



ASSEMBLY OF THE PORTUGUESE REPUBLIC

EUROPEAN AFFAIRS COMMITTEE

Opinion

COM (2011) 629

Proposal for a COUNCIL REGULATION determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products



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PART I - INTRODUCTION

In accordance with Articles 6 and 7 of Law No 43/2006 of 25 August 2006, regulating the monitoring, examination and issuing of opinions by the Assembly of the Portuguese Republic in the context of the process of EU integration, as well as the Methodology for providing scrutiny of EU initiatives approved on 20 January 2010, the European Affairs Committee received **the Proposal for a COUNCIL REGULATION determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products [COM(2011) 629]**.

In view of its subject matter, the above-mentioned initiative was forwarded to the Committee for Agriculture and the Sea, which has examined it and approved the report attached to this Opinion, which forms an integral part thereof.

PART II – BACKGROUND

This initiative forms part of the review of the Common Agricultural Policy (CAP), changes which will apply during the period 2014-2020. The European Commission has now submitted its legislative proposals which have taken the form of six specific Regulations and also a seventh ('horizontal') Regulation:

- i) Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payment to farmers under support schemes within the framework of the common agricultural policy (the direct payments regulation)
- ii) Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of agricultural markets ('Single CMO' Regulation)
- iii) **Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the market in agricultural products**
- iv) Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of transitional measures for the year 2013
- v) Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products ('Single CMO' Regulation) as regards the Single Payment Scheme and support to vine-growers
- vi) Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (Rural Development Regulation)



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- vii) Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the Common Agricultural Policy (the 'horizontal regulation')

This opinion relates to the Proposal for a COUNCIL REGULATION **determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products**. However, it is important to place this Regulation in the context of the ongoing proposed reform. This legislative process has marked the beginning of a lengthy public debate on the reform of the Common Agricultural Policy. This reform of the CAP continues to be based on two pillars, the first one involving direct payments and market measures, the second one rural development, in order to meet three challenges: **food security, the management and improvement of natural resources and balanced territorial development**. This reform brings to an end previous practices for allocating subsidies, since the method used from 2014 will take into account Utilised Agricultural Area. Direct payments will involve a basic payment of 70% and a "greening" payment of 30%, and payments will continue to be untied from production. All countries will have to have a uniform payment per hectare at national or regional level by 2019, the intention being the creation of a more equitable distribution of aids between farmers and between Member States. In order to distribute aid between Member States more effectively, the Commission proposes that, where countries receive less than 90% of the EU average per hectare payment, a reduction of one-third of this difference should apply during the period 2014-2020. Another proposal is the gradual capping of aid from EUR 150 000 and up to EUR 300 000, above which no aid may be granted. The values resulting from this measure will be allocated to rural development. Green aid (greening) will be granted to farmers involved in: crop diversification; maintenance of permanent pasture and of a biodiversity reserve and landscape elements (7% of land).

Aid to small holdings in the scheme is voluntary for Member States and the countries concerned may allocate up to 10% of their direct payments aid envelope, which will be annual and range from EUR 500 to 1 000. Aid for young farmers who will be entitled to an additional per hectare payment corresponding to 25% of the average, but limited to 25 hectares. Additional aid for disadvantaged regions is optional, and Member States may use up to 5% of the national envelope. Conditional payments may be used up to a maximum of 10%, although this is dependent on the amount used by the Member State currently. The definition of an 'active farmer', limiting the granting of aid to beneficiaries whose income from agricultural activity represents at least 5% of total income, has also been included. Cross-compliance of aid will be simplified, with a reduction in the number of cross-compliance rules to be met from 18 to 13 and also a reduction in standards of good agricultural and environmental condition from 15 to 8. The number of checks in respect of which a Member State is required to have an error rate of less than 2% in consecutive years will also be reduced. It will be possible to transfer up to 10% of the sum of the national envelope of direct payments to rural development, or in the case of Member States receiving less than 90% of average direct aid, up to 5% of the rural development envelope may be transferred to direct aid. As regards the proposed Rural Development Regulation, the Commission is proposing ending the



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axes and new measures aimed to ensuring competitiveness and growth in rural areas. The Regulation has the following six priorities: supporting innovation; increasing competitiveness; fostering risk management and organisation; preserving ecosystems; ensuring the efficient use of resources and promoting social inclusion. These priorities are supported by 20 measures which include: the transfer of agricultural knowledge via advisory and information services; supporting quality and certification; support for producer organisations and other collective initiatives; support for the establishment of young farmers; support for less-favoured areas; support for innovative projects. In relation to market measures, the Commission proposes extending the private storage scheme and maintaining the public intervention scheme to form a security network. Provision is also made for the establishment of a crisis fund with the sum of EUR 3.5 billion to be used in market crisis situations and an exceptional disturbance clause in the event of unforeseen exceptional situations similar to the E-coli situation. In the sugar sector, the quota regime is due to end on 30 September 2015.

a) Legal basis

This proposal complies with the principles of co-decision provided for in the Lisbon Treaty and essentially maintains the current CAP structure of two pillars, with compulsory annual measures of general application in the first pillar, supplemented by voluntary measures adapted to national and regional specificities in accordance with a multi-annual programming for the second pillar. However, the new design of direct payments aims to make better use of synergies with the second pillar, which in turn forms part of a common strategic framework to ensure better coordination with other EU shared management funds. The current structure of four basic legal instruments is therefore also maintained, although the scope of financial regulation has been extended to group together common provisions into what is now referred to as the horizontal regulation.

b) Subsidiarity

This proposal complies with the principle of subsidiarity. The CAP is a truly common policy: it is an area of shared competence between the EU and the Member States managed at EU level with a view to maintaining sustainable and diverse agriculture throughout the EU, addressing important cross-border issues such as climate change and increasing solidarity among Member States. Given the importance of future challenges for food security, the environment and balanced territorial management, the CAP remains a policy of strategic importance to ensure the most effective response to political challenges and ensuring the most efficient use of budgetary resources. It is also proposed to maintain the current two-pillar structure of instruments where Member States have greater scope for tailoring solutions to meet local specific situations and also co-finance the second pillar. The new European Innovation Partnership and set of risk management instruments also form part of the second pillar. At the same time, the policy will be better aligned with the Europe 2020 strategy (including a common framework with other EU funds) and a series of improvements and simplifications introduced. Finally, the study made in the framework of the impact assessment clearly



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shows the cost that failing to take action would have in terms of negative economic, environmental and social consequences.

c) Content of the initiative

This proposal for a Regulation has been made following the new Regulation for a Single CMO, proposed in COM (2011) 626. In fact, in the light of the new "Single CMO" Regulation, it is also necessary to adopt measures relating to: the supply of milk products to children, export refunds and specific provisions on export refunds for cereals and rice.

Accordingly,

- 1- The Commission establishes, by implementing acts, the amounts of aid for the supply of dairy products to children, as referred to in Article 24(4) of the "Single CMO" Regulation, taking into account the need to sufficiently promote the supply of dairy products to educational establishments. The Commission establishes, by implementing acts, the amounts of aid for other eligible non-milk dairy products, taking into account the milk components of the products concerned.
- 2- The Commission establishes, by implementing acts, the export refunds referred to in Article 135 of the Single CMO Regulation. These implementing acts are adopted in accordance with the procedure referred to in Article 162(2) of the Single CMO Regulation.
- 3- The Commission may, by implementing acts, establish a correction applicable to export refunds established for the cereal and rice sectors. These implementing acts are adopted in accordance with the procedure referred to in Article 162(2) of the Single CMO Regulation. Where necessary, the Commission may, by means of implementing acts, amend the corrections.

PART III – OPINION OF THE RAPPORTEUR

Although the Rapporteur is not required to issue an opinion, in accordance with Article 137(3) of the Rules of Procedure, the Rapporteur considers it relevant to note that the Proposal for a COUNCIL REGULATION determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products falls within the legislative framework of the CAP for the period 2014-2020 and the Assembly of the Portuguese Republic, industry associations and Portuguese society should pay close attention to this complex issue, given the implications for Portugal as regards the financing and development of a sector vital for the Portuguese economy.

We are aware that we are at the start of an important and complex period of negotiation and that the Commission proposals provide a solid basis for this to occur. The fact that inter-sector organisations and associations of producer organisations now cover all sectors, in addition to the fruit and vegetables sector, is a positive thing. The fact that the Regulation no longer makes an explicit reference to the import quota for



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maize from third countries which Portugal benefits from, which will now fall under Commission delegated acts is of concern. It is also worrying that the limitations introduced for supporting irrigation development, which will strongly penalise projects underway in this area in Portugal.

We are similarly concerned that the Commission has not taken account of the European Parliament's opinion regarding the end of milk quotas and the end of the planting of vines, two areas which are vital to Portuguese agriculture and which the Portuguese Government should take into account during the entire negotiating process

PART IV – OPINION

In the light of the foregoing, the Committee for European Affairs has the following opinion:

1. This initiative complies with the principle of subsidiarity in so far as the objective to be met will be achieved more effectively by action at Community level, since it falls under the context of a Common Agricultural Policy, which has been deepened as a result of the various changes which have occurred since its inception.
2. The European Commission should ensure a greater **pace of convergence** between Direct Aid to farmers in the various Member States through the **reduction of differentials** between the base level of direct aid and 90% of the EU-27 average.
3. The European Commission should promote **flexibility** in the voluntary application of **payments linked to production, promoting the capacity of each country to strengthen its food-producing capacity;**
4. As regards the issues raised above, the European Affairs Committee should continue monitoring the legislative process with regard to this issue and how it impacts on the various proposals for Regulations referred to in this opinion, notably by sharing information with the Government. This concludes the scrutiny of the initiative in question.

Palácio de São Bento, 7 February 2012

Rapporteur
(António Serrano)

Committee Chairman
(Paulo Mota Pinto)



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PART VI – ANNEX

Report and opinion by the Committee for Agriculture and the Sea



COMMITTEE FOR AGRICULTURE AND THE SEA

Report by the Committee for Agriculture and the Sea

[Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products]

COM (2011) 629

Author: Pedro Alves,
Assembly Member



COMMITTEE FOR AGRICULTURE AND THE SEA

PART I - INTRODUCTION

The Committee for Agriculture and the Sea received a request from the European Affairs Committee, pursuant to Article 7 of Law No 43/2006 of 25 August (monitoring, examination and issuing of opinions by the Assembly of the Portuguese Republic in the context of the process of EU integration) to examine initiatives COM (2011) 625, COM (2011) 626, COM (2011) 627, COM (2011) 628, COM (2011) 629, COM (2011) 630, COM (2011) 631 regarding the legislative framework for the CAP for the period 2014-2020.

This Committee has been asked to examine the proposals in question and issue a report and opinion relating thereto, which it will subsequently submit to the European Affairs Committee.

This opinion relates to initiative COM (2011) 629, a Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products.

The context of the proposals referred to above is common to all, since all are based on the Communication on the CAP towards 2020, which outlined the general options for agriculture and rural areas in the future.

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PART II – BACKGROUND

1. General aspects

The importance of the future challenges facing Europe as regards food security, the environment and ensuring balanced territorial development mean that the Common Agricultural Policy (CAP) continues to be a strategic EU policy, ensuring a more effective response both politically and in terms of the use of budgetary resources.

The Commission argues that one of Europe's objectives is the maintenance of a common agricultural policy, the challenges of which include: 1) viable food production; 2) the sustainable management of natural resources and climate action; and 3) balanced territorial development.

The submission by the Commission of the proposal for a new reform of the CAP comes at the same time as proposals for the next Multiannual Financial Framework (MFF) for 2014-2020.

Therefore, the proposal regarding the CAP during the period 2014-2020 is based on a model whose current structure of two pillars is maintained, with the budget for each pillar maintained in nominal terms at 2013 levels.

The main elements of the legislative framework relating to the CAP for the period 2014-2020 are provided for in the following Regulations:

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');
- Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation);
- Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');
- Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');
- **Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;**
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;

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- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

As regards the Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products, we have the following comments to make:

2. Relevant aspects

This proposal for a Regulation has been made following the new Regulation for a Single CMO, proposed in COM (2011) 626. In fact, in the light of the new “Single CMO” Regulation, it is also necessary to adopt measures relating to: the supply of milk products to children, export refunds and specific provisions on export refunds for cereals and rice.

Accordingly:

- The Commission establishes, by implementing acts, the amounts of aid for the supply of dairy products to children, as referred to in Article 24(4) of the “Single CMO” Regulation, taking into account the need to sufficiently promote the supply of dairy products to educational establishments.
- The Commission establishes, by implementing acts, the export refunds referred to in Article 135 of the Single CMO Regulation. These implementing acts are adopted in accordance with the procedure referred to in Article 162(2) of the Single CMO Regulation.
- The Commission may, by implementing acts, establish a correction applicable to export refunds established for the cereals and rice sectors. These implementing acts are adopted in accordance with the procedure referred to in Article 162(2) of the Single CMO Regulation. Where necessary, the Commission may, by means of implementing acts, amend the corrections.

3. Subsidiarity

The proposals comply with the principle of subsidiarity. The CAP is a truly common policy: it is an area of shared competence between the EU and the Member States that is managed at EU level with a view to maintaining sustainable and diverse agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States.

By maintaining the current two-pillar structure of instruments, and the flexibility between them, Member States have greater scope for adapting solutions to reflect local issues and also for enabling the second pillar to be co-financed.



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PART III – OPINION OF THE RAPPORTEUR

Although the Rapporteur is not required to issue an opinion, in accordance with Article 137(3) of the Rules of Procedure, the Rapporteur considers it relevant to note that the Proposal for a Council REGULATION determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products falls within the legislative framework of the CAP for the period 2014-2020.

The Rapporteur takes the view that that the legislative framework for the reform of the CAP between 2014 and 2020 should be more ambitious as regards the equitable distribution of direct aid between Member States. Indeed, we do not understand why no provision has been made for the date to harmonise unit value and uniform direct payments under the first pillar among Member States, even though this uniformity is compulsory from 2019 within a Member State (Article 22(5) of the Regulation on direct payments). The existence of these two criteria would appear to be disproportionate.

As regards the Regulation on the Rural Development Programme, complementary to the Regulation in question, the limitation on support for irrigated areas is regrettable. However, on the basis of a parliamentary hearing with the Commissioner for Agriculture, we understood that the Commission could still amend this point, and therefore make investment in irrigation an eligible expense as regards rural development support.



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PART IV - CONCLUSIONS

In view of the foregoing, the Committee for Agriculture and the Sea concludes as follows:

1. This initiative does **not breach the principle of subsidiarity, insofar as the objective will be achieved more effectively by means of EU action;**
2. Our examination of this initiative has not revealed any issues that require additional examination;
3. The Committee for Agriculture and the Sea has hereby concluded the scrutiny of this initiative and hereby submits this opinion, in accordance with Law No 43/2006 of 25 August 2006, to the European Affairs Committee.

Palácio de São Bento, 28 November 2011

Rapporteur

Pedro Alves

Committee Chairman

Vasco Cunha