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From:	Presidency
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Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council (Omnibus Proposal) - State of play and exchange of views

The Annex to this note contains a report on the state of play of the discussions on the agricultural provisions of the above-mentioned proposal prepared under the Presidency's own responsibility.

At the meeting of the AGRI/FISH Council on 3 April, Ministers are invited to exchange views on the main outstanding issues concerning the overall compromise package, as set out in section 5 of the report, so as to give political guidance to the Special Committee on Agriculture with a view to enabling it to reach agreement on the compromise package on 10 April 2017.

ANNEX

Presidency report on the State of play of discussions on the "Omnibus" proposal as regards its agricultural provisions

1. Introduction

The Commission submitted the "Omnibus" proposal on 14 September 2016.

The proposal is part of the review of the Multi-Annual Financial Framework (MFF) and includes amendments to a total of fifteen existing legal acts, including all four basic acts establishing the current legal framework for the Common Agricultural Policy (CAP): Regulation (EU) 1305/2013 (rural development), Regulation (EU) 1306/2013 (the "horizontal" regulation), Regulation (EU) 1307/2013 (direct payments) and Regulation (EU) 1308/2013 (common market organisation).

2. Legal basis

As far as the agricultural provisions are concerned, the applicable legal basis is Articles 42 and 43(2) TFEU.

3. Objective

This proposal constitutes a second phase of the ongoing CAP simplification exercise. It follows several waves of modifications to simplify Commission guidelines as well as secondary legislation. The aim of simplification is to ease the burden on, and make life easier for, both farmers and national and regional authorities.

4. Discussions to date

The Commission presented the agricultural part of the proposal at the Special Committee on Agriculture (SCA) on 26 September 2016 and at the AGRI/FISH Council on 10 October 2016. The SCA then carried out a detailed examination of the proposal at a total of nine meetings (four during the SK Presidency and five during the MT Presidency).

The Presidency **compromise package,** which can be found in document 7527/1/17 REV 1, was examined by the SCA on several occasions, resulting in broad agreement.

The compromise package includes almost all amendments proposed by the Commission (in some cases with drafting changes) as most delegations agree that these would contribute to simplification. Notwithstanding, the Commission's proposal to eliminate the so-called **"50/50" rule** for the sharing of non-recoverable, irregular payments was rejected by almost all delegations. Thus, this has not been included in the compromise package.

5. Key outstanding issues

Many key outstanding issues relate to Regulation (EU) 1307/2013 (**direct payments**).

Principal among them is the question of **voluntary coupled support** (Articles 52 and 53). All delegations can accept the compromise text suggested by the Presidency for Article 52. Most delegations can accept the compromise wording for Article 53, which would enable Member States to review their national decisions every year. However, some delegations and the Commission representative consider the amendment a step too far that would not constitute simplification.

In addition, there are several delegations who argue for additional amendments regarding voluntary coupled support as regards: (i) the products for which coupled support may be granted; (ii) additional support for protein crops; and (iii) the methodology for dealing with any overshooting of the quantitative limits set for coupled payments. However, several other delegations and the Commission representative oppose the addition of any such amendment to the compromise package, citing in particular WTO implications.

Another outstanding issue concerns the **young farmers'** regime. Most delegations support or can accept the Presidency's suggestion to reject the Commission's proposed amendments and maintaining the *status quo*. However, some delegations regret this, considering that the Commission's proposal would have provided useful simplification and should at least be maintained as an option. The Commission representative is opposed to having the proposed changes optional since this would unnecessarily extend further the long list of implementation choices.

The third outstanding issue concerns the **active farmer** clause. All delegations support the flexibility that would be introduced by the new Article 9(7). Most delegations can also support the new Article 9(8), which would make the active farmer clause optional from 2018. However, some delegations do not support the latter provision, preferring to maintain a harmonised approach for all Member States.

The last outstanding issue regarding direct payments is a request from some delegations to add text to Article 11 to make explicit that Member States can alter their decisions concerning the **capping** of certain direct payments. The Commission representative has already indicated that its institution could issue a statement confirming that this is already possible.

As far as the Regulation 1305/2013 is concerned (**rural development**), some delegations have expressed reservations as regards different applicable conditions where support is provided in the form of financial instruments. The Commission representative insists that promoting the use of these instruments is essential to boost growth and jobs in rural areas. Concerning the new **Income Stabilisation Tool**, some delegations have expressed scepticism as regards the proposed 20% threshold, arguing that this goes against the market orientation of the CAP and may have important WTO implications. Other delegations would like to extend this threshold to other risk management tools.

As regards Regulation (EU) 1306/2013 (the **"horizontal" regulation**), although delegations could agree to the proposed procedure for fixing the adjustment rate (**financial discipline mechanism**), some delegations would also welcome further simplification of the management of the **reserve for crises in the agricultural sector**, which is, however, a matter to be addressed in the context of the revision of the financial regulation.