

EUROPEAN COMMISSION

Brussels, 14.12.2012
C(2012) 9686 final

Dear Presidents,

The Commission would like to thank the Houses of the Oireachtas for their support for the overall thrust of the legal proposals on the Common Agricultural Policy reform {COM(2011) 625_626_627_628_629_630 final} and would like to make the following remarks on the key issues raised in their Opinion:

Firstly with regard to the importance of a strong CAP budget, the Commission has proposed that the CAP budget should be maintained at 2013 levels, because we share your view that this is essential in order to realise the EU's ambitions to be a world leader in food production, creating jobs and contributing to green and smart growth, which also ensures better management of the natural resources that sustainable agriculture and society depend upon.

We take note of your concerns about the allocation of the budget for Rural Development. As in the past, it is proposed that the annual breakdown by Member State be made by the Commission, based on objective criteria related to policy objectives as well as past performance. We would like to reassure the Houses of the Oireachtas that the flexibility proposed to allow Member States to transfer up to 10% of funds from Pillar I to Pillar II would enable Ireland to target spending where it is needed most and provide access to the finance necessary for rural development programmes.

Concerning the functioning of LEADER groups, the Commission is supportive of the continuation of independent civil-society based local development agencies which have operated since LEADER I.

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As regards the 200,000 EUR limit within the framework of the rural development policy, the amount you refer to is the maximum amount of de minimis aid provided for in Commission Regulation (EC) No 1998/2006. That amount has been established on the basis of calculations aimed at determining the level up to which limited amounts of aid can be considered as not distorting competition and therefore not State aid within the meaning of Article 107(1) TFEU. Regulation (EC) No 1998/2006 will expire at the end of 2013 and new calculations will be made in order to determine whether the 200,000 EUR ceiling can be increased.

De minimis aid can be granted without any prior notification to the Commission by the Member States. It is only one of the instruments available to Member States to comply with competition rules when financing measures subject to State aid rules within the framework of the rural development policy. Member States also have the possibility to grant aid without being limited to the amount of 200,000 EUR. In that case, the aid has to comply with applicable exemption Regulations, frameworks or Guidelines, and has to follow the normal State aid notification or exemption procedures.

On the question of the distribution of Direct Payments, we welcome your acknowledgement of the critical importance of reducing the disparities both between and within Member States, to create a level playing field, and your recognition that the historic reference model is outdated. The Commission is aware of Ireland's difficulties in potentially implementing the flat-rate payment at national level. That is why we have proposed that Member States may introduce the new scheme at a regional level, giving Ireland the option to tailor the scheme to its own conditions, with regions defined according to objective criteria, such as agronomic and economic characteristics or administrative structure. In order to minimize any disruption that could negatively affect farm viability, the Commission is also proposing a transition period of up to 5 years, offering Member States the flexibility to phase in the flat payment at a pace that suits local conditions.

The Commission would also like to draw your attention to the fact that the proposal gives Ireland the option to introduce limited coupled support aimed at maintaining production in vulnerable sectors or regions and also allows for additional support for farmers in areas with natural constraints, where farming conditions may be difficult.

The Commission is mindful of your concerns about the 2014 reference year and eligibility. The legal proposal limits access to entitlements in 2014 to beneficiaries of the Single Payment Scheme or the Single Area Payment Scheme in respect of claim year 2011 to avoid potential negative distortion of land markets, particularly in countries such as Ireland where short-term leasing is common. The Commission welcomes your support for targeting payments to active farmers and is open to alternative solutions which could significantly simplify the implementation of the definition of active farmer, while still ensuring targeting of payments.

With regard to the greening proposal, the aim is to link 30% of direct payments to the delivery of long-term environmental benefits across all Member States and without threatening the viability of farms or disproportionately increasing the administrative burden. The goal is to ensure that farmers are rewarded for the provision of ecosystem services which go beyond the basic requirements of cross compliance. Farmers who already apply sound environmental practices in their agricultural activities will face very few additional demands through greening.

Concerning your request to adapt the proposal to specific situations, the Commission is considering a number of possibilities including recognition of some agri-environment schemes as equivalent to greening under certain conditions, as is already the case with certified organic production. The menu approach that you suggest, whereby Member States choose their greening measures, would not have the combined impact that we are collectively seeking. It could also result in some Member States doing less than others, with farmers in one Member State potentially offered agri-environmental payments for a measure which is obligatory elsewhere. By contrast the three simple mandatory measures the Commission has proposed ensure that all farmers across the EU are treated equally as well as being easier for Member States to control and avoid double funding.

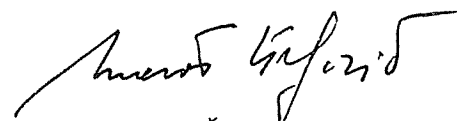
Your support for extra assistance for young farmers is appreciated given the need to attract young people into the sector. That is why support during the early years is proposed through the young farmers' scheme to allocate entitlements from the national reserve to this group as a priority, on top of Rural Development funding.

The Commission takes note of the Houses of the Oireachtas' concerns regarding market support. The solutions proposed under the CAP post-2013 should be considered in their entirety. Direct payments contribute to stabilising income, thus ensuring the longer-term viability of farms and making them less vulnerable to price fluctuation. Other measures, which in combination will attenuate the impact of volatility and reduce risk, include the facilitation of producer cooperation, the new risk management toolkit and other rural development measures that encourage producers to diversify production and improve their access to markets. The Houses of the Oireachtas will be reassured that the proposals also include improved market measures that provide a swifter and more efficient response to market disturbances for a broader range of commodities, backed up by a new crisis fund reserve for agriculture, which is intended to provide additional financing in case of major crises.

Finally with regard to your concerns about simplification of the CAP, this has to be balanced with the need for efficiency, control and better targeting of support. Simplification is one of the threads running throughout the proposals. For example the greening measures proposed are simple but effective. Considerable simplification would be achieved by the introduction of the Small Farmer's Scheme, aimed at reducing bureaucracy for both producers and control agencies. The scope of cross compliance would be streamlined and made more effective by focusing on standards which are directly applicable and relevant to farmers. We have also proposed that Member States with effective control systems may reduce the number of on the spot farm checks and a more simplified cost structure for reimbursement of Rural Development payments, which would lighten the administrative burden for control bodies and producers alike.

The Commission hopes that these clarification address the concerns raised by the Houses of the Oireachtas and looks forward to continuing our political dialogue in the future.

Yours faithfully,



*Maroš Šefčovič
Vice-President*