005), Italy (2005), Portugal (2005), UK – Scotland (2005), UK – Wales (2005), France (2006), Greece (2006), Netherlands (2006), Spain (2006)
Regional: Malta (2007), Slovenia (2007)
Static hybrid: Denmark (2005), Luxemburg (2005), Sweden (2005), UK – Northern Ireland (2005)
Dynamic hybrid: Germany (2005), UK – England (2005), Finland (2006)

Commission proposal

1) Member States applying the historic implementation model are allowed to review the allocated payment entitlements with a view to approximating their unit value taking into account the specificities of geographical areas when fixing closer values and during an adequate transition period.

- At least three pre-established annual steps and objective and non discriminatory criteria.
- Reduction of the value per step: no more than 50% of the difference between the starting value and the one in the final step.

2) Member States applying the historic model are allowed to change over to the regional model

- In a first step, divide no more than 50% of regional ceiling between all farmers with holdings in the area
- May make progressive modifications in at least two further pre-established annual steps and objective and non discriminatory criteria.
- Reduction of the value per step: no more than 50% of the difference between the starting value and the one in the final step.

3) Member States that chose to apply the regional model are allowed to review their decisions under certain conditions with the aim to approximate the value of payment entitlements according to pre-established steps during an adequate transition period and within a limited range of reductions.

- At least three pre-established annual steps and objective and non discriminatory criteria.
- Reduction of the value per step: no more than 50% of the difference between the starting value and the one in the final step.

Council outcome

Additional flexibility in the geographical distribution of decoupled support under the historic model. MS with historic model can make progressive modifications to the value of entitlements in no more that 3 steps and in accordance with objective and non-discriminatory criteria such as agricultural potential and environmental criteria. Resulting funds will be redistributed on a regional basis, the value of existing entitlements in the regions will be adjusted. The total value of the payment entitlements may not be reduced more than 10% of their initial value.

2. Definition of farmer and eligibility of land for SPS

Current situation

The current provisions do not allow MS to exclude some recipients to receive payments if they fulfil the conditions set out by regulations.

Commission proposal

In order to prevent that agricultural income support be allocated to companies and firms whose business purpose is not or only marginally targeted at exercising an agricultural activity, MS are allowed to refrain from granting them direct payments under this Regulation.

Council outcome

Scope of beneficiaries that can be excluded from payments has been fine-tuned: it covers non only companies, but individuals, and the final provision allow MS to exclude beneficiaries whose agricultural activity is marginal.
Eligibility:
Land afforested under national state programmes, will be treated in the same way as land afforested under Rural Development programmes, if the national scheme is in conformity with RD.

3. Types of entitlements

Current situation

Currently there are four types of entitlements under the SPS: regular entitlements, set-aside entitlements, special entitlements and entitlements with F&V authorisation

Commission proposal

Three types of entitlements remain:

– Regular entitlements (set aside entitlements become regular entitlements)

– Special entitlements: Status quo remains (special entitlements do not have to be activated with land but farmers have to maintain 50% of agriculture activity expressed in livestock units (LU)). The proposal sets out that when transferred, they must become regular entitlements except in cases of inheritance or anticipated inheritance. Special entitlements cannot be created anymore

– Entitlements with F&V authorisation may remain until the end of the transitional period (2010).

Council outcome

The status quo for the transfer of special entitlements may continue to apply for 2009, 2010 and 2011.
Special entitlements can be created in case of decoupling animal premia and in NMS moving from SAPS to SPS.
Special rules for entitlements with F&V authorisation are abolished from 2009

4. Set aside

Current situation

Farmers who in 2000-2002 were required to set-aside part of their land received set-aside entitlements. Under the regional model farmers of a certain size received also set aside entitlements.
Such set aside entitlements could only be activated by land kept set aside (not producing crops) with the below exceptions:

– Areas under environmental set-aside and areas afforested could be counted as set-aside
– Land set-aside might be subject to rotation and might be used for non-food production

The number of set aside entitlements is based on the former 10% set aside obligation. For 2007/2008 there is derogation to the set aside obligation.

Commission proposal

Removal set aside obligation. Set aside entitlements become normal entitlements. Compensation of environmental effects of its removal will be done by the addition of a standard under GAEC on “establishment of buffer strips along water courses”. Special rules allowing to activate set-aside entitlements with land afforested under a rural development measures are extended to all entitlements and to Natura 2000.

Council outcome

No change to the Commission proposal

5. Modification of entitlements

Current situation

Fractures of entitlements can be created but entitlements cannot be merged

Commission proposal

Commission shall lay down rules for modification (merger) of entitlements where there are fractures.

Council outcome

No change to the Commission proposal

6. National reserve

Current situation

Restrictions on entitlements from the national reserve exist. Entitlements from the National reserve can not be transferred for 5 years after allocation (this prohibition was included in 2003 to avoid speculation). These entitlements need to be activated each year of this 5 year period.

Commission proposal

The prohibition of transfer of rights received from the national reserve is removed and also the obligation of activating these entitlements each year of this 5 year period.

Council outcome

No change to the Commission proposal

7. 80% Activation rule

Current situation

Farmers may transfer their payment entitlements without land only after they have used at least 80% of their payment entitlements during at least one calendar year

Commission proposal

The restriction on sale of entitlements without land is removed but the 80% rule is kept only for MS shifting from SAPS to SPS

Council outcome

No change to the Commission proposal

8. Payment dates/advance payments

Current situation

MS are allowed to make only one payment from 1 December. The Commission may provide for an advance or allow MS to do so

Commission proposal

Payments could be made in two instalments as from 1 December.

Council outcome

No change to the Commission proposal

9. Cross compliance

Current situation

Cross compliance is a mechanism that links full support under the first (and to some extent under the second) pillar of the CAP to the compliance of farmers with rules relating to basic standards for environment, food safety, animal and plant health and animal welfare, as well as standards aimed at the maintenance of land in good agricultural and environmental condition.

Commission proposal

- Deletion of certain articles under the wild birds and habitats directives (SMR 1 and 5) because they are not relevant to farming activities.
- The legal wording is specified to make clear that cross compliance is limited to farming activity and farmland. This includes non-agricultural land (e.g. forest areas) only insofar as RD-support is claimed for that land.
- Deletion of SMR 7 (identification and registration of bovine animals) because it is redundant with SMR 8.
- Addition of 2 GAEC standards on protection of water against pollution and run-off (the new standard "establishment of buffer strips along water courses"), and on respect of authorisation procedures in case of irrigation.
- Elaboration of the current standard on retention of landscape features, which is now extended to specify which landscape features should be retained (where appropriate, hedges, ponds, ditches, trees in line, in group or isolated and field margins) in order to protect existing landscape features (which can contribute to the retention of environmental benefits from set-aside).
- Alignment between the two pillars of the cross compliance rules concerning the concepts "minor infringement" (i.e. allowing an exemption of reduc tion for minor cases of non-compliance), "de minimis" (non-application of a reduction or exclusion amounting to 100 € or less in case of non-compliance) and "liability" (the farmer applying for aid on a farm where a non-compliance is found is responsible and will have his payments reduced, also in cases of transfer).

Council outcome

Animal welfare shall be introduced into the scope of cross compliance as of 1 January 2013 for EU-10 (except MT and SI) and of 1 January 2016 for EU-2, for all payments covered (direct payments, wine and rural development)

Withdrawal of provisions not relevant for cross compliance the Regulation on hormones or already repealed (SMR 6 identification and registration of animals).

Specification in a footnote to the annex of the main Regulations covered by the General Food Law.

Additional compulsory GAEC standards (buffer strips and authorisation procedure for irrigation) will be applied as of January 2010 (buffer strips no later than 2012)

New optional GAEC standard on establishment and/or retention of habitats

Retain terraces, standards for crops rotations, appropriate machinery, minimum livestock stocking rates or/and appropriate regimes, prohibition of the grubbing up of olive trees, maintenance of olive groves and vines in good vegetative condition use are optional for MS (except where a MS has defined, for such a standard, a minimum requirement before 1 January 2009 and where national rules addressing the standard are applied in the MS)

MS may not apply reduction or exclusion amounting to 100 € or less in case of non-compliance, the “100€” being applied separately under pillar 1 and pillar 2

Commission and Council will go on working to provide with more simplification.

10. Partial decoupling/ Use of amounts resulting from decoupling

Current situation

MS may retain a part of the payments coupled (partial implementation); i.e.:

– Crops sector: applicable to the Arable Crops Payments (up to 25%), Durum Wheat Quality Supplement (up to 40%) and Hops (up to 25%)

– Olive oil sector: aid for olive groves could remain up to 40% coupled.

– Animal sector: of which the Suckler Cow Premium (up to 100%), the Special beef premium (up to 75%), the Slaughter Premium (up to 40% for adults and 100%for calves) and Sheep and Goats (up to 50%).

– Seeds: 100% exclusion of certain or all species

Commission proposal

– Arable crops, seeds and hops: full decoupling from 2010. MS can choose as reference period either the same as in 2003 reform (budgetary envelopes) or a more recent period.

– Suckler cow and sheep and goat meat: MS are allowed to maintain the status quo.

– Slaughter premium for young animals, slaughter premium for adult animals and Special beef premium: Full decoupling in two steps (50% coupled in 2010, 50% coupled in 2011 and 100% decoupled in 2012 and onwards).

Council outcome

Arable crops, olive and hops will be decoupled from 1st January 2010

Seeds will be decoupled by 1st January 2012 at the latest (MS may decide to decouple earlier)

Beef and veal payments, except suckler cow premium will be decoupled by 1st January 2012 at the latest (MS may decide to decouple earlier)

Commission declaration: Commission report by 31st December 2012 on the status of Health Check implementation and in particular on decoupling

MS allowed to review the decision taken on the decoupling of fruit and vegetables in 2007 provided that it results in lower coupled payments.

Soft fruits: Transitional support will continue until 31st December 2011 and be converted into decoupled payment as of 2012 under Annex VIII.

Amounts resulting from decoupling: additional flexibility is given to MS in the distribution of these funds:

- to the type of agricultural activities such as using grassland or keeping animals exercised by farmers during one or more years of the period 2005 to 2008
- in accordance to objective and non discriminatory criteria
- the overall support the farmer will receive after decoupling does not fall below 75% of the average annual support he received under direct payments.

11. SAPS. Transition to SPS

Current situation

After the end of the period where SAPS can be applied (2010/2011) all MS applying SAPS have to apply the SPS but they can do it before in a voluntary basis.
Some new MS (e.g. Hungary) have already announced their intention to move from SAPS to SPS in 2009/2010.

Commission proposal

MS applying SAPS who want to move to SPS will be allowed to restrict the allocation of entitlements to farmers who declared the area benefiting from SAPS in the 2005-07 period. (This is proposed with a view to facilitate the transition to the SPS and to avoid speculative application).

Council outcome

No change to the Commission proposal

12. SAPS. Prolongation and Top up (Bulgaria and Romania)

Current situation

EU-12 have to change to SPS by 2010/11

10 MS out of EU-12 apply SAPS:

Cyprus (2004), Czech Republic (2004), Hungary (2004), Latvia (2004), Lithuania (2004), Slovakia (2004), Estonia (2004), Poland (2004), Bulgaria (2007), Romania (2007)

SAPS application limited until end 2010 (Bulgaria and Romania end 2011)

Commission proposal

Prolong possibility to apply SAPS until end 2013.

Council outcome

No change to the Commission proposal

Bulgaria and Romania are allowed as of 2010 to pay complementary national direct payments (CNDP) by up to 50% beyond the phasing-in level.

Bulgaria: The Commission has declared to examine how the area under the SAPS in Bulgaria could be adjusted in 2009 to take into account the experience of the implementation of the scheme in 2007 and 2008

13. Lower limits

Current situation

MS to determine the minimum size of agricultural parcels for which an application can be introduced; this minimum size may not be lower than 0.3 ha.
Minimum size of holdings for MS applying SAPS is 0.3 ha, but NMS may increase it up to 1 ha. Same rules apply to MS shifting from SAPS to SPS.
MS can decide not to grant any aid if the amount per application is less than 100€.

Commission proposal

Almost half of the total direct payment beneficiaries in the EU-25 receive less than 500 EUR. 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 administrative costs of direct payments, it is proposed that Member States shall either apply a minimum amount of payments of 250 € or apply a minimum size of eligible area per holding of at least 1 hectare.

Council outcome

Minimum size of eligible area of 1 ha or minimum amount of payments of 100 €, MS can adjust these limits up to amounts that reflects their agricultural structures, the minimum area is fixed at 0,3 ha for Portugal, Hungary and Slovenia

14. Article 68

Current situation

MS may retain up to 10% of national ceilings per sector.

Payments are made to farmers in the sector(s) concerned by the retention and can be spent in specific types of farming important for protection or enhancement of environment or improving quality and marketing of agricultural products. Payments can be coupled to production or factor of production

Commission proposal

To allow more flexibility in Member State responses to the needs stemming from the overall orientation of the CAP, it is proposed that Article 69 be broadened:

– The restriction that linear reductions are taken from and staying in the same sector is removed.

Commission proposal

- Measures to address disadvantages for farmers in certain regions specialising in the dairy, beef and sheep and goat meat and rice sectors are covered.
- It also allows the possibility to use the retained amounts to top up entitlements in areas subject to restructuring and/or development programs
- Support for some **risk management measures** -crop insurance schemes for natural disasters and mutual funds for animal and plant diseases- is also provided under certain conditions. Financial contribution is set at 60% of the insurance premium due. (The provisions on exceptional market support measures to animal diseases are to be dealt in this horizontal provision on risk management and are deleted from the single CMO).
- Measures, which do not with certainty meet the conditions of the WTO Green Box, should be limited to 2,5% of the ceilings.
- Finally, Member States applying SAPS will also be allowed to apply this provision

Council outcome

Ceilings:

MS may decide by 1st August 2009 or 1st August 2010 or 1st August 2011 to use up to 10% of their national ceilings. Option for MS to reduce direct payments on a sectoral basis is provided.

Ceiling for coupling payments: 3.5% of national ceilings in Annex VIII. (Derogation for Finland, Slovenia and Malta – 2 M€ for dairy- is provided)
MS are allowed to finance measures with additional agri-environmental benefits, which go beyond the baseline (as required for agri-environmental measures in Pillar II) without having to respect the 3.5% but within the 10% and subject to the Commission approval.

Measures:

Measures to address disadvantages for farmers in certain regions specialising in the dairy, beef and sheep and goat meat and rice sectors are extended to economically vulnerable types of farming in the same sectors.

Animal welfare is added to Art. 68 (1) a) (measures focused on enhancing and protection of the environment and on improving the quality of the agricultural products)

Risk Management measures broadened to include: crop, animal and plant insurance, as well as mutual funds for animal and plant diseases, and environmental incidents.

Maximum intensity of public support for insurances and mutual funds will be limited to 65% (EU co financing 75% of this)

Transition period from existing Art. 69 measures: 2010, 2011 and 2012. (Art. 69 measures are no longer financed as of the budget 2014)

Art. 68 financing

Member States applying Single Payment Scheme (SPS]:

Use of unused amounts under Annex VIII: Member States may decide by 1st August 2009 to use as of 2010 “unused amounts” within a safety margin of 0,5% and an overall ceiling of 4% of their modulated Annex VIII amount

Council outcome

New Member States (EU-10 and EU-2):

EU-12 may calculate their amounts to finance measures under Article 68 on the basis of amounts in Annex VIII for 2013/2016 (budget years 2014/2017), i.e. when full phasing-in is completed.
In addition the amounts for the New Member States in Annex VIII are increased by a total amount of 90 million € per year distributed amongst the New Member States in proportion to their fully phased-in amounts

MS have also the option of financing Art. 68 by linear cuts in coupled payments.

Member States are allowed to finance Article 68 measures already as of 2009 if they are only financed by the national reserve.

15. Other support schemes

Current situation

Energy crop premium: An aid of EUR 45 per hectare for energy crops for the production of biofuels and electric and thermal energy produced from biomass

Durum wheat: Aid of EUR 40 per hectare, granted subject to the use of certain quantities of certified seeds of varieties recognised, in the production zone, as being of high quality for the production of semolina or pasta.

Protein crops: Aid of EUR 55,57 per hectare of protein crops (peas, field beans, lupins).

Specific payment for rice: Aid per hectare, the value set according to the historical yields in the Member States concerned multiplied by € 75/t.

Nuts: Aid per hectare granted to farmers producing nuts, with a possibility of granting additional national aid

Commission proposal

- Energy crop premium: Abolition in 2010 (90 M€).
- Durum wheat: Decoupling and shift into the SPS in 2010
- Protein crops: Decouple and shift into SPS in 2010.
- Specific payment for rice: Decouple and shift to SPS (two year transitional period -2010 and 2011 reduction by 50%-, and decoupled in 2012). Revise Art. 69 can be used for environmentally sensitive areas
- Nuts: Decouple and shift to SPS in 2010. Choice for MS to grant national aid in addition to the Community aid up to a maximum of 120, 75 €/Ha remains.

Council outcome

Protein crops, rice and nuts will be decoupled by 1st January 2012 at the latest (MS may decide to decouple earlier)

(90 M€ resulting from abolition of energy crop premium to be used by new Member States in Pillar I)

16. Modulation

Current situation

Modulation is a means of budgetary transfer by which a percentage reduction is applied to farmer direct (Pillar I) payments and the budgetary resources released are reassigned to rural development (Pillar II) measures.

With the 2003 Reform, compulsory modulation for all EU-15 Member states was agreed, starting in 2005 with a rate of 3 % and increasing to 4 % in 2006 and to 5 % from 2007 onwards. A EUR 5 000 franchise has also been introduced, below which no reduction of direct payments is applied.

The released funds are re-distributed according to a common key, based on certain criteria.The allocation criteria safeguard 1 percentage point of modulation to be distributed directly back to the MS where it was generated, the rest being distributed between the Member States according to agricultural area, agricultural employment and GDP. However, it is also guaranteed that any MS must receive back at least 80 % of what it contributes to modulation (90 % in the case of Germany).

The new EU-10+2 Member States have been exempted from modulation until the transition to the full level of direct payments is achieved (i.e. in 2013)

In the context of the 2007-2013 Financial Perspectives, the Heads of State decided in December 2005 to introduce further voluntary modulation, up to a maximum of 20 %. The Commission’s proposal to enact this decision met with substantial opposition from the European Parliament until a presidency compromise formula was found, which restricts de facto the possibility to apply voluntary modulation to UK and PT, and led to the adoption of Council Regulation (EC) No 378/2007 on 27 March 2007.

Commission proposal

To allow Member States to support the increasing needs to meet new challenges via the set of measures proposed under RD, it is proposed to increase compulsory modulation up to 8% under a new system which is based on the following principles:

- All new receipts from modulation stay within the Member State that generates them.

- In EU-15, basic modulation, applying to all payments above € 5 000, increases by 2% annually from 2009 until it reaches an additional 8% in 2012.

- A progressive element is introduced; whereby payments are reduced by additional steps of 3% in successive thresholds a new system for the financial management of direct aids, establishing net global ceilings per Member State, is proposed. (franchise above 5 000 €)

5 000 to 99 9999:	2% (2009):	4% (2010);	6% (2011);	8% (2012)
100 000 to 199 999:	5% (2009);	7% (2010);	9% (2011);	11% (2012)
200 000 to 299 999:	8% (2009);	10% (2010);	12% (2011);	14% (2012)
Above 300 000 :	11% (2009)	13%(2010);	15% (2011);	17% (2012)

- EU-10 become also eligible for modulation in 2012, with a basic rate of 3% (instead of 13%). Bulgaria and Romania are exempted, in relation to the phasing-in of direct payments.

Council outcome

Increase

Overall increase of modulation by 5% distributed over four steps beginning in 2009.

2009 (budget year 2010) +2%, i.e. 5 + 2 = 7% in total

2010 (budget year 2011) +1%, i.e. 5 + 3 = 8% in total

2011 (budget year 2012) +1%, i.e. 5 + 4 = 9% in total

2012 (budget year 2013) +1%, i.e. 5 + 5 = 10% in total

Progressive modulation (additional to basic modulation): Only 1 threshold, over 300 000 €: + 4%
Co-financing on increased modulated funds limited to new challenges: The increased co-financing percentages apply only to new challenges related operations and only up to the amount resulting from the application of the modulation together with the amounts in Annex IV of Regulation (EC) No. 73/09 (Direct payments).

Standard rate: 75%
Convergence regions: 90%

17. Farm advisory system

Current situation

MS obligation to set up the system by 1 January 2007

Farmers participate in the system in a voluntary basis

MS shall give priority to the farmers who receive more than 15 000 EUR

The Farm advisory system may become compulsory after the Commission report in 2010.

Commission proposal

Farmers participate in the system in a voluntary basis

MS shall give priority to the farmers who receive more than 15 000 EUR

The Farm advisory system may become compulsory after the Commission report in 2010.

Council outcome

Farm advisory system: the issue to render it compulsory for farmers after the Commission report in 2010 is dropped from the text. The obligatory priority for farmers receiving more than 15000 € is deleted: MS will have more margin of manoeuvre to give priority to some farmers .

SINGLE CMO

1. Intervention

Current situation

Intervention foreseen for: common wheat, durum wheat, barley, maize and sorghum, paddy rice, sugar, beef and veal, pigmeat, butter and skimmed milk powder.

Intervention for maize set at 0 tonnes as from the marketing year 2009/2010

Commission proposal

Wheat: Tendering from the beginning. No quantitative limits. Applicability as from 1st July 2009

Coarse grains: Quantitative ceilings at zero. Tendering from the beginning if the special intervention measures are activated under the disturbance provision of the sCMO. Applicability as from 1st July 2009.

Dairy sector: Obligatory tendering up to a fixed ceiling. Beyond this, tendering at Commission's discretion.

Rice, durum wheat and pigmeat: Abolished

Beef sector: Full tendering where the price is below trigger price (1560€/t)

Council outcome

Cereals: Intervention for common wheat will take place at the level of the intervention price 101,31 € up to a maximum quantity offered of 3 million t. Once this quantity has been reached, intervention will take place by way of buying-in by tender.
Applicability as from 1st July 2010.

Dairy sector: simplified version for the dairy sector, i.e. buying-in of butter and SMP at fixed prices from the beginning of the intervention period (1 March until 31 August) up to a maximum offered quantity of 30.000 t of butter and 109.000 t of SMP. Continuation of buying-in beyond these quantities by tender and at Commission discretion.

Durum wheat and rice: Intervention will be maintained as proposed for barley and sorghum with a ceiling set at 0 tonnes (maize model)

Pigmeat and beef sector: No change to the Commission proposal

2. Milk quotas

Current situation

Milk quotas are set at Member State level until 2014/15 (expiry 31. March 2015).

Fat adjustment: Levy is calculated on the deliveries adjusted for fat content.

Direct sales and deliveries quotas: The total quota for each MS quota is currently sub-divided into deliveries and direct sales.

Super levy: Producers pay levy at specified rate when they exceed own quota and MS exceeds quota

Commission proposal

Soft landing: increase of quota by 1% annually from 2009 to 2013.

Review clause: report to be presented before 30 June 2011

Council outcome

Quota increase: Increase by 1% annually from 2009 to 2013 (as proposed by the Commission). For Italy 5% increase will take place already as of 2009.

Commission report: Before 31st December 2010 and before 31st December 2012.Also a report on cheeses with a PDO.

Super levy: For the marketing year 2009/10 and 2010/11 the super levy will apply:
- For deliveries up to 6% more than the quota 2008/2009 produced in those 2 marketing years the normal level of super levy is applied in case quota is exceeded.

- For deliveries which exceed 6% the super levy to be paid on these quantities will be 150% of the normal super levy in case the quota is exceeded.

For the subsequent market years, the normal super levy will apply

Fat adjustment: Commission will present a proposal to the management committee to reduce the coefficient from 0,18 to 0,09 for those producers whose fat content in their milk deliveries is over their reference level. Also Article 80(2) of the single CMO is repealed.

Quota inactivity rule: Increase coefficient from 70% to 85% in Article 72(2).

State aid for dairy farmers : –Member States are allowed to grant until 31 March 2014 state aid of a total annual amount of up to 55% of the ceiling set out in Article 69(4) and (5) of Regulation (EC) No. 73/09 (direct payments) to farmers in the dairy sector under certain conditions.

3. Other dairy issues

Current situation

Private storage aid for cheese

The current regulation provides for a permanent obligatory Private Storage Aid for 3 Italian cheeses (Grana Padano, Parmigiano, Provolone) without limitation of quantities.

Private storage aid for butter
The basic Regulation provides that aid for private storage shall be granted for unsalted butter and salted butter.

Skimmed Milk Powder as feeding stuff
An obligatory aid for skimmed milk and skimmed milk powder used for animal feeding is provided.

Aid for skimmed milk for casein production
An obligatory aid for skimmed milk for casein production is provided.

Disposal aid for butter
These aids (for the use of butter in pastry and ice creams, butter for cooking and butter to be used in non-profit establishments) have been reduced in line with the reduction of the intervention price for butter as from 2004 and have consequently been put to zero before tenders were suspended due to the favourable market situation.

Commission proposal

Private storage aid for cheese: Abolition of mandatory aid for three 3 Italian cheeses. Abolition of optional aid for long keeping cheeses and cheeses which are manufactures from sheep and/or goat's milk.

Private storage aid for butter: Optional for the Commission based on the market situation.

Skimmed Milk Powder as feeding stuff: Optional for the Commission based on the market situation.

Aid for skimmed milk for casein production: Optional for the Commission based on the market situation.

Disposal aid for butter: Abolition

Council outcome

Private storage aid for butter: Aid for private storage shall be granted for unsalted butter and salted butter as currently set out in the single CMO.

4. Other support schemes

Current situation

Flax and hemp: In the flax and hemp CMO the direct aid has been incorporated into the SPS with the 2003 Reform (with an option of 25% partial coupling as arable crops area payment) and a processing aid per tonne for long flax fibre is granted within a Maximum Guaranteed Quantity divided by MS.
Regarding short flax and hemp fibre as well as the additional aid for traditional areas, the Council decided in March 2008 to end them after the 2008/2009 marketing year. The Council also decided to increase the long flax fibre aid with 40 € /Tonne starting in 2009/2010.

Dried fodder: In the dried fodder sector, the 2003 reform decoupled 50% of the processing aid; which was shifted into the SPS. A reduced uniform processing aid of 33 €/ tonne of dehydrated or dried fodder remained.

Starch potato: In the potato starch sector, the 2003 Reform incorporated the direct aid for potato starch in SPS, but in order to maintain production in traditional areas 60% of this aid has been retained as aid for potato starch producers (per tonne of starch delivered). A transformation aid is granted to the manufacturers per tonne of potato starch with, guaranteed minimum prices within the quota limit. Finally, production refunds for starch are granted when using starch for the production of certain goods

Commission proposal

Flax and Hemp: Long fibre flax processing aid to be shifted to SPS in 2011: 50% and in 2013: 100%; fully decoupled for farmers

Dried fodder: Decouple the processing aid and shift to SPS in 2011

Starch potato: Decouple aid to growers and shift to SPS (phasing out by 2013, in two steps: 50% in 2011 and full decoupling in 2013). Decouple processing aid and shift to SPS in 2011. Removal of quotas at the end of transition period (2013). Minimum price goes with abolition of processing aid. Abolish production refund for all starches in 2009.

Council outcome

Flax and hemp:

- Aid for long fibres 200 €/t from 1.7.2009
- Aid for long fibres 160 €/t from 1.7.2010 with full decoupling 1.7.2012 and integration into Single Payment Scheme (SPS) from 1.1.2012
- Aid for short fibres 90 €/t from 1.7.2009 with full decoupling 1.7.2012 and integration into SPS from 1.1.2012

Dried fodder: Full decoupling the processing aid from 01.04.2012 and shift to SPS from 01.01.2012

Potato Starch: Decouple all the support by 1st July 2012, and also removal of quotas. Abolish production refund for all starches in 2009

RURAL DEVELOPMENT

Current situation

A thematic axis corresponds to each core of these objectives in the rural development programmes.

Axis 1: Competitiveness
Axis 2: Environment + Land management
Axis 3: Economic diversification + Quality of life

The three thematic axes are complemented by a « methodological » axis dedicated to the LEADER approach (LEADER axis).
A minimum funding for each axis is required to ensure some overall balance in the programme (10 % for Axis 1, 25 % for Axis 2; 10 % for Axis 3 and 5 % for the Leader Axis – which will be 2.5 % in the new Member States).

This approach allows that EU support for rural development (originating from the European Agricultural Fund for Rural Development/EAFRD) is concentrated on commonly agreed EU priorities for the three policy axes, while leaving sufficient flexibility at Member State and regional level to find a balance between the sectoral dimension (agricultural restructuring) and the territorial dimension (land management and socio-economic development of rural areas).

Commission proposal

--more funding for “new challenges”: climate change, renewable energy, water management and biodiversity.

- amendment of the Community Strategic Guidelines on rural development + modifying the already existing RD programs 2007-13 (member States may base their choice of operations falling into the scope of the new challenges on the indicative list of types of operations)

- cofinancing with the normal rates

- indicative list of types of operations falling into the scope of the new challenges

Council outcome

Scope of increased modulated funds:

(e) dairy - accompanying measures
Is added as a new challenge.

(f) innovation (linked to climate change, water management, biodiversity and renewable energies)
is added as a tool to facilitate the implementation of the environmental priorities of the new challenges (climate change, renewable energies, water management and biodiversity).

Council outcome

Cooperation measure: support for cooperation costs
where at least two actors are involved, of which at least one is either a primary producer or belongs to the processing industry.

Differentiated co-financing rate for new challenges related operations up to the amount resulting from the application of the modulation together with the amounts in Annex IV of Regulation (EC) No. 73/09 (Direct payments): 90% in convergence regions and 75% in non-convergence regions.
Setting-up aid for young farmers: Setting-up support for young farmers under Rural Development will be increased from €55,000 to €70,000.

Discontinuation of agri-environmental commitments: MS are allowed, under certain conditions, to put and end to agri-environmental commitments without the obligation for the beneficiary to reimburse support already received. It has to be provided that an equivalent support scheme is made available under the first pillar which produces global agri-environmental effects that are equivalent to those of the agri-environmental measure which is closed.

Investment support in relation to dairy production: Agreement about abolishing the rule of the EAFRD to restrict investment support to dairy farmers to stay within their available quota in the context of the revision of Regulation (EC) n. 1974/2006

New transitional measure under RD for “agricultural holdings undergoing restructuring”: A digressive flat-rate aid in three years (2011, 2012 and 2013) which can not exceed 4 500 € (2011), 3 000 € (2012) and 1 500 € (2013) is provided. Support may be provided only for agricultural holdings whose direct payments are reduced as of 2010 by more than 25% compared to 2009.

Financing: MS are allowed to use adjustments of amounts in Annex IV to finance Rural development measures.

Incentive effects at project level: Aid intensity rates for investment types of operations related to the new challenges may be increased and for area-based types of operation related to the new challenges the upper limits defined in Reg. 1698/2005 may be exceeded.

Revision of NSP: The obligation to revise the National Strategy Plans is limited to the old MS.