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NOTE

From: General Secretariat of the Council

To: Delegations

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Subject: Regulation on CAP Strategic Plans

- *Presidency drafting suggestions on direct payments articles*

Delegations will find in the Annex Presidency drafting suggestions on direct payments articles for an exchange of views at the Special Committee on Agriculture on 12 November 2019.

Changes marked in yellow are compared to the last Romanian Presidency drafting suggestions published as 10103/19 REV 1.

Further changes compared to the latest drafting suggestions proposed to delegations in previous meetings are contained in Article 26(2a), 26(3) and 27(2-3).

PRESIDENCY DRAFTING SUGGESTIONS ON DIRECT PAYMENTS ARTICLES

During the Finnish Presidency, the Articles related to direct payments have been discussed in the Working Party on Horizontal Agricultural Questions. Most of the Articles are deemed quite stable and for those there is no need for further discussion.

Member States seem to be fairly satisfied with the current formulations regarding *Basic income support for sustainability* (Articles 17 – 24), *Payment for small farmers* (Article 25) and *Crop-specific payment for cotton* (Articles 34 – 38). Therefore, the Presidency is not suggesting any changes to these articles.

The opinions of Member States regarding *Coupled income support* (Articles 29 – 33) are more divided. Some Member States would like to extend its scope to further sectors and increase the maximum allocation of funds, while other Member States would like to keep the *status quo* or gradually phase out the support system. The Presidency considers that the current text constitutes a balanced compromise between these two views.

Drafting proposals regarding *the schemes for the climate and the environment* (eco-schemes, Article 28) are presented in a separate paper (*Presidency drafting suggestions on environmental and climate-related aspects of the CAP*).

Article 26 - Complementary redistributive income support for sustainability

The Presidency is suggesting a new drafting of paragraph 2a to clarify that Member States have the possibility to pay redistributive payments only to farms smaller than a limit set by the Member State concerned. This limit may be based either on the number of hectares or on economic size of the farm. A clarification on paragraph 3 as regards regional level application of the redistributive payment has also been made.

Article 27 - Complementary income support for young farmers

The Presidency is suggesting a new drafting of paragraph 3 to clarify that Member States may decide to grant the support under this Article only to a maximum number of hectares per young farmer. The wording in the second subparagraph of paragraph 2 is changed in order to clarify the conditions under which Member States may grant support under this Article for young farmers who received support under Article 50 of Regulation (EU) No 1307/2013 for the remainder of the period mentioned in that Article.

In addition, minor drafting changes have been introduced to Articles 15a, 25, 32 and 33. The Presidency would like to have a confirmation from the SCA that these drafting suggestions are acceptable for delegations.

PRESIDENCY DRAFTING SUGGESTIONS FOR THE

Proposal for a

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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

Article 15a

Minimum requirements

1. Member States shall set a minimum area and not grant direct payments to farmers whose eligible area of the holding for which direct payments are claimed is lower than this minimum area.

Alternatively, Member States may set a minimum amount of direct payments that may be paid to a farmer.

Where a Member State has decided to set a minimum area in accordance with the first sub-paragraph, it shall nevertheless set a minimum amount in accordance with the second sub-paragraph for those farmers receiving an animal-related coupled support who hold fewer hectares than that minimum area.

When setting the minimum area or minimum amount, Member States shall aim at ensuring that direct payments may only be granted to farmers if:

- (a) the management of the corresponding payments does not cause excessive administrative burden, and**
- (b) the corresponding amounts make an effective contribution to the objectives set out in Article 6 to which direct payments contribute.**

2. The Member State concerned may decide not to apply this Article to the smaller Aegean Islands.

Article 25

~~Round sum p~~Payment for small farmers

Member States may grant payments to small farmers as defined by Member States by way of a ~~round-lump~~ **sum or an amount per hectare, up to a limit of hectares to be fixed by Member States,** replacing direct payments under this Section and Section 3 of this Chapter. Member States shall design the corresponding intervention in the CAP Strategic Plan as optional for the farmers.

Member States may decide to set different lump sums or amounts per hectare linked to different area thresholds!

Article 26

Complementary redistributive income support for sustainability

1. Member States ~~shall~~ **may** provide for a complementary redistributive income support for sustainability ('redistributive income support') under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. Member States **implementing the redistributive income support** shall ensure redistribution of support **direct payments** from ~~bigger~~ **larger** to smaller or medium-sized ~~farms~~ **holdings** by providing for a redistributive income support in the form of an annual decoupled payment per eligible hectare to farmers who are entitled to a payment under the basic income support referred to in Article 17.

2a. For the purpose of paragraph 2, Member States may exclude from payments under this Article farmers whose eligible hectares or economic size exceed maximum thresholds set by the Member State concerned.

3. Member States **implementing the redistributive income support** shall establish **at national or regional level, which may be the groups of territories defined in accordance with Article 18(2)**, an amount per hectare or different amounts for different ranges of hectares, as well as the maximum number of hectares per farmer for which the redistributive income support shall be paid.
4. The amount per hectare planned for a given claim year shall not exceed the national average amount of direct payments per hectare for that claim year.
5. The national average amount of direct payments per hectare is defined as the ratio of the national ceiling for direct payments for a given claim year as laid down in Annex IV and the total planned outputs for the basic income support for that claim year, expressed in number of hectares.

Article 27

Complementary income support for young farmers

1. Member States may provide for complementary income support for young farmers under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

2. As part of their obligations to contribute to the specific objective 'attract young farmers and facilitate business development in rural areas' set out in point (g) of Article 6(1) and to dedicate **to this objective in accordance with Article 86(4) a minimum amount, as referred to in Annex X** at least 2% of their allocations for direct payments to this objective in accordance with Article 86(4), Member States may provide a complementary income support for young farmers who have newly set up for the first time and who are entitled to a payment under the basic income support as referred to in Article 17.

Member States may decide to grant the support under this Article to farmers who have received support under Article 50 of Regulation (EU) No 1307/2013 for the remainder of the period referred to in paragraph 5 of that Article.

3. The complementary income support for young farmers shall take the form of an annual decoupled payment per eligible hectare **or of a lump sum. Member States may decide to grant the support under this Article only to a maximum number of hectares per young farmer.**

Article 32

Measures to avoid beneficiaries of coupled income support suffering from structural market imbalances in a sector **Delegated powers**

The Commission is empowered to adopt delegated acts in accordance with Article 138 supplementing this Regulation as regards measures in order to avoid beneficiaries of coupled income support suffering from structural market imbalances in a sector. Those delegated acts may allow Member States to decide that coupled income support may continue to be paid until 2027 on the basis of the production units for which such support was granted in a past reference period.

Article 33

Implementation of the Memorandum of Understanding ~~between the European Economic Community and the United States of America~~ on oilseeds

1. Where the coupled income support intervention concerns some or all of the oilseeds referred to in the Annex to the Memorandum of Understanding between the European Economic Community and the United States of America on oilseeds¹, the total of the support area based upon the planned outputs included in the CAP Strategic Plans of the Member States concerned shall not exceed the maximum support area for the whole Union for the purpose of ensuring compliance with its international commitments.

At the latest 6 months following the entry into force of this Regulation, the Commission shall adopt implementing acts fixing an indicative reference support area for each Member State, calculated on the basis of each Member State's share of the average cultivation area in the Union during the five years preceding the year of entry into force of this Regulation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

2. Each Member State that intends to grant coupled income support for oilseeds concerned by the Memorandum of Understanding referred to in paragraph 1 shall indicate the respective planned outputs in terms of hectares in its CAP Strategic Plan proposal referred to in Article 106(1).

¹ Memorandum of Understanding between the Economic Community and the United States of America on oil seeds under GATT (OJ L147, 18/06/1993).

If following the notification of all planned outputs by Member States the maximum support area for the whole Union is exceeded, the Commission shall calculate for each Member State that notified an excess compared to its reference area, a reduction coefficient that is proportionate to the excess of its planned outputs. This shall result in an adaptation to the maximum support area for the whole Union referred to in the paragraph 1. Each Member State concerned shall be informed about this reduction coefficient in the Commission's observations to the CAP Strategic Plan in accordance with Article 106(3). The reduction coefficient for each Member State shall be set in the implementing act by which the Commission approves its CAP Strategic Plan as referred to in Article 106(6).

The Member States shall not amend their support area on their own initiative after the date referred to in Article 106(1).

3. Where Member States intend to increase their planned outputs referred to in paragraph 1 as approved by the Commission in the CAP Strategic Plans, they shall notify the Commission of the revised planned outputs by means of a request for amendment of the CAP Strategic Plans in accordance with Article 107 before 1 January of the year preceding the claim year concerned.

Where appropriate, in order to avoid that the maximum support area for the whole Union as referred to in the first subparagraph of paragraph 1 is exceeded, the Commission shall revise the reduction coefficients referred to in that paragraph for all Member States that exceeded their reference area in their CAP Strategic Plans.

The Commission shall inform the Member States concerned about the revision of the reduction coefficient at the latest before 1 February of the year preceding the claim year concerned.

Each Member State concerned shall submit a corresponding request for amendment of its CAP Strategic Plan with the revised reduction coefficient referred to in the second subparagraph before 1 April of the year preceding the claim year concerned. The revised reduction coefficient shall be set in the implementing act approving the amendment of the CAP Strategic Plan as referred to in Article 107(8).

4. With regard to the oilseeds concerned by the Memorandum of Understanding referred to in the first subparagraph of paragraph 1, Member States shall inform the Commission of the total number of hectares for which support has been actually paid in the annual performance reports referred to in Article 121.
