



EUROPEAN COMMISSION

Brussels, 19 OCT. 2012  
C(2012) 7316 final

*Dear President,*

*The Commission would like to thank the National Assembly of the Republic of Bulgaria for its Opinion on the Reform of the Common Agricultural Policy for the 2014-2020 period {COM(2011) 625\_626\_627\_628\_629\_630\_631 final} and apologises for the long delay in replying.*

*The Commission takes careful note of the opinion put forward by the Bulgarian Parliament with regards to the legislative package of the European Commission for the reform of the Common Agricultural Policy and would like to make the following remarks on the Opinion:*

***As regards direct payments:***

*Due to the fact that substantial differences still exist between Member States in terms of economic factors such as wage levels and input costs, a common "flat rate" direct payment would not respond appropriately to the objectives of the instrument. With respect to the impacts on competitiveness and the economic development of Member States it needs to be pointed out that the overall balance of incomes between different sectors of the economy needs to be considered. A disproportionate increase of direct payments in some Member States could lead to a sectoral income bias towards agriculture with negative consequences for necessary structural adjustments. The proposed path towards more convergence between Member States has been guided by the consideration that a pragmatic, economically and politically feasible manner of redistributing payments between Member States is to increase the envelopes of Member States with below average direct payments while at the same time limiting the losses of the Member States with above average payment levels.*

*The Commission does not intend proposing a change in the rhythm of phasing-in which has been agreed beforehand with all the Member States and provided for in the Accession Treaties.*

*Mrs. Tsetska TSATCHEVA  
President  
Narodno Sabranie  
2 Narodno Sabranie Square,  
BG - 1169 SOFIA*

*The provisions for greening, and in particular compulsory Ecological Focus Area (EFA) and crop diversification strike a balance between the need to increase production to satisfy global demand and the improvement of environmental performance of the CAP such as the preservation of biodiversity, landscape features, the need to prevent soil erosion, help restore soil fertility, etc. As elements of greening, they are a significant step to increase the delivery of biodiversity and ecosystem services by Pillar I. The Impact Assessment accompanying the legal proposals for the CAP post-2013 has assessed different shares for EFA and crop diversification in order to come up with a proposal that is balanced in terms of the environmental benefits as well as the effects on farm income and displacement of production to elsewhere. As such, both measures ensure the long-term sustainability of agriculture while preserving the competitiveness of our farming sector.*

*As regards the implementation, it is important that the greening payment and the basic payment scheme are interlinked. Indeed, both payments contribute to fulfil the dual objectives of direct payments that are income support and provision of basic public goods.*

*Increasing the percentage of the national ceiling available for financing the coupled payment from 10% to 20%, as you propose, would put at risk the continuation of the market orientation and the respect of the EU commitments in the framework of the WTO.*

*The new direct payment scheme with its different components has been built in such a way that the risk of under-execution and thus unspent funds is very limited. In any case, the link with the historical under-execution levels resulting from the implementation of the current direct support scheme will disappear with the introduction of the new scheme.*

*Several options for capping have been assessed in the Impact Assessment accompanying the legal proposals. It has been considered that the use of employment as mitigation factor would help taking account of the different farm structures in all Member States. As it is the case for current modulation, the estimate of the amounts resulting from progressive reductions and capping will be transferred to rural development.*

*Opening the scheme to all new entrants in 2014 will bear the risk that opportunist landowners would put an end to lease contracts only with a view to enter the scheme and receive payment entitlements. That is why the reference year has been set up to a certain extent in the past. However "young" farmers or the ones having a private contract clause with a 2011 farmer who transmits his/her right to claim for entitlements in 2014 to the "new" farmer, will also be eligible for allocation of entitlements in 2014.*

***As regards the market management instruments:***

*The proposal on the future sCMO aims to strengthen the safety net for farmers within the context of continued market orientation of previous reforms. The proposals aim to improve the ability of the Commission to respond swiftly and effectively to future crisis situations, both in terms of the measures that can be taken and the available funding. In particular, the proposal aims to modernise the provisions on exceptional measures by providing a simplified and common platform to tackle future potential crisis situations.*

*The sCMO proposal aims to further increase market orientation through the dismantling of existing production quota limitations and the removal of schemes that are no longer relevant. With regard to the schemes mentioned, the support to producer groups is proposed to be*

*transferred under Pillar II in order that all Member States will be able to provide in their programmes financial support for the establishment of producer groups in all sectors. Whilst the Commission has not proposed substantial changes to the provisions on the wine support programmes and the aid scheme for apiculture, it is proposed in accordance with Article 290 of the Treaty that certain existing provisions that supplement, amend or generally shape the non-essential provisions of the schemes should in future be determined by delegated acts.*

*A key objective of the proposal is to grant producers in each Member State and in all sectors the necessary tools to facilitate greater co-operation and collaboration in order that they might take advantage of its economic benefits, such as improved positioning in the supply chain, economies of scale and the ability to add value. In order to ensure a level playing field across the EU, the proposal adopts a horizontal approach across all sectors and contains provisions on the obligatory recognition by all Member States of producer organisations (and their associations) and inter-branch organisations.*

***As regards Rural Development:***

*It will be important for the future rural development policy to contribute more effectively to the Europe 2020 strategy for a smart, sustainable and inclusive growth, under a common strategic framework with other EU shared management funds, as the National Assembly recognizes. The ex-ante conditionalities and the performance reserve are an essential part of this framework with a view to making the policy more result oriented. The same applies for the quantified targets that each Member State will need to establish in its programme; work is under way on a common set of indicators that would be both simpler and more meaningful in terms of measuring policy results.*

***As regards the principles of subsidiarity and proportionality:***

*We welcome your positive assessment as regards the compliance with the principle of subsidiarity. In fact, the CAP is a truly common policy which aims to maintain a sustainable and diverse agricultural sector throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States. In the light of the importance of future challenges for food security, the environment and territorial balance, the CAP remains a policy of strategic importance to ensure the most effective response to the policy challenges and the most efficient use of budgetary resources. The Impact Assessment, which accompanies the legislative proposals, contains quantitative and qualitative elements substantiating the proposals.*

***As regards simplification:***

*Simplification is indeed one of the objectives of the CAP Reform (e.g. small farmer, streamlined cross compliance, market safety nets, common strategic framework for rural development), but it is not the only one. Better targeting of support to specific needs, improved equity of payments, environmental benefits and money available for innovation, among others, are also very important. At every stage of the proposals, the Commission has sought to find the right balance between the objectives and the administrative burden. For instance, the "greening" component has been defined in such a way that its controls can be done in the frame of the existing and well-functioning Integrated Administration and Control System. Another example is the fact that soil cover has not been retained as a greening measure despite its huge environmental benefits, as it would have led to an additional control visit during winter time. Also, considerable simplification has been achieved in other areas of*

*the policy, in particular, the small farmer scheme will substantially reduce the administrative costs from the application for and granting of direct payments to such beneficiaries.*

*The Commission hopes that these clarifications address the concerns raised in the Opinion of the National Assembly of the Republic of Bulgaria and looks forward to continuing the policy dialogue in future on this and other issues.*

*Yours faithfully,*

*Maroš Šefčovič  
Vice-President*