



**COUNCIL OF
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NOTE

From: Italian and French delegations
To: Council

Subject: State aid for land acquisition for young farmers
- Information from the Italian and French delegations

Delegations will find, in the Annexes, a note from the Italian and French delegations to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 19 May 2014.

Note from the Italian and French delegations
on the European Commission's draft Guidelines for State Aids
in the agriculture and forestry sector and in the rural areas 2014 to 2020

In February, the European Commission published for consultation the second draft Guidelines for State Aids in the agriculture and forestry sector and in the rural areas 2014 to 2020. After a careful assessment at experts' level, some remaining difficulties were identified by several Member States, including:

- the question of land acquisition for young farmers, which was raised in a first joint paper which was sent to the European Commission and is attached to the present note in Annex II;
- the envisaged requirements in terms of transparency, the scope of possible investments in irrigation, and the provisions on tax exemption and reductions, which were raised in a second joint paper sent to the European Commission and attached to the present note in Annex III.

Within this framework, Italy and France request the issue of the future Guidelines relating to agricultural State aids for 2014 to 2020 to be discussed under A.O.B during the Agriculture Council on 19. May, in order to draw the Council's attention to this very important topic and to hear the EU Commission's opinion on the sensitive issues pointed out by delegations.

A new model of land intervention for the realization of the objectives of “Europe 2020” strategy

Proposal

The Bulgarian, Croatian, Cypriot, Hungarian, Italian, Latvian, Polish, Portuguese and Romanian delegations propose to re-introduce, within the reform of State aid rules in agriculture, a specific aid for land acquisition for young farmers. We consider this aid could be proposed additionally to those already introduced by the reformed CAP, as these aids, alone, could not be sufficient for a young farmer who enters the activity or that inherits an agricultural holding.

General problems in the EU:

- the decrease of employment in all economic sectors;
- the decrease of the employment in the agricultural sector;
- the aging of the farmers that cannot benefit anymore from early retirements.

Problems:

- **high costs of investments to start the agricultural activity:** young farmers need to invest with higher costs, besides land, than other sector. The predisposition of young people to innovation and improvement of production techniques, clashes with the high cost of the related investments which are usually more expensive than traditional techniques;
- **small number of young farmers** – at EU level only 7.5% of farmers are less than 35 years old whilst 29.6% are more than 65 years old¹;

¹ Eurostat, farm structure survey 2010.

- **decrease in number of young farmers employed in agriculture** – by comparing data of 2010 with those of 2000, the number of young farmers is decreased by 34% as a consequence of the crisis;
- **land parceling.**

Positive aspects:

- new attitude of young farmers to enter the sector.

Problems for young people wishing to pursue farming activity.

The main obstacles are:

- difficulty to access to the main factors of production (access to land and investments);
- a low income compared to other economic sectors;
- access to credit and very high rating as new entrepreneurs;
- the initial establishment for the development of the activity;
- the purchase of land capital and/or the physical and economic expansion of the farm;
- the higher costs resulting from the innovation processes.

More specifically:

- for young people who enter the agricultural activity, the main challenges/difficulties are investments and the main problem is the **access to land** (higher costs);
- for young people who inherit the agricultural activity, the challenges/difficulties are the **expansion/reparceling** (buy back from relatives) of the farm.

Already in its **impact assessment** accompanying the CAP legal proposals, the European Commission affirms that the support given to young farmers through the Pillar II (measure 112 – setting-up) was not effective enough and consequently decided to establish an additional support tool in the Pillar I, in order to help young people wishing to enter the agricultural sector. Effectively, high cost of land is one of the main obstacles for young farmers to start the agricultural activity. **However, the support from the I and the II Pillar is deemed not enough to help young farmers to enter the agricultural sector.**

The EC Commission proposed in the new rules of state aids, a special provision for acquisition of land by young farmers. Although this provision is more than welcome, as the Commission recognize the importance of youth employment, we would like that land acquisition for young farmers could be considered as an admissible investment “stand alone”, not only within the framework of a bigger investment project and within a limited percentage of the eligible costs.

Common declaration supported by**Bulgaria, Czech Republic, France, Croatia, Latvia, Luxembourg, Hungary, Poland, Portugal,
Romania, Slovenia****on the Commission's draft Guidelines for State Aid****in the agriculture and forestry sector and in the rural areas 2014 to 2020**

On February, the Commission published for consultation the second draft Guidelines for State Aid in the agriculture and forestry sector and in the rural areas 2014 to 2020. This draft reflects some comments that have previously been made by the delegations and some improvements have been achieved. However, a number of problematic issues still remain, including:

Transparency (items 121 and 122)²

The requirement for a “comprehensive State aid website” at national level should be removed. The information concerning the existing Aid schemes is already available on the Commission website. The administrative burden and the associated costs would be prohibitive in comparison to the low added-value of such websites. An extensive work of data collection and compilation would be required. Moreover, the publication of individual personal data would not be in line with national principles of confidentiality (taxation, ...).

Aid for investments in irrigation on farms linked to primary production (item 143)

The scope for investments in irrigation in the Guidelines is unduly limited and would exclude relevant projects. Indeed, the proposed scope is a copy-paste from the Regulation 1305/2013, which aims at concentrating UE funds on certain types of investments. However, Member States must be able to support other types of investments which fully comply with the Water Framework Directive (WFD). This compliance shall be the only requirement in the Guidelines.

² As identical provisions can be found in the ABER regulation, the request from the above mentioned Member States also concerns the ABER regulation.

Aid on tax exemptions and reductions under Directive 2003/96/EC (item 465)

The provisions of the current Guidelines should be kept as they stand. Their efficiency has been proved and no further requirement is needed. Moreover, those measures cannot be considered primarily as “aids for the protection of the environment”, even though they can have a positive impact on the environment in consequence. A specific section with a more adapted title should thus be created.

The aforementioned MS call on the Commission to take into account these priorities during the final discussions on the agricultural Guidelines.