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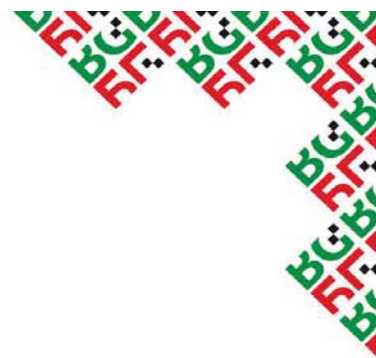
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NOTE

From: Presidency
To: Delegations

Subject: Council debate on the future of the CAP
- *Bulgarian Presidency report*

Delegations will find in Annex the Bulgarian Presidency report on the Council debate on the future of CAP.



Seeds have been planted - Bulgarian Presidency report on the Council debate on the Future of CAP

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Bulgarian Presidency report on the Council debate on the Future of CAP 01.01.2018 – 30.06.2018

I. Introduction

Bulgaria has taken over the rotating Presidency at a time when unity and solidarity of the Member States are of paramount importance for the future of the EU.

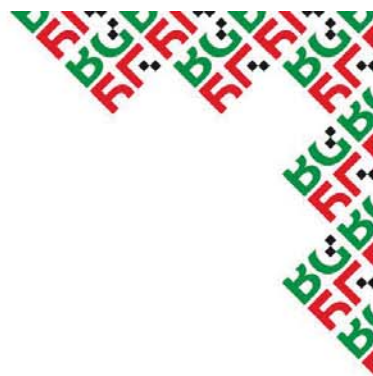
Embedded in the horizontal priority of promoting economic growth and social cohesion, the Presidency's programme recognised that in the current socio-economic and political environment of globalization and growing world population agricultural production and rural development play an increasingly important role - economically, socially and politically. It is therefore crucial that the Common Agricultural Policy (CAP) post 2020 is defined in a way that helps to improve the sustainability of agricultural holdings and ensure stable farmers' incomes.

The modernisation and simplification of the CAP after 2020 as well as the CAP budget in the next Multiannual Financial Framework (MFF) were amongst the main priorities of the Bulgarian Presidency.

The CAP is relevant to all EU citizens: to the 44 million people who work in farming and the wider food sector, constituting the largest employer in the EU, as well as to the 500 million European citizens to whom the CAP ensures the provision of safe, high-quality food in sufficient quantities and at reasonable prices. The CAP provides a crucial income support to farmers, allowing them also to deliver a broad range of public goods such as landscape conservation, the protection of the environment and of biodiversity and mitigation of and adaptation to climate change. CAP market support contributes to counter-balancing high price volatility and limits the impact of external factors (e.g. weather) on agricultural markets. The CAP's rural development programmes provide tailor-made support for each Member State in making rural areas better places to live and prosper.

II. Context

Throughout the history of the CAP, European agriculture has been faced with many new challenges, requiring the policy to adapt to a continuously changing background. A key example is the environment, where the EU has undertaken important commitments at international level such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.



The CAP has undergone several waves of reform ensuring that it remains fit for purpose. The time is ripe for a further evolution of the CAP to meet new challenges and make European agriculture future-proof.

On 29 November 2017, the European Commission adopted its Communication on the "Future of Food and Farming", outlining its ideas about the CAP after 2020. The Commission proposal for the MFF post 2020 was submitted on 2 May 2018 and the legislative proposals on how concretely to design the CAP on 1 June 2018. Marked by this political and strategic setting the Bulgarian Presidency team for Agriculture put strong emphasis on organising a comprehensive and transparent debate on the future of the CAP with the aim of promoting a better understanding among Member States and providing the Commission with a tangible input in the preparation of its legislative proposals.

III. Presidency approach

The Presidency undertook to work in a spirit of transparency and in close cooperation with the Member States and all EU institutions in response to the expectations of the European citizens.

The Presidency's main aims for the debate were to:

- allow the Commission to clarify its intentions and vision and to provide further information in reaction to Member States' comments;
- allow Member States to exchange views on specific topics;
- promote a better understanding between Member States of their priorities and vision for the post-2020 CAP;
- provide policy orientation to the Commission in the preparation of its legislative proposals for the post-2020 CAP;
- allow Ministers to informally exchange of views on strategic issues related to the CAP.

In the stage between the publication of the Commission's Communication and the submission of the legislative proposals, work was conducted at Special Committee on Agriculture (SCA) and Council levels. Both formats addressed the same topics but discussed them at a different level of granularity, with the SCA focusing more on the details to prepare Ministers' exchanges.

The Presidency organised six SCA and three Council meetings on the CAP post 2020 debate. In addition, the Bulgarian Presidency organised several seminars and working meetings as well as an informal ministerial lunch debate to facilitate the understanding among delegations and the development of a position shared by the Member States on the most relevant topics.

The following table provides an overview of the meetings, events and other activities held under the Bulgarian Presidency related to the future of the CAP debate.



Meeting/event/activity	Topics	Input/Doc	Output /Doc
1 – 12 January	Collection of questions submitted by delegations on the Commission's Communication	Request for input	Set of questions submitted Summary of questions
SCA - 15 January	Presentation of the Presidency roadmap Commission's first reactions to delegations' questions on the Communication	Presidency roadmap	
SCA - 22 January	Preliminary exchange of views on CAP added value, resources, objectives, and subsidiarity Presentation from the Commission on the technical aspects of the Communication (with focus on the new delivery model)	Presidency note Commission's presentation	
Council - 29 January	Public debate on CAP added value, resources, objectives, and subsidiarity	Presidency note	Meeting minutes within Council's <i>procès-verbal</i>
SCA - 5 February	Presentation from the Commission and exchange of views among delegations on direct payments, risk management, market measures and crisis management (including the specific implications of the delivery model)	Presidency note Commission's presentations	
Information seminar - 6 February (SCA +1)	Presentation of information and exchange of opinions on the new delivery model and the new environmental architecture	Agenda Commission's presentations	



SCA - 12 February	Presentation from the Commission and exchange of views among delegations on the measures contributing to environmental protection and climate action and rural Development (including the specific implications of the delivery model)	Presidency note Commission's presentation	
Council - 19 February	Public debate on direct payments, measures contributing to environmental protection and climate action and rural development	Presidency note	Meeting minutes within Council's <i>procès-verbal</i>
LUNCH (Ministers +1)	Informal discussion on strategic issues related to CAP	Presidency paper	
Farm visit in Haneffe (BE) and informal SCA meeting – 26 February	Practical information on farm work, organisation and development and use of different CAP instruments Informal exchange among delegations on common grounds for conclusions		
SCA - 5 March	Discussion of draft conclusions Commission presentation on state aid and exchange of views among delegations	Draft conclusions Commission's presentation	Revised draft conclusions for Council
SCA - 12 March	Discussion of revised draft conclusions Commission presentation on CAP modernisation (research and innovation, transfer of knowledge and digitalization) and exchange of views among delegations	Revised draft conclusions Commission's presentation	Revised draft conclusions for Council



Council - 19 March	Debate and adoption of Presidency conclusions	Revised draft conclusions for Council	Presidency conclusions adopted with support of 23 Member States Letter to GAC and Commission
Information seminar – 20 March	Presentation of information and exchange of opinions on new CAP objectives and indicators, and on the assurance system including audit and control	Agenda Commission's presentations	
Working Party AGRIFIN - 17 April	Presentation from the ECA of its Briefing Paper on the Commission's Communication on the Future of Food and Farming, followed by an exchange of views with delegations and Commission	ECA presentation	
Working breakfast – 14 May	Presentation from the Commission and questions and exchange of views among delegations on the Commission proposal for the MFF 2021-2027 and in particular the CAP budgetary framework	Commission's presentation	
SCA – 14 May	Presentation from the Commission and exchange of views among delegations on future CAP Strategic Plans and their implications for the Member States	Commission's presentation	
SCA – 4 June Sofia	Presentation from the Commission and first reactions from delegations on the future CAP reform package	Commission's presentations	
Informal Council – 5 June Sofia	Debate on generational renewal in the context of the CAP post 2020 Presentation from the Commissioner Hogan on future CAP legislative package	Presidency paper	



Working Party AGRIFIN - 8 June	Presentation from the Commission on the three identical "legislative financial fiches" accompanying the CAP post-2020 legislative proposals and Q&A with delegations	Commission's presentation and working document	
SCA – 11 June	Presentation from the Commission of the impact assessment and continued reactions from delegations on future CAP legislative package	Commission's presentation	
Working party on Horizontal Agricultural Questions - 15 June and 20 June	Technical examination of the Impact Assessment and the proposal for Regulation on CAP Strategic plans (subject matter and scope, applicable provisions, definitions, objectives and indicators, conditionality, farm advisory services + relevant Annexes)	Commission's presentations	
Council – 18 June	Public debate on the future CAP legislative package		
Closing event – 21 June – with participation of stakeholders CAP post 2020 Next stage kick off	Presentation of BG PRES work, Commission proposals and the views of institutions and key stakeholders at the beginning of the co-legislative process on significant elements such as generational renewal, farmers resilience, market orientation, meeting the environmental ambition and societal expectations, territorial development, innovation and digitalization.	Agenda Commission's and other stakeholders' presentations	

The seminars organised by the Bulgarian Presidency served as a platform for deepening the understanding of the concept and implications of the Commission ideas set out in its Communication on "The Future of Food and Farming" in an informal environment. They also set a basis for future discussions on the shape of the post-2020 CAP.

The work in SCA was aimed at obtaining information from the Commission, allowing technical examination and exchanging views among delegations on the different aspects of the Commission's Communication with a view to preparing the Council meetings.



The Council debates allowed Member States to present their positions and to develop a better understanding among them on key elements of the post-2020 CAP design. The first two Council debates (in January and in February) were held in public session, web-streamed via the Council website. The Presidency's oral conclusions were drawn after each debate and were made public within the Council's *procès-verbal*. This reflected the Presidency's commitment for a transparent and open discussion that can be followed by all interested parties and stakeholders.

At the March Council, the Presidency adopted conclusions on the Communication on "The Future of Food and Farming" with the support of no less than 23 Member States - namely Belgium, Bulgaria, Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Luxembourg, Hungary, Malta, Netherlands, Austria, Portugal, Romania, Slovenia, Finland, Sweden and United Kingdom¹.

The Bulgarian chair of the AGRIFISH Council, Mr Rumen Porodzanov, sent a letter to the chair of the General Affairs Council, Ms Ekaterina Zaharieva, and to the Commissioner for Budget and Human Resources, Mr Günther Oettinger, presenting the Presidency conclusions as the outcome of the ministerial exchanges of views on key aspects of the upcoming reform of the CAP. The letter, addressed i.a. also to the Commissioner for Agriculture and Rural Development, Mr Phil Hogan, was intended to provide the Commission with a further input for the preparation of its legislative proposals.

The legislative reform package was published by the Commission on 1 June 2018 and presented to the Member States at the SCA meeting on 4 June and at the informal Council meeting on 5 June, both hosted by the Bulgarian Presidency in Sofia. More comprehensive exchanges of views took place at SCA and Working Party levels and culminated in a public debate at the June Council. The Bulgarian Presidency ensured an immediate kick-off of the legislative procedure and a coordinated planning of the technical examination of the legislative proposals with the incoming Austrian Presidency, so as to ensure a smooth transition.

The key deliverables of the six - month process include, amongst others:

- Public debate and records as well as Presidency oral conclusions on the Commission Communication;
- Detailed technical examination of the Communication;
- Presidency conclusions on the Communication supported by 23 Member States;
- Kick-off and advancement on the technical examination of the legislative package.

¹ 39 points out of 40 in total of the Presidency conclusions were principally supported by all 28 Member States, with only one dividing point, namely the one on external convergence of direct payments.



IV. Thematic debates

As described in Chapter III, several thematic debates took place under the Bulgarian Presidency, focusing on the most relevant aspects for the design of the future CAP. In each of them the Commission provided further information and replied to the questions raised by Member States, which had the opportunity to exchange views and share what they considered to be the most important points for the reform of the policy.

The results of these thematic debates are summarised hereinafter.

CAP added value, resources, objectives, and subsidiarity

1. During the 29 January Council, Commissioner Phil Hogan provided further information on the Communication and Ministers held an exchange of views on: *i)* the CAP's added value and the objectives to be set at EU level; *ii)* the adequate level of subsidiarity and the "CAP Strategic Plans". The discussion was steered by two questions proposed by the Bulgarian Presidency and endorsed by the SCA on 22 January.
2. Member States emphasised the **added value of the CAP**, not only for farmers but also for citizens and society as a whole. Many of them recalled the crucial contribution of the policy in providing safe, high quality food in sufficient quantities. They also highlighted the CAP's added value in ensuring environment protection, mitigating climate change and guaranteeing the resilience of rural areas. They also stressed the role of the CAP in contributing to a decent income for farmers, supporting rural areas and maintaining agricultural production throughout the EU, including in less favoured areas.
3. Building on this, several Ministers considered that the CAP's added value could be further enhanced, in particular with regard to protecting the **environment**, adapting to and mitigating climate change and meeting the UN 2030 Sustainable Development Goals. However, they stressed that this would only be possible through a trust-based partnership with farmers, who should remain at the centre of the policy and be provided with commensurate compensation for their delivery of public goods.
4. While recognising that discussions on the funding of the CAP would be held within the framework of the MFF negotiations, many Member States underlined that the added value of the CAP would not have been possible without the current level of EU support. In this light, broad agreement emerged on the need for an **adequate level of funding** for the future CAP in order to maintain and enhance its added value and meet new societal challenges.
5. Ministers considered that the **CAP's objectives** as set out in the Treaty were still valid and stressed the importance of ensuring a fair standard of living for farmers. Several Ministers



also emphasised the need for the CAP to ensure **equal treatment** and fair competition among farmers as well as with all other actors in the food chain.

6. Ministers generally welcomed the Commission's suggestion of increasing the current level of **subsidiarity**. Many Member States stressed the importance of **simplification** and sufficient **flexibility** for Member States to make decisions at national level on the basis of local specificities without undermining the level playing field - for instance with regard to voluntary coupled support (see *infra* section III) or environmental measures (see *infra* section V). This also includes the division of competences between State and regional authorities in Member States with a federal or regional structure, which is reflected in the Presidency conclusions (paragraph 14)². Member States suggested to limit the **administrative burden** for both farmers and authorities, in particular by reducing controls, as well as to prevent delays in payments, building on the lessons learned from the Rural Development Programmes.
7. Several Member States stressed that greater subsidiarity should not compromise the "**common**" character of the CAP, which should remain a truly European policy and not lead to any "re-nationalisation" or fragmentation of the CAP, as that would compromise its added value. The greater subsidiarity should be implemented in such a way as to enable Member States to take pertinent tailor-made strategic national choices while truly contributing to objectives agreed at EU level.
8. With regard to the **CAP Strategic Plans** mentioned in the Communication, some Ministers initially required further details allowing them better to understand their impact, in particular on the first pillar. The main concerns expressed particularly during the January Council related to how to integrate in a single programming document both annual pillar I measures and multiannual pillar II interventions.

Direct payments and market measures

9. During the 19 February Council, Ministers held an exchange of views focused, *inter alia*, on direct payments. Commissioner Hogan provided more information on the topics under discussion, recalling the importance of direct payments and the need for them to be distributed in a fairer way, stressing the societal role of agriculture and calling for higher level of environmental ambition. Ministers then had the opportunity to share their views on the basis of questions proposed by the Bulgarian Presidency and endorsed by the SCA on 5 February.

² "[The Council of the European Union] CALLS for simple CAP Strategic Plans, allowing flexibility in their design and subsequent amendments, taking into account the division of competences within each Member State, and for secondary legislation not to undermine the subsidiarity approach and the simplification goal".



10. Ministers stressed the importance of **direct payments** for both farmers and citizens: in particular, they recalled their role as a "safety net" in the form of stable income support, as well as compensation for the provision of environmental services and other goods from which society benefits. However, many Ministers considered that there was still scope to improve direct payments' design by targeting them in a way which would achieve a fairer and more effective outcome for farmers across the EU.
11. Among the options proposed by the Commission in its Communication, broad consensus emerged on the need to **target direct payments** better in the future. Many Ministers backed the Commission suggestion to focus on "genuine farmers", described in the Communication as those who are actively farming to earn their living. Several Ministers also pointed to small- and medium-sized farms, young farmers, areas with natural constraints and regions lagging behind. However, they generally considered that the choice of specific targets should be within Member States' remit, thus suggesting a voluntary approach to any targeting measure, as reflected in the Presidency conclusions (paragraph 18)³.
12. Exploring mechanisms such as **redistributive** and **degressive payments** as well as **capping** of direct payments was supported by a considerable number of Member States, many of which stressed that such mechanisms should remain voluntary, leaving discretion to Member States to adopt them within their national strategies.
13. Many Ministers emphasised the importance of **voluntary coupled support** (VCS) as an efficient tool to support sensitive sectors and regions in difficulty, in particular in the light of increasingly open markets and the conclusion of a series of free trade agreements. Some Ministers supported the maintenance of voluntary coupled support or its extension to further sectors and purposes, while others called for care to be taken to avoid any risk of distorting competition. This topic became of high relevance in the process of drafting conclusions on the Commission's Communication, particularly with regard to the potential distortions of the level playing field reported by some Member States and the need to avoid extending VCS to support measures falling under the amber box of the World Trade Organisation's (WTO) agreement on agriculture. After several drafting proposals discussed by delegations, a dedicated paragraph was included in the Presidency conclusions that was acceptable for all Member States (paragraph 20)⁴.

³ "[The Council of the European Union] [...] STRESSES the importance of providing the necessary flexibility to Member States to take into consideration national specificities and needs, in particular of a voluntary approach to targeting mechanisms".

⁴ "[The Council of the European Union] RECALLS that, following successive CAP reforms, the overwhelming volume of CAP support is decoupled. RECOGNISES the importance of current voluntary coupled support (VCS), in the form of area- or animal-related payments, for many Member States for vulnerable sectors and types of farming, consistent with the EU commitments under the WTO Agreement on Agriculture. RECALLS its



14. An exchange of views on the more technical aspects concerning pillar I took place at the SCA on 5 February, amongst others on the Single Area Payment Scheme (SAPS) and the Basic Payment Scheme (BPS). The SAPS is currently available only to more recent Member States, as a transitional option, the default decoupled area-based payment scheme being the BPS. SAPS was acknowledged by some Member States as a simple and fair mechanism: for that reason, they advocated for Member States applying SAPS to be allowed to continue doing so and for those applying the BPS to be allowed to switch, on a voluntary basis. The Presidency conclusions make it clear that decoupled area-based payment schemes should continue to be available to all Member States (paragraph 21)⁵.
15. Within the SCA delegations also expressed their positions on **risk management**, backing the Commission's suggestion to increase farmers' understanding and knowledge on the different risk management instruments and to create a permanent EU-level platform on risk management. On **market measures**, while delegations considered the Omnibus Regulation to be a major achievement, there was wide support for further improving the Common Market Organisation (CMO) and, in particular, strengthening farmers' position in the food chain. With regard to **crisis management**, there was wide support for reviewing the functioning of the crisis reserve, for instance by ensuring its autonomous financing on a multi-annual basis. As far as the new delivery model was concerned, the Commission's suggestion to include operational programmes for fruit and vegetables, wine and apiculture in CAP Strategic Plans was largely supported.

External convergence of direct payments

16. External convergence⁶ of direct payments proved to be the most contentious issue among Member States. On this topic, the Commission Communication recalls "*the principles of 'Equality between its Members, big or small, East or West, North or South'*" and states that the CAP "*should reduce differences between Member States in CAP support*". It also specifies that, "*even if the wide diversity of relative costs of labour and land as well as the different agronomic potentials across the EU should be acknowledged, all EU farmers face similar challenges*". This topic emerged at the 29 January Council, when some delegations, in the

commitment to CAP market orientation and STRESSES the importance of not distorting market and trade in any specific sector".

⁵ "[The Council of the European Union] STRESSES that, in order to simplify direct payment provisions and facilitate generational renewal in agriculture, as well as to take account of different national conditions, decoupled area-based payment schemes (currently the Single Area Payment Scheme and the Basic Payment Scheme) should continue to be available to all Member States, including the option not to use payment entitlements".

⁶ External convergence was introduced by the 2013 reform of the CAP. It refers to the process of approaching the level of direct payments per hectare among Member States through a progressive adjustment of the national envelopes. In 2013 it was agreed that all Member States would reach a minimum level of direct payments of 196€ per hectare by 2020.



context of emphasising the need for the CAP to ensure equal treatment and fair competition among farmers, referred specifically to the convergence of direct payments among Member States.

17. The principle of equality between Member States, recalled also by Commissioner Hogan, was debated in relation to the distribution of direct payments at the 19 February Council. Some Ministers called for a stronger or even full convergence of the level of direct payments per hectare, stressing that farmers have to respect the same obligations in all Member States. Other Ministers rejected this option, highlighting divergences that exist between Member States in a number of areas (e.g. production costs, income gap between farmers and non-agricultural workers, commitments for climate change mitigation, etc.). Member States' different views were reflected in the Presidency conclusions (paragraph 19)⁷.

Environmental protection and climate action

18. During the 19 February Council, Ministers exchanged their views on environment protection and climate action on the basis of a question proposed by the Bulgarian Presidency and endorsed by the SCA on 12 February. In particular, they discussed the appropriate level of regulation of environmental measures to ensure the proposed result orientation and contribution to common environmental objectives, while ensuring a level playing field in the internal market and a high level of environmental ambition. Commissioner Hogan stressed the societal role of agriculture and called for a higher level of environmental ambition.
19. Ministers highlighted farmers' current contribution to environmental protection and the mitigation of climate change. They called for a **higher level of environmental ambition** for the CAP through common objectives set at EU level, in order to ensure a level-playing field and preserve the internal market. However, they stressed that an increased level of ambition could be attained only if farmers received appropriate incentives and were adequately remunerated for the provision of public goods, including preserving landscapes and biodiversity, protecting water and air quality and the mitigation of and adaptation to climate change.
20. Ministers shared the view that the environmental and climate measures envisaged under the second pillar should remain voluntary and advocated greater **flexibility** in the design of such measures, which should be tailored to local specificities and the needs of their country/regions. They also stressed the synergy and the complementarity between the interventions funded by both pillars, avoiding duplications. This particularly concerns the

⁷ "[The Council of the European Union] RECOGNISES the different views of Member States on the subject of external convergence of direct payments. ACKNOWLEDGES that further discussions will be needed in the framework of the negotiations on the MFF package".



proposed new "green architecture", which is planned to replace the existing one with a two-layer structure: *i) mandatory* "enhanced conditionality" under pillar I; *ii) voluntary* measures under pillar II and possibly "eco-schemes" funded under pillar I. The Presidency conclusions (paragraph 26) also reflect the need, expressed by some Member States both in the Council and in the SCA, to receive "further information and clarifications from the Commission on the proposed new conditionality" (see also point 30 below).

21. Most Ministers supported a **result-oriented** delivery of the policy and called for **simplification** and reduction of administrative burden. In order to achieve that, the complexity of the current "green architecture" of the CAP should be significantly reduced. With specific regard to "enhanced conditionality", which would merge cross-compliance and greening, Ministers called for the current requirements to be revised and streamlined, particularly concerning greening, which proved to be complex and not sufficiently effective, as also noted by the European Court of Auditors in its Special Report no. 21/2017. At the same time, many Member States advocated greater **flexibility** in the design of measures, which should be tailored to local specificities and needs of their country/regions.
22. An exchange of views on the more technical aspects of environmental protection took place in the SCA on 5 February. On that occasion, delegations emphasised the need to set **incentives** to encourage farmers to opt for a higher level of environmental and climate practices. They also addressed the "enhanced conditionality" proposed by the Commission: many agreed in principle with the proposed new conditionality, but also required more clarity on the system of sanctions stemming from it. In particular, they called for non-automatic financial corrections in the event of a mismatch in output targets, which was included in the Presidency conclusions (paragraph 15)⁸. As regards the interplay between the two pillars, many Member States called for complementarity between the environmental interventions funded by pillars I and II, with those envisaged under the second pillar to remain voluntary.

Rural development

23. During the 19 February Council, Ministers exchanged views also on rural development on the basis of a question proposed by the Bulgarian Presidency and endorsed by the SCA on 12 February. In particular, they focused on further modernisation and simplification of the rural development policy in order to contribute to more sustainable rural economies and jobs and growth in rural areas.
24. Ministers emphasised the need to maintain vital and resilient rural areas, in particular by creating jobs, promoting growth and favouring generational renewal in the farming sector.

⁸ "[...] A mismatch on output targets should not lead to automatic financial corrections".



Many Ministers stressed that **rural development** measures should aim at improving the conditions of rural regions as a whole, making them more attractive places to live and offering more opportunities to young people. In this regard, coordination and synergies with other EU policies and other structural funds were important for the integrated development of those areas. At the same time, many Ministers stressed that the design of rural development measures should be left to each Member State, which should be able to rely on its local specificities. Some advocated a better use of financial instruments as a potential support to rural areas, while they emphasised the positive results achieved with the LEADER approach and suggested to continue it.

25. Most Member States pointed to the complexity of current Rural Development Programmes, calling for **simpler programming** in the future and the timely approval of the proposed CAP Strategic Plans by the Commission. There were also calls for EU rules related to rural development policy to be simplified and relevant legislation be approved in time to allow Member States to prepare their programming documents without delay. These specific concerns were reflected in paragraph 35 of the Presidency conclusions⁹.
26. Many Ministers agreed on the crucial need to stimulate **generational renewal** in the agricultural sector by improving the current instruments available under both pillars of the CAP and enhancing their complementarity with other EU and national measures, as mirrored in Presidency conclusions (paragraph 31)¹⁰.

Research and Innovation

27. Research and Innovation (R&I) was debated in the framework of the CAP reform as the Commission Communication: *i*) calls for enhanced synergies between the CAP and R&I policy; *ii*) underlines the role of technological development and digitalisation to gain resource efficiency and improve the environmental and climate performance of agriculture; *iii*) highlights the benefits of "smart agriculture"; *iv*) calls for farm advisory services to be strengthened within the Agricultural Knowledge and Innovation Systems (AKIS); *v*) points to new "rural value chains", including bio-economy, to offer growth and job potential for rural areas, within the framework of rural development. On the last point, it is worth mentioning

⁹ "[The Council of the European Union] HIGHLIGHTS that, following the lessons learned from the current Rural Development Programmes, the future CAP Strategic Plans should be simpler, avoid overlapping with other programming documents (such as current partnership agreements), rely on less complex and more understandable rules and be approved in a quicker manner to allow for timely implementation. CALLS for a simpler process for amending the CAP Strategic Plans in itinere, as necessary. [...]"

¹⁰ "[The Council of the European Union] NOTES the difficulties that young people face with regard to access to farming and CALLS for the future CAP to address this common challenge as a priority, improving the supporting instruments for generational renewal available under both pillars and their complementarity with other EU and national measures".



that several Member States highlighted the role of bio-economy in improving life in rural areas, which was thus reflected in the Presidency conclusions (paragraph 29)¹¹.

28. At the SCA on 12 March 2018, particularly in relation to the new delivery model proposed by the Commission, delegations discussed the need to ensure the uptake of innovation, digital transformation and knowledge transfer in the agricultural sector and in the CAP's control and monitoring system. Most of them stressed the need to guarantee that R&I was properly addressed in the future CAP, but some highlighted that new technology was expensive for farmers, thus calling for appropriate public investments in research and for facilitating producer organisations. Many praised the European Innovation Partnership (EIP) and recognised that modern technologies offered great opportunities to reduce administrative burden and related costs. Some pointed to satellite data as possible means to simplify monitoring and controls, which in general should be reduced, as also pointed out in the Presidency conclusions (paragraph 16)¹².

State aid

29. Although the Communication does not contain any reference to state aid issues, at the SCA on 5 March the Commission provided explanations to delegations on the topic. In this regard, the Commission explained that the proposed new delivery model could give greater flexibility to Member States and reduce the detail of state aid rules set by the EU, in particular as regards the agricultural specific guidelines. The Commission also emphasized that, with the exception based on Art. 42 of the TFUE (agricultural products or production), the need for state aid clearance set out in Article 107 of the Treaty cannot be expected to change in the future CAP. However, derogations on the basis of Art. 42 TFUE would be envisaged under the CAP Strategic Plan for Direct payments, Rural development measures related to agricultural products and production, and certain programmes that are currently part of the COM Regulation.
30. In the ensuing discussion Member States highlighted the importance of continuing with, extending, and possibly further simplifying the "one-window approach" concerning state aid clearance of rural development measures for non-Annex I products, including forestry. The Commission concurred that that approach had worked well in the past and showed openness in that regard. The idea was reflected in paragraph 35 of the Presidency conclusions: "*[The Council of the European Union] INSISTS on the positive experience of the "one-window*

¹¹ "*[The Council of the European Union] RECOGNISES the particular challenges rural areas are facing and EMPHASISES the need to keep them vital and resilient, in particular by creating jobs, promoting growth, favouring generational renewal in the farming sector and further developing the bioeconomy and the circular economy*".

¹² "*[The Council of the European Union] [...] INSISTS on the reduction of controls, which should be based on risk analysis, further relying on the use of new technology, including satellite images*".



approach" regarding state aid to be continued and extended". The Commission also committed itself to further exploring other procedural aspects such as parallel assessments of state aid notifications and CAP Strategic Plans and the possible extension of the scope of block exemptions, which was welcomed by delegations.

The thematic debates culminated in adoption of Presidency Conclusions on the Communication on "The Future of Food and Farming" on 19.3 (see the complete text in the annex).

V. Deliberations on the CAP legislative package

The Commission published its legislative proposals on the future of the CAP on 1 June 2018. The Bulgarian Presidency organized a comprehensive horizontal exchange of views on the legislative package at the SCA meetings on 4 and 11 June and started the technical examination of the Impact Assessment and of the proposed Regulation on CAP Strategic Plans at the meetings of the Working Party of Horizontal Agricultural Questions on 15 and 20 June. The first public debate of the CAP legislative package took place at the AGRIFISH meeting on 18 June. The main first reactions from the Member States can be summarized as follows:

- Simplification

Member States' expectations generated by the Commission Communication on "The Future of Food and Farming" were very high. This became clear in the political debate and was also underlined in the Presidency conclusions. However, the legislative proposals are considered by many Member States as not delivering in a satisfactory manner in this regard. The rules seem to remain very complex, the procedures burdensome and the obligatory elements still prevail over the voluntary ones.

- Subsidiarity

During the political debate and in the Presidency conclusions, many Member States called for a greater level of flexibility as announced in the Commission's Communication. However, many delegations expressed the view that the legislative proposals do not grant sufficient leeway to Member States to take into account their national specificities, thus limiting the potential for a more flexible CAP design and implementation.

- New delivery model and CAP strategic plans

Member States agreed in principle with the new delivery model and welcomed the switch from a compliance- to a performance-oriented model; nevertheless, they were not entirely convinced that the CAP Strategic Plans, as presented in the legislative proposals, are designed in such a way to achieve this switch, since the rules for their design, approval, implementation and monitoring are considered by many Member States as extremely complicated. Delegations regretted that the change to the new result-orientation system is not accompanied by transitional measures and



assistance, and expressed concerns that the administrative burden for national administration and for farmers will not decrease.

- Impact Assessment

Member States appreciated the comprehensive analysis undertaken by the Commission that explains in great detail many of the elements included in the legislative proposals and provides a good economic overview. At the same time, some of them highlighted some shortcomings of the analysis related to the following aspects:

- The administrative burden is not examined in detail, in particular the administrative burden for national administration and for beneficiaries;
- It is not clear from the Impact Assessment what the effect of the enhanced environmental ambition on the competitiveness of the farms will be, in particular with regard to international competition;
- The interrelation between the enhanced subsidiarity and the new delivery model is not sufficiently explained, in particular concerning the margin of additional simplification;
- Some fields - such as voluntary coupled support and capping of direct payments - have not been thoroughly analyzed, in particular regarding their long-term structural effects.

- Objectives and indicators

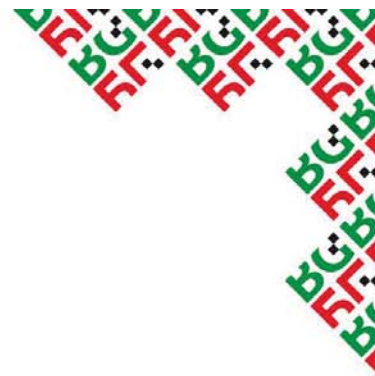
In principle, Member States agreed with the main and the specific objectives laid down in the proposed Regulation on CAP Strategic Plans. Some Member States voiced concerns that the specific objectives are formulated too broadly and they overlap to a certain extent.

Some Member States also voiced concerns that the cross-cutting objective dedicated to simplification is addressed only to them and not to the Commission as well. On this point, the Commission explained that this is due to the switch from a compliance- to a performance-oriented model. Thus, the Commission will not anymore establish the detailed compliance and the eligibility rules for the beneficiaries, but the Member States themselves will be in charge of it and have to ensure real simplification.

With regard to the reporting and monitoring obligations, several Member States emphasized that the data sources are not always available. In addition, annual reporting on many of the result indicators was considered not realistic by some Member States. They pleaded for avoiding double reporting under different pieces of legislation related to different policy areas but serving the same objectives, indicators and targets.

- Conditionality

Member States made very comprehensive and detailed statements on the "horizontal" aspects of the new enhanced conditionality. Many of them considered that their expectations on simpler and



streamlined rules, a greater level of subsidiarity and higher flexibility to take into account national and local needs were not met. Member States' comments voiced at Working Party level included the following:

- Not all conditionality standards should be obligatory;
- The environmental standards should be less in number and more targeted;
- The complex set of conditionality requirements leaves very little space for further going voluntary eco-schemes;
- Some of the Statutory Management Requirements (SMRs) such as animal identification and animal diseases should be deleted;
- Small farms should be excluded from the obligation to meet the conditionality requirements;
- The new tool for farm sustainable management of nutrients is very burdensome and more suitable as a voluntary measure than as an obligatory requirement.

The Bulgarian Presidency closed its term of work on the debate on CAP post-2020 and the legislative package with the organization of an inclusive outreach event with stakeholders, including farmers and environmental non-governmental organizations. This served as a forum to present the key elements of the Commission's legislative proposals on the future of CAP and to exchange views on them, following on the debate during the Bulgarian Presidency.

It was also an opportunity to exchange views at the beginning of the legislative process on important elements of the proposals such as generational renewal, farmers' resilience, market orientation, meeting the environmental ambition and societal expectations, territorial development, innovation and digitalization.

VI. Annex: Presidency Conclusions on the Communication on "The Future of Food and Farming"

THE COUNCIL OF THE EUROPEAN UNION

1. HAVING REGARD to the Communication from the Commission on 'The Future of Food and Farming' (COM(2017) 713 final) adopted on 29 November 2017;
2. WITHOUT PREJUDGING the negotiations on the next Multiannual Financial Framework (MFF) and pending further information on the Commission proposal for the future Common Agricultural Policy (CAP);



3. RECALLING the added value of the CAP for farmers, citizens and society as a whole, and its key role in providing safe, high-quality food in sufficient quantities, contributing to a fair standard of living for farmers, protecting the environment, mitigating and adapting to climate change, promoting animal welfare, creating jobs and growth, keeping rural areas strong and sustainable, and maintaining agricultural production throughout the EU, in particular in areas with natural constraints or other specific constraints;
4. ACKNOWLEDGING the important role of direct payments in providing income support, remunerating farmers for the provision of public goods and services, supporting agricultural activity in all parts of the EU and contributing to the protection of the environment and the development of rural economies;
5. ACKNOWLEDGING that EU market support contributes to counter-balancing high price volatility and reducing the impact on vulnerable agricultural markets of external factors. STRESSING the importance of continued market orientation;
6. RECOGNISING that rural development provides a pivotal contribution to the life and resilience of rural areas and farming and boosts their vitality by creating growth, innovation and employment opportunities and facilitating young people's access to farming. RECALLING the principles and goals set out in the Cork 2.0 Declaration "A better life in rural areas", adopted in September 2016;

Enhancing the CAP's added value to deliver on new challenges

7. CONSIDERS that, in spite of its merits, the CAP should be further improved by strengthening the EU added value and by making the policy greener, simpler and more result-driven;
8. STRESSES the importance of a trust-based partnership with farmers and the need for farmers to remain at the centre of the policy in order to successfully deliver on enhanced policy objectives;
9. RECALLS the CAP's objectives as set out in Article 39 of the Treaty on the Functioning of the European Union (TFEU), which are still valid and relevant: *i*) increasing agricultural productivity; *ii*) ensuring a fair standard of living for the agricultural community; *iii*) stabilising



markets; iv) assuring the availability of supplies and v) ensuring reasonable prices for consumers;

10. HIGHLIGHTS the need for the CAP to contribute to the Union's international obligations and commitments, such as the COP21 Paris Agreement and the UN 2030 Agenda for Sustainable Development. STRESSES the CAP's role in meeting citizens' expectations and its contribution to the objectives of other relevant EU policies, in particular jobs and growth, environment, climate change, biodiversity, health and nutrition, animal and plant diseases, and animal welfare. On these grounds, SHARES the three main objectives for the future CAP identified in the Commission's Communication;
11. HIGHLIGHTS the added value of the CAP and its ambitious objectives related to the provision of public goods, particularly in relation to environmental protection and climate change. ACKNOWLEDGES the need for discussions in the context of the MFF negotiations to address an adequate level of support for the future CAP.

Empowering Member States to take decisions fitting local needs and specificities

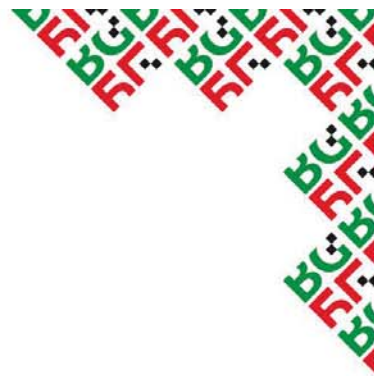
12. ENDORSES the view that Member States should enjoy more subsidiarity and flexibility to take account of their national and regional specificities and to contribute to a more efficient delivery of the policy;
13. While in principle sharing the result-oriented approach of the proposed "new delivery model", pending further information from the Commission, NOTES that there is a potential risk of fragmentation of the CAP. Therefore, CALLS on the Commission to continue ensuring a level playing field among Member States and the integrity of the internal market through basic common rules at EU level;
14. STRESSES that a new delivery model should bring substantial and tangible simplification and reduction of administrative burden for both beneficiaries and national/regional administrations. To this end, CALLS for simple CAP Strategic Plans, allowing flexibility in their design and subsequent amendments, taking into account the division of competences within each Member State, and for secondary legislation not to undermine the subsidiarity approach and the simplification goal;



15. HIGHLIGHTS that the CAP indicators should be simple, realistic, easily quantifiable, controllable and applicable to local realities. They should be directly linked to the defined CAP objectives and aligned with indicators and their definitions used in other relevant policies, with the aim of streamlining Member States' reporting obligations. A mismatch on output targets should not lead to automatic financial corrections;
16. HIGHLIGHTS that the audit and control systems should be based on the principles of proportionality, simplification and single audit, focusing on achieving policy results. INSISTS on the reduction of controls, which should be based on risk analysis, further relying on the use of new technology, including satellite images;
17. CALLS for the possibility for Member States to transfer funds between pillars.

Strengthening the resilience of the agricultural sector

18. TAKES NOTE of the Commission's intention to explore instruments to make direct payments more targeted. STRESSES the importance of providing the necessary flexibility to Member States to take into consideration national specificities and needs, in particular of a voluntary approach to targeting mechanisms;
19. RECOGNISES the different views of Member States on the subject of external convergence of direct payments. ACKNOWLEDGES that further discussions will be needed in the framework of the negotiations on the MFF package;
20. RECALLS that, following successive CAP reforms, the overwhelming volume of CAP support is decoupled. RECOGNISES the importance of current voluntary coupled support (VCS), in the form of area- or animal-related payments, for many Member States for vulnerable sectors and types of farming, consistent with the EU commitments under the WTO Agreement on Agriculture. RECALLS its commitment to CAP market orientation and STRESSES the importance of not distorting market and trade in any specific sector;
21. STRESSES that, in order to simplify direct payment provisions and facilitate generational renewal in agriculture, as well as to take account of different national conditions, decoupled area-based payment schemes (currently the Single Area Payment Scheme and the Basic



Payment Scheme) should continue to be available to all Member States, including the option not to use payment entitlements;

22. RETAINS the role of the Common Market Organisation as a safety net and with regard to market and crisis measures. CONSIDERS that measures could be explored in this regard, including the development of programmes for other sectors on a voluntary basis, increased market transparency and reinforcement of producer cooperation, in particular through producer and interbranch organisations. NOTES the Commission's commitment to reflect on how to strengthen farmers' position in the food supply chain;
23. NOTES that the agricultural crisis reserve introduced in 2013 has not been used and CONSIDERS that reflection is needed on how to improve its design and efficiency, including exploring the possibility of a multiannual approach.

Fostering CAP's contribution to environmental objectives

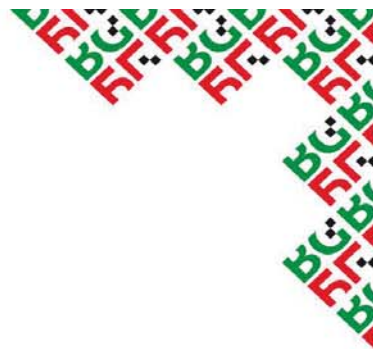
24. While recalling that farmers already contribute to environmental and climate protection, SUPPORTS a higher level of environmental ambition for the CAP in the future, while adequately remunerating farmers for the public goods they provide;
25. AGREES that, while a common level of ambition and environmental objectives should be set at EU level to ensure a level playing field, Member States should enjoy a higher level of subsidiarity and flexibility in the implementation of environmental and climate measures, respecting their territorial characteristics and local needs to design their specific interventions;
26. Subject to further information and clarifications from the Commission on the proposed new conditionality, SUPPORTS the Commission's intention to make the new "green architecture" simple and more efficient and CALLS for the streamlining of the current requirements in relation to greening and cross-compliance;
27. STRESSES that, in addition to compensating for income forgone and costs incurred, effective incentives should be provided to farmers engaging in more ambitious environmental and climate practices going beyond the mandatory conditions;



28. CALLS for the coordination of environmental and climate interventions under both pillars to be ensured, avoiding overlaps between them and taking into account the different characteristics of the measures under each pillar. Measures under pillar II should remain voluntary as at present.

Improving life in rural areas

29. RECOGNISES the particular challenges rural areas are facing and EMPHASISES the need to keep them vital and resilient, in particular by creating jobs, promoting growth, favouring generational renewal in the farming sector and further developing the bioeconomy and the circular economy;
30. SUPPORTS the development of rural areas in an integrated manner, through a wide range of actions (investments, connectivity and broadband, basic services, preservation of life and nature, forestry, renewal of villages, digitalisation, etc.), making them more attractive places to live and prosper; POINTS TO enhancing synergies with other relevant policy areas and EU funds, in particular the European Structural and Investment Funds and the European Fund for Strategic Investments (EFSI), to optimise the impact on rural development;
31. NOTES the difficulties that young people face with regard to access to farming and CALLS for the future CAP to address this common challenge as a priority, improving the supporting instruments for generational renewal available under both pillars and their complementarity with other EU and national measures;
32. UNDERLINES the importance of fostering innovation and knowledge sharing in the farming sector, as well as transferring research results into farming practice;
33. EMPHASISES the positive experience of the LEADER approach and the importance of continuing it;
34. While recognising the importance of non-refundable grants, CALLS for further efforts to facilitate the implementation of financial instruments, on a voluntary basis, in order to increase the potential of raising further private capital for investments in rural areas;



35. HIGHLIGHTS that, following the lessons learned from the current Rural Development Programmes, the future CAP Strategic Plans should be simpler, avoid overlapping with other programming documents (such as current partnership agreements), rely on less complex and more understandable rules and be approved in a quicker manner to allow for timely implementation. CALLS for a simpler process for amending the CAP Strategic Plans *in itinere*, as necessary. INSISTS on the positive experience of the "one-window approach" regarding state aid to be continued and extended;
36. WELCOMES the Commission's efforts to optimise the use of the existing risk management tools and INVITES it to explore further voluntary measures and to reflect on better coordination with existing national measures.

Looking forward

37. INVITES the Commission to set up appropriate and functional mechanisms and procedures to ensure the timely approval of the future CAP Strategic Plans and to avoid delays and disruption in the disbursement of payments to farmers;
38. CALLS on the Commission to support Member States, in a partnership-based approach, in the process of designing and adapting CAP Strategic plans and in their implementation;
39. LOOKS FORWARD to receiving the Commission's legislative proposals in order to allow the co-legislators sufficient time for examination and negotiations;
40. STRESSES the need to foresee a sufficiently long transitional period for Member States to adapt to the new CAP delivery model. In this regard, CALLS upon the Commission to provide Member States with the necessary assistance.