

CAP reform: Commission proposes to simplify agricultural state aid rules and facilitate crisis support

Quicker crisis support for farmers and a simplified administration of agricultural state aids - this is the objective of a draft Commission regulation adopted today. The Commission proposes to include compensation for bad weather and animal and plant diseases in the present exemption regulation for state aid in the agriculture sector. This would greatly speed up the implementation of state aid in such situations of crisis for farmers. At the same time, the Commission proposes to significantly simplify the present regulation and encourage better risk management. From 2010 onwards, bad weather aid will only be exempted if the farmer has also taken out insurance against such risk; drought compensation will require implementation of the water framework directive, requiring full recovery of the costs of water services provided to agriculture. Finally, the regulation proposes an innovative system of "calls for interest" for investment aid. Member States shall be obliged to accept projects with lower aid intensities first. Only the remaining budget may be attributed to projects for which higher support has been asked for. This should lead to a better allocation of public support, ideally creating more jobs and growth in rural areas. Following consultation of Member States and stakeholders, the Commission plans to implement this regulation from January 2007.

Commissioner Mariann Fischer Boel, responsible for Agriculture and Rural Development, said: "Exempting from prior authorisation state aid for the effects of bad weather and animal and plant disease would greatly accelerate payment to farmers in situations of real need. We want to encourage farmers to take up bad weather insurance and improve water management – two components of good risk management. Following the two Commission communications on risk management and simplification in agriculture, today's proposal is an example of putting words into action."

Details of the modifications proposed:

Significant extension of the scope:

- The Regulation shall also cover disease and bad weather compensation. This should lead to a significant reduction of notifications – Member States currently notify an average of almost 60 new measures in this field every year.
- The Regulation shall also cover aid for the removal of fallen stock.

Significant simplification:

- Suppression of the requirement of a market outlet test for investment aid;
- Suppression of the limitation of investment aid to capacity increases of 20%;
- Suppression of the current limitations on use of second-hand machinery;
- Suppression of the obligation to verify that farmers receiving investment aid must have the necessary skills, meet all environmental and animal welfare standards etc;
- Replacement of the criterion that investment aid may only go to “viable” enterprises – a term that has never been really defined - by the *exclusion* of aid to companies in difficulties – a term that is well defined in the rescue and restructuring guidelines;
- Change of the support for the start-up of producer groups from degressive payments to a lump sum payment of up to € 400,000.
- Suppression of the overall aid limit of € 100,000 for various types of technical support.
- Suppression of the criterion that service providers used must be chosen through tender procedures. Member States will of course still have to respect public procurement rules.
- Suppression of the documentation and information duty of Member States related to technical support.

Less and better targeted aid:

- For investment aid above 15% aid intensity, a call for interest will be required, with an obligation to give preference to projects requiring less aid.
- From 2010 onwards, aid to compensate for bad weather losses shall only be exempted if the farmer has also taken out insurance for at least 50% of his average annual production.
- For animal and plant diseases, the possibility of introducing cost sharing mechanisms shall be discussed with Member States.
- From 2010 onwards, drought compensation shall only be exempted in Member States that have fully implemented the water framework directive¹ in the farming sector and ensure full recovery of the costs of water services provided to agriculture.
- Investment aid for irrigation equipment, greenhouses and drainage works that does not lead to significant water savings of at least 25% shall be excluded from the exemption regulation.
- Aid for insurance premiums shall also be possible for stand-alone insurance against animal or plant diseases.
- The introduction of a limit of € 400,000 for investment aid that a farmer may receive over three years (€ 500,000 in less favoured areas) shall ensure that big aid amounts of money going to intensive large scale farming are not exempted.

The future Regulation shall **only apply to aid to agricultural holdings** (farmers), but not to processing and marketing any more. In line with the Lisbon agenda request to move to more horizontal types of aid, support to companies active in the processing and marketing shall in the future be subject to the general rules for enterprises like exemption Regulation 70/2001.

¹ See Article 9 of Directive 2000/60/EC of the European Parliament and of the Council, Official Journal L 327, 22.1.2000, p.1.