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NOTE

From: Presidency

To: Council

No. Cion prop.: 15425/11 + REV 1 - COM(2011) 627 final/2

Subject: 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) (*CAP Reform*)
- *Presidency questionnaire*

With a view to structuring the debate in Council ("Agriculture and Fisheries") at its session on 16 July 2012, delegations will find in the Annex the questionnaire drawn up by the Presidency.

Presidency questionnaire on Rural Development risk management measures

Today farmers are exposed to increased income and other economic risks as a consequence of high price volatility, natural disasters, climate change in general as well as animal and plant diseases and environmental incidents. In this context, the importance of effective management of risks has increased significantly.

Articles 37-40 of the proposal for Rural Development Regulation allow support for risk management measures covering crop, animal and plant insurance, and provide also for an income stabilisation tool. This tool would be in the form of a mutual fund to support farmers facing a severe drop in their income. The draft text of the Regulation also provides for the support of mutual funds with the aim to compensate farmers for losses caused by animal and plant diseases and environmental incidents.

In order to ensure that there is equal treatment among farmers across the Union, that competition is not distorted and that the WTO obligations are respected, specific conditions apply in order for the support to be granted. A farmer may qualify for support only if he has incurred a loss greater than 30% of his annual average production. In the case of the income stabilisation tool, the farmer must have a drop of income greater than 30% of his annual average income. This requirement stems from Annex 2 of the WTO Agreement on Agriculture, which provides that eligibility for insurance and income safety-net payments shall be determined by an income loss, taking into account only income derived from agriculture, which exceeds 30 % of average gross income. Compensation cannot exceed 70% of the income loss and, where a producer receives in the same year also payments for relief from natural disasters, not more than 100% of the producer's total loss.

As indicated in the Danish Presidency Progress Report, during the discussions in Council preparatory bodies many delegations supported the extension of risk management to cover adverse climatic events and pest infestations while several others expressed reservations on whether it is appropriate to move risk management measures into Pillar II, particularly with regard to the income stabilisation tool. Some delegations would prefer to remove this tool.

Certain technical aspects - whether to allow financial contributions to the formation of the initial capital stock of a mutual fund and whether private insurance companies should also be eligible under the income stabilisation tool - were also discussed in a preparatory meeting of the SCA on 9 July 2012. The Presidency concluded that the majority of Member States did not agree to such amendments to the text of the proposal.

The Presidency would like to build on the foundations laid by the previous discussion at SCA level by inviting Ministers to reflect on the situations where risk management tools at EU level would be required and to address the following:

- Whether the proposed measures in the consolidated text of the proposal¹ strike the right balance in terms of coverage, objectives and needs for managing risks in the agricultural sector?; and,
- Whether the type and level of support envisaged in the Commission proposal is appropriate, in particular in respect to the income stabilization tool?

¹ doc. 10878/12 REV 1