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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	26 March 2015
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2015) 141 final
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL fixing the adjustment rate provided for in Regulation (EU) No 1306/2013 for direct payments in respect of calendar year 2015

Delegations will find attached document COM(2015) 141 final.

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EUROPEAN
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Brussels, 26.3.2015
COM(2015) 141 final

2015/0070 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

fixing the adjustment rate provided for in Regulation (EU) No 1306/2013 for direct payments in respect of calendar year 2015

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The Treaty on the Functioning of the European Union lays down the fundamental rule governing Union financing that the annual budget of the Union must comply with the Multiannual Financial Framework (MFF).

In order to support the agricultural sector in case of major crises affecting the agricultural production or distribution, a reserve for crises should be established by applying, at the beginning of each year, a reduction to direct payments through a financial discipline mechanism which is provided for in Article 26 of Regulation (EU) No 1306/2013 of 17 December 2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy[1]. Article 25 of this regulation determines that the total amount of the reserve for crises in agricultural sector shall be EUR 2 800 million with equal annual instalments of EUR 400 million (at 2011 prices) for the period 2014-2020 and shall be included under Heading 2 of the Multiannual Financial Framework. The amount of the reserve to be included in the Commission 2016 Draft Budget amounts to EUR 441.6 million in current prices, covered via a reduction to direct payments listed in Annex I of Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy[2].

Moreover, with a view to ensuring that the amounts for the financing of the Common Agricultural Policy (CAP) comply with the annual sub-ceilings for market related expenditure and direct payments under heading 2 laid down in Council Regulation (EU, EURATOM) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020[3], the financial discipline mechanism has to be applied when the forecasts for the financing of direct payments and market related expenditure indicate that the annual sub-ceiling under heading 2 set out in the Multiannual Financial Framework adjusted by any financial transfers between the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) will be exceeded. This net balance available for EAGF expenditure for 2016 is set by the Commission Implementing Regulation (EU) No 2015/141[4] in accordance with Article 16 of Regulation (EU) No 1306/2013 and amounts to EUR 43 949 million.

In drawing up the 2016 Draft Budget, the first budgetary estimates for direct payments and market related expenditure showed that the net balance available for EAGF expenditure for 2016 is not likely to be exceeded and thus there is no need for further financial discipline.

On the basis of the above, the Commission presents a proposal for setting the adjustment rate for direct payments in respect of calendar year 2015, which in accordance with Article 26(3) of Regulation (EU) No 1306/2013 is to be adopted by the European Parliament and the

[1] OJ L 347, 20.12.2013, p. 549.
[2] OJ L 347, 20.12.2013, p. 608.
[3] OJ L 347, 20.12.2013, p. 884.
[4] Commission Implementing Regulation (EU) No 2015/141 of 29 January 2015 amending Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure (OJ L 24, 30.1.2015, p.11)

Council by 30 June 2015. If this adjustment rate has not been set by 30 June 2015, pursuant to the same Article the Commission will set that rate.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

This proposal implements the rules provided for in Article 26 of Regulation (EU) No 1306/2013 and Article 8 of Regulation (EU) No 1307/2013. Prior consultation with the interested parties and preparation of an impact assessment were not applicable.

3. LEGAL ELEMENTS OF THE PROPOSAL

This proposal sets the percentage rate of the financial discipline adjustment rate in respect of calendar year 2015.

Considering that Member States have the possibility to make late payments to farmers outside the regulatory payment period applicable to direct payments and that the financial discipline adjustment rate varies from one calendar year to another, the amounts of direct payments to be granted to farmers should not be affected by the financial discipline differently, depending on when the payment is made to farmers by the Member States. Therefore, in order to ensure equal treatment between farmers, the adjustment rate should be applied to amounts of direct payments to be granted to farmers for aid applications lodged in calendar year 2015 only, independently of when the payment will actually be made to the farmer.

Article 8(1) of Regulation (EU) No 1307/2013 lays down that the adjustment rate applied to direct payments should only apply to direct payments in excess of EUR 2 000. Bulgaria, Croatia and Romania are in the process of phasing-in of direct payments in calendar year 2015. As a consequence, the financial discipline will not apply in these Member States.

4. BUDGETARY IMPLICATION

The calculation of the financial discipline adjustment rate is part of the preparation of the 2016 Draft Budget.

The amount of the reserve for crises in the agricultural sector, foreseen to be included in the Commission 2016 Draft Budget, amounts to EUR 441.6 million in current prices. The first estimates of budget appropriations for direct payments and market related expenditure showed that the net balance available for EAGF expenditure for 2016 is not likely to be exceeded.

Thus the total reduction resulting from the application of financial discipline amounts to EUR 441.6 million. The percentage of the financial discipline adjustment rate is 1.393041%. It has been calculated taking into account that it is to be applied only to amounts of direct payments per farmer in excess of EUR 2 000 and not in all Member States.

The application of this adjustment rate will result in the reduction of the amounts of direct payments for budget lines covering expenditure relating to aid applications submitted by farmers in respect of calendar year 2015 (financial year 2016).

5. OPTIONAL ELEMENTS

Further to determining the adjustment rate set by the present Regulation, Article 26(4) of Regulation (EU) No 1306/2013 also gives the possibility to the Commission, on the basis of new information in its possession, to adopt implementing acts adapting this rate. The Commission will review its forecasts for market related expenditure and direct payments when preparing the Amending Letter to the 2016 Draft Budget in October 2015, and adopt the adaptation of the adjustment rate, if appropriate by 1 December 2015.

2015/0070 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

fixing the adjustment rate provided for in Regulation (EU) No 1306/2013 for direct payments in respect of calendar year 2015

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 43(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee[5],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Article 25 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council[6] lays down that a reserve intended to provide additional support for the agricultural sector in the case of major crises affecting the agricultural production or distribution has to be established by applying, at the beginning of each year, a reduction to direct payments with the financial discipline mechanism referred to in Article 26 of that Regulation.

(2) Article 26(1) of Regulation (EU) No 1306/2013 lays down that in order to ensure that the annual ceilings set out in Council Regulation (EU, Euratom) No 1311/2013[7] for the financing of the market related expenditure and direct payments are respected, an adjustment rate for direct payments has to be determined when the forecasts for the financing of the measures financed under that sub-ceiling for a given financial year indicate that the applicable annual ceilings will be exceeded.

(3) The amount of the reserve for crises in the agricultural sector, foreseen to be included in the Commission 2016 Draft Budget, amounts to EUR 441.6 million in current

[5] OJ C , , p. .

[6] Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (OJ L 347, 20.12.2013, p. 549).

[7] Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

prices. To cover this amount, the financial discipline mechanism has to apply to direct payments under the support schemes listed in Annex I to Regulation (EU) No 1307/2013 of the European Parliament and of the Council[8] in respect of calendar year 2015.

(4) The preliminary forecasts for the direct payments and market related expenditure to be determined in the Commission 2016 Draft Budget indicate that there is no need for any further financial discipline.

(5) According to Article 26(2) of Regulation (EU) No 1306/2013 the Commission has to present a proposal to the European Parliament and to the Council concerning the adjustment rate no later than 31 March of the calendar year in respect of which that adjustment rate applies.

(6) As a general rule, farmers submitting an aid application for direct payments for one calendar year (N) are paid within a fixed payment period falling under the financial year (N+1). However, Member States have the possibility to make late payments, within certain limits, to farmers beyond this payment period without any time limits. Such late payments may fall in a later financial year. When financial discipline is applied for a given calendar year, the adjustment rate should not be applied to payments for which aid applications have been submitted in the calendar years other than that for which the financial discipline applies. Therefore, in order to ensure equal treatment of farmers, it is appropriate to provide that the adjustment rate is only applied to payments for which aid applications have been submitted in the calendar year for which the financial discipline is applied, irrespectively of when the payment to farmers is made.

(7) Article 8(1) of Regulation (EU) No 1307/2013 lays down that the adjustment rate applied to direct payments determined in accordance with Article 26 of Regulation (EU) No 1306/2013 is only to apply to direct payments in excess of EUR 2 000 to be granted to farmers in the corresponding calendar year. Furthermore Article 8(2) of Regulation (EU) No 1307/2013 provides that as a result of the gradual introduction of direct payments, the adjustment rate is only to apply to Bulgaria and Romania from 1 January 2016 and to Croatia from 1 January 2022. The adjustment rate to be determined by the present Regulation should therefore not apply to payments to farmers in those Member States.

(8) Until 1 December 2015 the adjustment rate fixed by this Regulation may be adapted by the Commission, on the basis of new information in its possession, pursuant to Article 26(4) of Regulation (EU) No 1306/2013,

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[8] Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347, 20.12.2013, p. 608).

HAVE ADOPTED THIS REGULATION:

Article 1

1. For the purpose of applying the adjustment provided for in Articles 25 and 26 of Regulation (EU) No 1306/2013 and in accordance with Article 8(1) of Regulation (EU) No 1307/2013, the amounts of direct payments under the support schemes listed in Annex I to Regulation (EU) No 1307/2013 to be granted to a farmer in excess of EUR 2 000 for an aid application submitted in respect of calendar year 2015 shall be reduced by 1.393041%.

2. The reduction provided for in paragraph 1 shall not apply in Bulgaria, Croatia and Romania.

Article 2

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

# FINANCIAL STATEMENT	FS/15/RB/aj 361752 6.15.2015.1 DATE: 27/01/2015

1.	BUDGET HEADING: See budgetary forecast after financial discipline per item below:	APPROPRIATIONS: in EUR million
	05 03 01 02 (SAPS)	4 236.0
	05 03 01 07 (Redistributive payment)	1 251.0
	05 03 01 10 (BPS)*	18 307.0
	05 03 01 11 (Payment for agricultural practices beneficial for the climate and the environment)	12 239.0
	05 03 01 12 (Payment for areas with natural constraints)	3.0
	05 03 01 13 (Payment for young farmers)	549.0
	05 03 02 40 (Area aid for cotton)	241.0
	05 03 02 50 (POSEI – Community support programmes)	416.0
	05 03 02 52 (POSEI – Aegean Islands)	17.0
	05 03 02 60 (Voluntary coupled support)	4 047.0
	05 03 02 61 (Small farmers scheme)	p.m.
	05 03 10 (Reserve for crises in agricultural sector)	441.6
	* before taking into account assigned revenue	

2. TITLE:

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on fixing the adjustment rate provided for in Regulation (EU) No 1306/2013 for direct payments in respect of calendar year 2015

3. LEGAL BASIS:

Article 43(2) of the Treaty on the Functioning of the European Union

4. AIMS:
This regulation sets the financial discipline adjustment rate to be applied to the amounts of direct payments to be granted to farmers in excess of EUR 2 000 for aid applications lodged in respect of calendar year 2015.

5.	FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2015 (EUR million)	FOLLOWING FINANCIAL YEAR 2016 (EUR million)
5.0	EXPENDITURE - CHARGED TO THE EU BUDGET (REFUNDS/INTERVENTIONS) - NATIONAL AUTHORITIES - OTHER	- 441.6 + 441.6	n.a.	- 441.6 + 441.6
5.1	REVENUE - OWN RESOURCES OF THE EU (LEVIES/CUSTOMS DUTIES) - NATIONAL			

		2016	2017	2018	2019
5.0.1	ESTIMATED EXPENDITURE				
5.1.1	ESTIMATED REVENUE				

5.2 METHOD OF CALCULATION:

See Comments

6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?	n.a.

6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?	n.a.
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?	NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?	NO

OBSERVATIONS:

The calculation of the financial discipline adjustment rate is part of the preparation of the 2016 Draft Budget.

The amount of the reserve for crises in the agricultural sector, foreseen to be included in the Commission 2016 Draft Budget, amounts to EUR 441.6 million in current prices. Based on the first estimates of budget appropriations for direct payments and market related expenditure, the net balance available for EAGF expenditure for 2016 is not likely to be exceeded.

Thus the total reduction resulting from the application of financial discipline amounts to EUR 441.6 million. The percentage of the financial discipline adjustment rate is 1.393041%. It has been calculated taking into account that it is to be applied only to amounts in excess of EUR 2 000 and for each Member State, except Bulgaria, Romania and Croatia. Since direct payments in Bulgaria, Romania and Croatia, are in the process of phasing-in in calendar year 2015, the financial discipline will not apply to these Member States as a consequence.

The application of this adjustment rate will result in the reduction of the amounts of direct payments for budget lines covering expenditure relating to aid applications submitted by farmers in respect of calendar year 2015 (financial year 2016). The estimated amounts of reduction due to financial discipline per budget item are the following:

	in EUR million
05 03 01 02 (SAPS)	31.1
05 03 01 07 (Redistributive payment)	12.0
05 03 01 10 (BPS)	212.2
05 03 01 11 (Payment for agricultural practices beneficial for the climate and the environment)	128.1
05 03 01 12 (Payment for areas with natural constraints)	0.0
05 03 01 13 (Payment for young farmers)	5.7
05 03 02 40 (Area aid for cotton)	3.3
05 03 02 50 (POSEI – Community support programmes)	4.2
05 03 02 52 (POSEI – Aegean Islands)	0.1
05 03 02 60 (Voluntary coupled support)	44.9
05 03 02 61 (Small farmers scheme)	p.m.
Total	441.6

The proposed regulation has budgetary implications as the first estimates of budget appropriations for direct payments (before considering financial discipline) have been reduced by the amounts shown above following the application of the adjustment rate proposed by the present draft regulation. As a result, the requested appropriations for Chapter 05 03 (Direct payments) and foreseen to be included in the 2016 Draft Budget, as given in point 1 of this financial statement for the budget items subject to financial discipline, ensure the establishment of the amount for the reserve for agricultural crises.