EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senat for its Opinion on the legislative proposals for the Common Agricultural Policy after 2020: proposal for a Regulation establishing rules on support for strategic plans to be drawn under the Common Agricultural Policy {COM(2018) 392 final}, proposal for a Regulation on the financing, management and monitoring of the common agricultural policy {COM(2018) 393 final} and proposal for a Regulation establishing a common organization of the markets {COM(2018) 394 final}.

The proposals built on a very open and inclusive preparatory process, including a large public consultation and a comprehensive impact assessment. They have to be seen in the wider context of the ongoing discussions on the Commission's proposals for the Multiannual Financial Framework 2021-2027 {COM(2018) 321, 322, 324, 325 and 327 final}, which had to take into account the challenging budgetary situation, characterised by less resources due to Brexit and by the need to address new challenges. As regards agriculture and rural areas, the Commission has given a strong signal of continued support by proposing a budget of EUR 365 billion (in current prices) for the whole period 2021-2027.

In this context, the process of external convergence of direct payments continues to reduce the difference in average support rates between Member States. In the case of Romania, this translates into a slight increase (as opposed to the decrease in support rates for the majority of the other Member States). For rural development, a rebalancing of support between the European Union and the Member States is proposed; the governments are invited to bring in increased national contributions to maintain an adequate level of support to rural areas. Co-financing rates for less developed regions remain at a higher level than for developed regions.

The Commission believes its proposals will ensure that the Common Agricultural Policy is kept fit for purpose and better reflects the local needs of the Member States, based on a

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modernisation and simplification of the political framework, a fairer and more targeted distribution, an enhanced climate and environmental ambition and action for growth and jobs in rural areas, thereby also contributing to other Union policies and its international commitments (e.g. Paris climate agreement and United Nations Sustainable Development Goals).

This better targeting, inter alia, requires that, in recognition of the economies of scale, Member States have to integrate in their future Common Agricultural Policy Strategic Plan a reduction (and capping) of payments per farm and the complementary redistributive income support for sustainability (CRISS), both of which are complementary in this regard and should not substitute one another. In view of acknowledging the differences in farm structures and local specificities across the Union, the complementary redistributive income support for sustainability does not include pre-defined limits, such as maximum allocation of financial resources to be attributed for the intervention. It is for the Member States to set it, based on their needs assessment. It is important to add that, in order to avoid negative effects on jobs and to acknowledge family labour, reductions (and capping) of payments should apply to the amount of support after subtraction of labour costs that cover both family and salaried labour.

Concerning support for young farmers, the minimum criteria to be established for granting the Common Agricultural Policy support are the ones contained in the definition (Article 4). Also, Member States must reserve at least the minimum amount set in the EU legislation for financing the complementary income support for newly set-up young farmers and/or the aid for the installation of young farmers. Beyond this, Member States have flexibility in defining the corresponding interventions. Young farmers who are already installed can benefit from any other type of intervention under the Common Agricultural Policy. Also, Member States have the possibility, via selection criteria and specific conditions, to prioritise and/or set more favourable conditions for young farmers under certain types of interventions, e.g. higher support rates for investment operations.

The new conditionality encompasses various requirements relating to different topics: climate and the environment, public health, animal health and plant health and animal welfare. Not all of them are related to land use. In line with the enhanced climate and environmental ambition, it is important to cover all farmers, irrespective of their size. However, Member States have the flexibility to design their national rules, taking into account the specific characteristics of the areas concerned, meaning that they should define obligations that are adapted.

Rural Development interventions continue to play a crucial role in supporting resilience and sustainability of farms, ensuring the supply of high-quality food, and the provision of environment and climate related services by farmers, and the development of vibrant rural areas.

The biggest change proposed is the shift from a compliance-based system to one focussing on performance, with less prescriptions at the level of European Union legislation and more flexibility for Member States to set eligibility conditions for beneficiaries.

As regards the number of Paying Agencies (PA), the new delivery model brings the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) under one Common Agricultural Policy Strategic Plan. The intention of the Commission proposal is to limit the number of Paying Agencies and to manage the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development in the same Paying Agency. In particular, taking into account the existence of one Strategic Plan and Integrated administration and control system covering both funds, one single Paying Agency for both Funds should not generate risks. The existence of one national Paying Agency that manages both Funds is the reality in the large number of the Member States.

As regards the rules on double funding, similar provisions to those provided for in Article 34 of the proposal already exist under the current rules for the European Agricultural Guarantee Fund (Article 30 of Regulation (EU) 1306/2013), so Member States' internal controls systems need to be in place already now for checking proper delimitation of financing received under various Union Funds and instruments.

The deadline for submitting annual performance reports is in line with Article 63 of the Financial Regulation (2018/1046). In addition, in the new delivery model where reported outputs are the condition for the expenditure, the financial and performance reporting has to be aligned and relate to the same period (e.g. the financial year). This also aims at simplification in the reporting and the related controls, especially taking into account that outputs, which are reported in the annual performance report, are designed in a way to be readily available in the paying agency.

The common market organisation "safety net" instruments (notably public intervention, aid for private storage and exceptional measures) will remain unchanged in the new Common Agricultural Policy. Nevertheless, the sectoral interventions will be integrated in the Strategic Plans to better contribute to the objectives and reinforce synergies with other instruments. Member States may make these sectoral interventions available not only to the few agricultural sectors that have traditionally benefitted from specific sectoral aid schemes, but also to other sectors in need to enhance their competitiveness through a better organisation.

The Opinion of the Senat has been made available to the Commission's representatives involved in the discussions with the European Parliament and the Council and will inform these discussions. In this context, the Commission would appreciate the support of the Senat for reaching an agreement and looks forward to continuing the political dialogue in the future.

Yours faithfully,

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First Vice-President	*Member of the Commission*