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Subject: Post-2020 CAP reform package

a) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council

b) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013

c) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands

- Presidency paper on the state of play

In preparation for the "Agriculture and Fisheries" Council on 14-15 October 2019, delegations will find in the Annex a Presidency paper on the state of play of the abovementioned subject, including a question to steer the ministerial debate.

Delegations will be requested, at the Special Committee on Agriculture on 7 October 2019, to endorse the question and share their preliminary views on it, without prejudice to the Council debate.

STATE OF PLAY WITH THE CAP REFORM

Mid-term through the Finnish Presidency, we would like to take stock of the current situation of the CAP reform package and identify the topics that, in the Presidency's understanding, would require further work. The purpose of this paper is to describe the state of play with each of the CAP Regulations and outline the steps ahead for the coming months.

Substantial progress has been made during both the Austrian and Romanian Presidencies, and many discussions have taken place in the Council and its preparatory bodies since the proposal have been submitted under the Bulgarian Presidency. Building on that work, the Finnish Presidency is continuing to pursue both the technical and the political discussions on the three Regulations. The work done so far and the outstanding issues are summarised in the annex.

The Presidency's intention is to pursue the technical discussion on the elements listed in the annex and use the two forthcoming 'Agriculture and Fisheries Council' meetings in November and December to discuss the higher environmental ambition of the CAP and the New Delivery Model.

Furthermore, the Presidency intends to present updated drafting suggestions on all three Regulations by early December.

In view of the progress described in the annex and taking into account that some of the issues will require further discussion at technical and political level, while also the outcome of the MFF is still uncertain, the Council is invited to express its opinion on the following question:

Which are the crucial elements of the CAP reform proposals that in the Ministers' opinion require further discussion?

INTRODUCTION

The proposal for a reform of the Common Agricultural Policy (CAP) consists of the following three Regulations:

- a Regulation on CAP Strategic Plans, which is the core element of the reform package; it sets rules for direct payments, sectoral interventions and rural development, and provides for a switch to a new performance-based delivery model (“**Strategic Plans Regulation**”);
- a Regulation on the financing, management and monitoring of the CAP (“**Horizontal Regulation**”);
- a Regulation which amends and updates Regulations (EU) No 1308/2013 on common market organisation of agricultural products (CMO), (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on aromatized wine products, (EU) No 228/2013 on the outermost regions and (EU) No 229/2013 on the smaller Aegean islands (“**Amending regulation**”).

STATE OF PLAY WITH THE REGULATION ON CAP STRATEGIC PLANS

Since the beginning of July, the Finnish Presidency has organised four meetings of the Working Party on Horizontal Agricultural Questions (WP HAQ) covering in total seven working days to further develop the proposal on the basis of delegations' views expressed both during the meetings and in the form of written comments. Based on Presidency discussion papers and Commission working documents, exchanges of views on specific elements of the proposal have been held. Each of these elements is described below.

Environmental and climate-related aspects

At the ‘Agriculture and Fisheries’ Council on 15 July 2019, Ministers exchanged views on the environmental and climate-related aspects of the post-2020 CAP on the basis of a Presidency discussion paper (10622/19). Ministers were asked to express their views on the most essential elements of the Commission proposal and to reflect on possible improvements necessary to achieve the desired higher level of environmental and climate ambition.

As in the past, many delegations expressed their support in principle for the **higher level of environmental and climate ambition** of the future CAP proposed by the Commission. However, delegations highlighted that it was important to secure adequate funding for the CAP to match that increased ambition, reduce the administrative burden for both farmers and authorities and allow Member States to take account of local needs in the implementation of the environmental and climate-related requirements. Other reactions related to the individual standards of the conditionality system, which are subject to further technical work, and the need to ensure simple and understandable provisions for both farmers and national/local authorities. In addition, the discussions of the Informal meeting of Agricultural Ministers focused on reshaping farmers’ role in climate action and, particularly, in soil carbon sequestration.

The Presidency aims to continue the discussion on environmental and climate related aspects of the CAP in the meetings of the Special Committee on Agriculture (SCA) in November. The Working Party on Horizontal Agricultural Questions (WP HAQ) has already discussed eco-schemes, conditionality and related control and sanctions, the scope of the 30% ring-fencing under EAFRD, as well as the treatment of small farmers under conditionality. This topic will also be on the agenda of the ‘Agriculture and Fisheries’ Council on 18 November 2019.

Financial flexibility in direct payments

Based on Member States' written comments and the discussion in the “Agriculture and Fisheries” Council, the Presidency invited the WP HAQ and the SCA to discuss **financial flexibility in direct payments**. This topic seems to be amongst the main priorities for delegations to make the new delivery model work. Member States’ main concerns have been: i) the difficulty of planning in advance the funds to be reserved for eco-schemes and for the young farmers scheme; ii) the need to ensure that an under-/over-execution of those schemes would not result in a loss of funds for the Member State concerned.

The Presidency suggested to ensure the desired flexibility by allowing Member States to fix **maximum and minimum unit amounts** (12045/19). This would extend the concept of maximum amount/variation in Article 89(1) of the CAP Strategic Plans Regulation by allowing the realised unit amount to be not only *higher*, but also *lower* than the planned unit amount in a given year, within the limits of the minimum/maximum justified in the Plan. The suggested change would make it possible to lower the unit amounts planned for direct payments interventions to the minimum set in the Plan and use the freed funds for other interventions where more funds would be needed.

During the discussion at the SCA on 16 September, Member States welcomed the suggested flexibility, which they considered to go into the right direction. However, some Member States requested the possibility to widen its scope to non-area -based interventions such as sectoral types of interventions, investments etc. Some Member States also called for sufficient funding for eco-schemes to be maintained and requested further work on how to avoid unspent funds in the event of a lower than planned uptake of the abovementioned schemes.

Sectoral types of interventions

The SCA on 16 September discussed Presidency drafting suggestions on sectoral types of interventions, mainly on the scope and forms of cooperation of the ‘**other sectors**’ to be covered by Union support. The Presidency suggested in particular to introduce a new Annex [x], which would contain the list of eligible products on the basis of an equivalent list of products set out in Regulation (EU) No 1308/2013 (i.e. the current "CMO Regulation", from which sectoral interventions would be substantially "migrated" to the Strategic Plans Regulation).

A majority of Member States considered that the list of products in the suggested Annex should be a closed one, not least for reasons of legal certainty. Regarding the **forms of cooperation**, the Presidency kept the idea of the Romanian Presidency to provide for wider possibilities for cooperation: therefore, support would be provided not only to recognised producer associations or associations of producer organisations, but also to other forms of cooperation depending on the specific needs of each Member State. The Presidency also suggested some technical fine-tuning of Articles relating to the sectoral types of intervention.

The Presidency sees the **environmental and climate objectives** of the operational programmes as a part of the overall environmental and climate ambition of the CAP and will therefore come back to the issue in November, when environmental and climate related aspects are on the agenda.

Definitions

With a view to finding a compromise in relation to the definitions and related conditions, the Presidency suggested modifications both for Articles 3 and 4, although those in Article 3 consisted in purely technical clarifications.

The discussion at the SCA on 23 September (12268/19) focused particularly on the definitions of “eligible hectare” and “genuine farmer”. With regard to “**eligible hectare**”, the drafting suggestions aimed to better take into account the environmental and climate ambition of the policy. Member States welcomed the proposed drafting suggestions, although many delegations considered that further technical work was still needed.

Concerning “**genuine farmer**”, the Presidency suggested to keep a voluntary application of this definition and submitted two alternatives to Member States’ consideration. The majority of delegations preferred option 1 that provides more flexibility for Member States by allowing them to define "genuine farmers" according to "objective and non-discriminatory criteria", without any specific reference to the significance of agricultural activity *vis-à-vis* the overall economic activities of the farmer.

Rural Development

The Presidency presented its drafting suggestions on the types of interventions for rural development to the WP HAQ on 25 September.

Member States welcomed most of the drafting suggestions. However, especially Article 68 on **investments** still needs further consideration. Member States' views diverged in particular in relation to: i) how to define limited exceptions for the use of financial instruments for the purchase of land; ii) at which level to set a maximum rate of support for productive investments.

Farm Advisory Services

On 25 September, the WP HAQ discussed Farm Advisory Services, and the Presidency presented some drafting suggestions for Member States’ consideration.

The discussion focused particularly on how to describe the required content of the Farm Sustainability Tool for Nutrients (FaST) in Article 13. Some Member States also expressed their preference to use their existing national tools as a substitute for the FaST. In the Presidency's view, the main objective should be the development of a tool that is easy to use and, together with good advisory services, helps farmers to improve their nutrient balance.

As further technical work is still needed, the Presidency asked the Commission to organise an expert workshop, where Member States and the Commission can exchange information on preparing the relevant digital tools.

The New Delivery Model (NDM)

Member States have discussed this issue in the "Agriculture and Fisheries" Council and its preparatory bodies since the Austrian Presidency, and the Commission has provided many clarifications and explanations both orally and in writing. Building on the substantial progress made under the previous Presidencies, delegations further debated some of the elements of this model - namely the indicators, unit amounts for non-area-/animal-based interventions, the frequency of milestones (with a preference for biennial milestones, as proposed by the Romanian Presidency) and of the performance review, and the information to be provided in the Annual Performance Report.

Since the shift to the new performance-based policy is a substantial one, it requires careful consideration so that Member States, farmers and other beneficiaries can take full advantage of the simplification opportunities that this change could bring in practice.

Therefore, the Presidency will continue the discussion both at the SCA and the Council levels and will present drafting suggestions on how to make the NDM practical and easier to implement in the Member States.

STATE OF PLAY IN THE HORIZONTAL REGULATION

Since the beginning of July, the Presidency has organised three meetings of the Working Party on Financial Agricultural Questions (WP AGRIFIN) to discuss and develop the proposal further. Based on the discussion, the Presidency sees the Horizontal Regulation as broadly stable concerning other questions but those related to the CAP Strategic Plans Regulation.

In order to make the functioning of the NDM clearer, the Commission has provided further presentations and the WP AGRIFIN has discussed the NDM from the Horizontal Regulation point of view. The Presidency will consider amendments to the NDM related Articles of the Horizontal Regulation if the developments in the Strategic Plan Regulation so require.

The WP AGRIFIN has also discussed the Single Audit principle and the checks by the Commission in the Member States (Articles 46-47).

The scrutiny of transactions (Articles 74-83) is an area where Member States have still differing views on the level of control to be maintained in the basic act, despite simplification already achieved by the drafting suggestions of Austrian and Romanian Presidencies. The Presidency has presented some drafting suggestions for Member States' consideration to simplify the provisions even further.

STATE OF PLAY IN THE AMENDING REGULATION

After the comprehensive work during the Austrian and the Romanian Presidencies, the Presidency considers that the text of the Amending Regulation is broadly stable.

The Presidency will continue the technical consideration of the Amending Regulation in order to make the text even more precise from the legal point of view. The Presidency is, in particular, intending to further discuss technical details of wine labeling at the Working Party on Agricultural Products on 25 October.

