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**NOTE**

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From: Italian, French and Hungarian delegations  
To: Council

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Subject: State aid in the agriculture and forestry sector and in rural areas  
*- Information from the Italian, French and Hungarian delegations*

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

**Note from the Italian, French and Hungarian 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.
- the incentive effect, ex ante vs ex post reporting, the withdrawal of the benefit of the block exemption and the purchase of animal as explained in the joint note set out in Annex IV

Within this framework, Italy, France and Hungary 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.

## **ANNEX II**

### *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 old<sup>1</sup>;

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<sup>1</sup> 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.**

## **ANNEX III**

### **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)<sup>2</sup>**

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.

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<sup>2</sup> 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.**

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**Common declaration**

**supported by Hungary, France, Bulgaria, Croatia, Latvia, Poland and Slovenia**

**on the Commission's draft ABER 2014 to 2020**

On the Advisory Committee in 13-14 March 2014 the Commission and Member States had the opportunity to discuss about the second draft of ABER for the period of 2014-2020. Improvement is clearly seen in this revised draft. However, several worrisome questions are still remain, including:

**Incentive effect (Article 6)**

In accordance with the RD regulation, this point should specify that only expenditures that were made after the submission of an application to the competent authority are considered admissible, without reference to the beginning of the project. Indeed, the formulation proposed by the Commission is problematic in terms of controllability (only the invoice date can be controlled).

**Publication and information (Article 9)**

The requirement for a“ comprehensive State aid website at national or regional level” should be removed. The general information about an exempted aid scheme or ad hoc aid required in Annex II is already available on the Commission's website. Therefore there is useless to collect these information at national or regional level as well. The creation of a central website generates a huge administrative and financial burden for the Member States while the expected profit of such a website is questionable. Moreover publication of individual personal data would not be in line with national principles of confidentiality (e.g.: taxation, ...).



### **Ex ante vs Ex post reporting (Article 12 point 1 (a))**

The wish for alignment with the GBER rules is not justified in that case.

Due to the characteristics of the agriculture sector, the motives of state intervention differ from those for other sectors to a great extent. The agricultural beneficiaries and the amount of State aids granted to them are characteristically smaller compared to that of other sectors. Volatility of the yearly income of farmers is characterized not just by market effects but also by the weather conditions to which they are heavily exposed. Therefore farmers are more sensible to the decisions of the administration and legal certainty is much more needed which was substantially more guaranteed by ex-ante reporting.

Furthermore the retention of the present ex-ante reporting will guarantee the reduction of administration costs in the long run for the MSs and the Commission.

### **Withdrawal of the benefit of the block exemption: (Article 11)**

This proposal gives the Commission too wide discretionary competence and is against legal certainty. Any kind of violation may result in the application of the sanction. Moreover, this Article would impose further burden on the MSs and the Commission. We consider that the possibility of MSs to make their views known before the Commission applies the sanctions is not sufficient as legal guarantee.

Therefore this provision should be deleted and instead of ex post reporting ex ante procedure shall be kept.

### **Land purchasing (Article 14 (6a) and Article 17 (4a))**

Derogation from the general rules in case of young farmers is promising. However, the 10% barrier for land purchasing shall be widened and make the opportunity to legalize land purchase under conditions which respect the principle of Internal Market. The reason behind this provision is that the land is not separable from the farm's other assets and is an essential factor in the competitiveness of the agricultural producers.

In case of young farmers land purchasing should be available at a rate of up to 100%.

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.

#### **Aid for investments in irrigation on farms linked to primary production (Article 14 (6f))**

The same conditions determined in Art. 46 of RD Regulation shall be applied in case of the ABER relevant paragraph on aid for investments in irrigation. The condition stipulating that „*the investment shall lead to a reduction of previous water use of at least 25% in case of all types (i.e. old and new) of irrigation installations*” is especially unacceptable. The RD Regulation only mentions this condition for existing irrigation installation or element of irrigation infrastructure.

#### **Purchase of animals(Article 14(10d))**

The strict prohibition of the purchase of animals is too restrictive and is not an adequate tool to avoid production capacity increase. Breeding animals can be considered as tangible assets which are, just like other tangible assets, in the possession of the agricultural undertakings for more than one year. Therefore, the purchase of breeding animals should be able to be the subject of an agricultural investment project.

#### **Start-up aid for young farmers and the development of small farms (Article 18)**

State aid shall be authorized for young farmers who set up for the first time after 40 years (and who does not fulfill the definition of a young farmer). The setting-up after 40 years represents a significant share of the total number of setting up and contribute to the renewal of the generations by setting up small farms, contributing to the development of a more sustainable agriculture. This possibility shall be allowed in the regulation; if necessary, a lower rate of aid could be considered.

**The aforementioned member states call on the Commission to take into account these priorities during the final discussions on the ABER.**