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Delegations will find attached a Working Document submitted by the Commission Services.

CAP-REFORM

Fiche No 24

"Safety net instruments in the single CMO and

Risk management instruments

under the first and second pillar of the CAP"

Brussels, 23 May 2012

Commission Proposal	Relevant Article
Single CMO [COM(2011) 626]	*Safety net measures*: 8-20 and 154-156 *Risk management*: 30-36 (F&V) and 37-50 (Wine)
EAFRD Regulation [COM(2011) 627/3]	37-40

This paper has been drawn up on the basis of the proposals for regulations adopted by the European Commission on 12 October 2011. It neither prejudges the position which may be taken by the Council and the European Parliament, nor does it anticipate the possible content of any delegated or implementing acts that may be drawn up by the Commission

1. Introduction

Enhanced competitiveness is an objective of the CAP reform. Within the measures to meet this objective, the reform proposals provide an effective safety net for farmers in the context of market orientation and a set of options for risk management.

This document provides an overview of safety net support in the form of market management instruments as put forward in the Commission's legal proposal, as well as support for risk management under pillar II and regarding the fruit and vegetables and wine sectors under pillar I as well as it was introduced in the earlier reforms of these sectors.

The proposals contain provisions to ensure that no double funding for the same operation under the two pillars occurs. Member States shall provide for complementarity, consistency and coherence between the different instruments.

2. Description of safety net support in the form of market measures in the Commission proposal

2.1. Public intervention (Articles 10-15 and 16-18 of the sCMO)

Under public intervention, products are bought-in and stored by the competent authorities of the Member States. Products eligible for public intervention:

- common wheat, barley and maize;
- paddy rice;
- fresh or chilled meat of beef and veal sector falling under certain CN codes;
- butter fulfilling certain requirements, including production in an approved undertaking in the EU and a minimum of 82% butterfat content;
- skimmed milk powder fulfilling certain requirements, including production in an approved undertaking in the EU and a minimum of 34,0% protein-content.

Public intervention shall be available for:

- for common wheat, barley and maize, from 1 November to 31 May;
- for paddy rice, from 1 April to 31 July;
- for beef and veal, throughout the year;
- for butter and skimmed milk powder, from 1 March to 31 August.

During the periods referred to above, public intervention:

- shall be open for common wheat, butter and skimmed milk powder;
- may be opened by the Commission, for barley, maize, and paddy rice, if the market situation so requires.
- may be opened for the beef and veal sector if the average market price over a representative period in a Member State or in a region of a Member State is below EUR 1 560/tonne.

For common wheat, butter and skimmed milk powder the buying in is carried out at a fixed price up to 3 million tonnes, 30 000 tonnes and 109 000 tonnes respectively. Beyond these limits it shall be carried out by tendering procedure. As concerns barley, maize, paddy rice and beef and veal, where the public intervention is open the buying in shall also be by way of tendering.

2.2. Aid for private storage (Article 16-17 and 18-20 of the sCMO)

Aid for private storage is granted for the storage of products by private operators.

The Commission may decide to grant private storage aid for the following products:

- white sugar;
- olive oil;
- flax fibre;
- fresh or chilled meat of adult bovine animals;
- butter produced from cream obtained directly and exclusively from cow's milk;
- skimmed milk powder made from cow's milk;
- pigmeat;
- sheepmeat and goatmeat.

The Commission shall adopt delegated acts, where necessary in order to provide for market transparency, to lay down the conditions under which it may decide to grant private storage aid for the eligible products, the reference prices for the products concerned or the need to respond to a particularly difficult market situation or economic developments in the sector in one or more Member States. The aid may be fixed in advance or by means of a tendering procedure.

2.3. Exceptional measures of the sCMO

The exceptional measures are provided for in Articles 154,155 and 156 of the sCMO.

Market disturbance (Article 154 of the sCMO)

Taking into account the need to react efficiently and effectively against threats of market disturbance caused by significant price rises or falls on internal or external markets or any other factors affecting the market, the Commission is empowered to adopt delegated acts to take the necessary measures for the sector concerned, respecting any obligations resulting from international agreements.

Where imperative grounds of urgency so require, the urgency procedure for adoption shall apply.

Such measures may to the extent and for the time necessary extend or modify the scope, duration or other aspects of other measures provided for under the sCMO, or suspend import duties in whole or in part including for certain quantities or periods as necessary.

The provision applies to all sectors covered by the sCMO, except for products formerly out of the sCMO like horses, potatoes and cork.

Market support measures related to animal diseases and loss of consumer confidence due to public, animal or plant health (Article 155 of the sCMO)

The Commission may introduce exceptional support measures:

(a) for the affected market in order to take account of restrictions on intra-Union and third-country trade which may result from the application of measures for combating the spread of diseases in animals, and

(b) in order to take account of serious market disturbances directly attributed to a loss in consumer confidence due to public, animal or plant health risks.

The measures under point a) shall apply to the following sectors:

- beef and veal;
- milk and milk products;
- pigmeat;
- sheepmeat and goatmeat;
- eggs;
- poultrymeat.

The scope of measures under point b), the loss of consumer confidence provision, is extended to all sectors covered by the sCMO (except for the same products excluded for market disturbance).

Measures can only be taken at the request of Member State(s) and are co-financed by 50% except for measures with regard to beef and veal, milk and milk products, pigmeat and sheep meat & goatmeat where the co-financing is 60% when combating foot-and-mouth disease.

Specific problems (Article 156)

The Commission shall adopt necessary and justifiable emergency measures to resolve specific problems. Those measures may derogate from the provisions of the sCMO Regulation only to an extent and period that is strictly necessary in order to solve specific problems in question.

To resolve specific problems, on duly justified grounds of urgency, the Commission shall adopt immediately applicable implementing acts.

3. Description of risk management instruments under first and second pillar

Summary of relevant legislation:

CAP – Commission proposal for the post-2013 and current implementing rules:

- **Fruit and vegetables:** Articles 30-36 of sCMO proposal for post-2013 and Articles 88-90 of R. 543/2011
- **Wine:** Articles 37-50 of sCMO proposal for post-2013 and Articles 11-16 and 96 of R. 555/2008
- **Rural Development:** Articles 37-40 of the rural development Regulation proposal for post-2013

Type of tool	Sector/ beneficiaries	Measure description and eligible costs	Trigger/Conditions	Aid rates and co-financing rates
Insurances	**PO in F&V (Articles 88-89 of R. 543/2011)**	**Harvest insurance actions** to be managed by a PO to cover market losses incurred by the PO and/or its members where they are affected by natural disasters, climatic events and, where appropriate, diseases or pest infestations.	MS s can decide whether to include crisis prevention and management in their operational programmes. If so, they shall adopt detailed provisions on the implementation of harvest insurance actions.	MS may grant additional national financing but the total public support may not exceed: – 80% of the cost of the insurance premium paid for insurances against losses as a result of adverse climate events which can be assimilated as natural disasters; – 50% of the cost of the insurance premiums paid against losses caused by: – adverse climate events, when including other elements than natural disasters. – animal or plant deceases or pest infestations. Supported insurance payment cannot exceed 100% of the income loss suffered or distort the insurance market.
	Wine(Article 47 of sCMO proposal and Article 16 of R. 555/2008)	**Harvest insurance** to contribute to safeguarding producers' incomes where these are affected by natural disasters, adverse climatic events, diseases or pest infestations.	MS can decide whether to include the measure in their national support programme for wine. If so: (a) MS shall adopt detailed provisions on the implementation of insurance measures, including those necessary to ensure no distortion of competition takes place; (b) producers applying for the scheme shall make their insurance policy available to the national authorities; (c) member States shall fix ceilings on the amounts that may be received for the support. Where appropriate, MS may fix the level	Support may be granted in the form of a Union financed contribution from within the envelope assigned to the MS, which shall not exceed: – 80% of the cost of the insurance premium paid for insurances against losses as a result of adverse climate events which can be assimilated as natural disasters – 50% of the cost of the insurance premiums paid against losses caused by: – adverse climate events, when including other elements than natural disasters; – animals, plant deceases or pest infestations. Supported insurance payment can not exceed 100% of the income loss suffered or distort the insurance market.

			on the basis of standard costs and standard assumptions of income loss. Member States shall ensure that the calculations: (i) contain only elements that are verifiable; (ii) are based on figures established by appropriate expertise; (iii) indicate clearly the source of the figures; (iv) are differentiated to take into account regional or local site conditions as appropriate. ***<u>Derogation on payments (art. 96 of R. 555/2008):</u>*** As a derogation to the general rule that payments should be made in full to the beneficiaries, MS may decide to pay insurance support through insurance companies as intermediaries.	
	Rural Development (Articles 37-38 of the draft proposal)	**Crop, animal, and plant insurance:** Financial contributions, paid directly to farmers, to premiums for crop, animal and plant insurance against economic losses caused by adverse climatic events and animal or plant diseases or pest infestation.	Destruction of more than 30 % of the average annual production of the farmer. The occurrence of the crisis has to be formally recognised as such by the competent authority. Member States may, where appropriate, establish in advance criteria on the basis of which such formal recognition shall be deemed to be granted.	Aid intensity: Max 65% of insurance premium Member States may limit the amount of the premium that is eligible for support by applying appropriate ceilings. Co-financing: 50% in normal regions; 85% in the less developed regions, the outermost regions and the smaller Aegean islands.

			Financial compensation shall be paid directly to farmers. Insurance payments shall compensate for not more than the total of the cost of replacing the losses and shall not require or specify the type or quantity of future production.	
Type of tool	**Sector/ beneficiaries**	**Measure description and eligible costs**	**Trigger/Conditions**	**Aid rates and co-financing rates**
Setting up of Mutual funds & Payment of financial compensation to farmers	**PO in F&V (Article 90 of R. 543/2011)**	Support for the administrative cost of **setting up** mutual funds.	MS s can decide whether to include crisis prevention and management in their operational programmes. Member States shall adopt detailed provisions for support for the administrative cost of setting up mutual funds.	The contribution is degressive over 3 years as follows: – 10%, 8% and 4% respectively in EU-12, – 5%, 4% and 2% respectively for other MS (Support shall comprise both the contribution from the Union and the contribution from the PO).
	Wine (Article 46 of sCMO proposal and Article 15 of R. 555/2008)	Support for the **setting up of mutual funds** to provide assistance to producers seeking to insure themselves against market fluctuations.	MS can decide whether to include the measure in their national support programme for wine. If so, Member States shall adopt detailed provisions for support for the administrative cost of setting up mutual funds.	The EU contribution from the wine envelope is degressive over 3 years as follows: – 10%, 8% and 4% respectively in EU-12; – 5%, 4% and 2% respectively for other MS.
	Rural Development (Articles 37 and 39 of the draft proposal)	**Mutual funds for animal and plant diseases and environmental incidents:** Financial contributions to mutual funds to pay financial compensations to farmers, for economic losses caused by the outbreak of an animal or plant disease or an	The mutual fund shall: (a) be accredited by the competent authority in accordance with national law; (b) have a transparent policy towards payments into and withdrawals from the fund;	Aid intensity: Max 65% of eligible costs. Co-financing: 50% in normal regions; 85% in the less developed regions, the outermost regions and the smaller Aegean islands.

		environmental incident. Support can cover: a) administrative costs of **setting up the mutual fund**, spread over a maximum of 3 years in a degressive manner b) amounts paid by the mutual fund as financial compensation to farmers + interest on commercial loans No contribution by public funds shall be made to initial capital stock.	(c) have clear rules attributing responsibilities for any debts incurred. MS shall define the rules for the constitution and management of the mutual funds, in particular for the granting of compensation payments to farmers in the event of crisis and for the administration and monitoring of compliance with these rules.	
Type of tool	**Sector/ beneficiaries**	**Measure description and eligible costs**	**Trigger/Conditions**	**Aid rates and co-financing rates**
Income Stabilisation Tool	**Rural Development (Articles 37 and 40 of the draft proposal)**	**Income stabilisation tool:** Income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers who experience a severe drop in their income. Support can cover amounts paid by the mutual fund as financial compensation to farmers + interest on commercial loans. *(NB. Setting up support not part of eligible costs in the current legislative proposals.)*	The drop of income shall exceed 30% of the average annual income of the individual farmer in the preceding 3 year period or a 3 year average based on the preceding 5 year period, excluding the highest and lowest entry. Payments by the mutual fund to farmers shall compensate for not more than 70% of the income lost. Income shall refer to the sum of revenues the farmer receives from the market, including any form of public support, deducting input costs.	Aid intensity: Max 65% of eligible costs. Co-financing: 50% in normal regions; 85% in the less developed regions, the outermost regions and the smaller Aegean islands.