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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Proposal for a Regulation on Financing, management and monitoring of the CAP - <i>Non-paper on the agricultural reserve</i>

Delegations will find in the Annex a non-paper provided by the Czech, Hungarian and Slovak delegations on the above-mentioned subject.

Non-paper of the Czech Republic, Hungary and Slovakia

on the proposed agricultural reserve in the new Horizontal Regulation

On 1st June 2018 the European Commission unveiled its proposal of the CAP package after 2020, which included three Regulations, namely the Regulation on Strategic Plans, Horizontal Regulation and Amending Regulation. One of the main elements of the new Horizontal Regulation is the Agricultural reserve. According to the Commission's proposal (Article 14 of the Horizontal Regulation), at the beginning of each financial year an agricultural reserve will be created, to provide additional support for the agricultural sector mainly in relation to market management or stabilization, or to address crises affecting agricultural production or distribution.

The amount of the agricultural reserve at the beginning of each year should be at least EUR 400 million in current prices within the 2021-2027 programming period, whereas the Commission may adjust (increase) its amount during the year in light of market developments or prospects in the current or following year.

The main novelty and simplified element should be the mechanism of transferring non-committed appropriations from the agricultural reserve to finance its set up for the next financial year/years, the so-called roll-over system.

Establishment of the agricultural reserve

The Commission's proposal is to transfer the total unused amount of the crisis reserve at the end of 2020 to 2021, without completing the financial discipline. This would mean, that finances would not be returned to the budget lines related to the actions referred to in Article 5 para 2(c), *and would be instead used for the purpose of financing the agricultural reserve.*

CZ, HU and SK do not agree that the amounts of the financial discipline from the last year of the 2014-2020 programming period **will not be reimbursed to the recipients** in the financial year 2021.

The Commission's proposal **does not meet the criteria of objectivity and non-discrimination**. Due to the modified methodology of application of the financial discipline (reversal of the threshold of EUR 2 000), different recipient groups will be subject to the financial discipline in the 2021-2027 programming period and there will also be other recipients of the recovered amounts. However, it is possible that in the new programming period recipients, who were not subject to the financial discipline in the year 2020, could be reimbursed. That is why **CZ, HU and SK fully support the closure of the 2014-2020 programming period and note, that the financial discipline should only be used as a last resort**, which should also be stated in the Regulation. The Commission's proposal states a minimum amount of the agricultural reserve but does not state a maximum amount.

Application of the agricultural reserve

Contrary to the current system, funds from the agricultural reserve would be automatically used to finance EAGF expenditure on public intervention, private storage and exceptional measures according to Articles 219 to 221 of the CMO Regulation (No.1308/2013).

This automatic application of the agricultural reserve will increase the likelihood of its use, hence the need to apply the financial discipline associated with the administrative burden. The roll-over system will therefore only be a real simplification if the agricultural reserve does not need to be refilled in a given budgetary year.

CZ, HU and SK therefore believe that the agricultural reserve should be established from the following means in 2021:

- unused appropriations from the budget year 2020;
- revenues assigned to the EAGF budget in the budget year 2020.

In the following years, assigned revenue should remain the primary source to create the agricultural reserve and Article 43 of the Horizontal Regulation should be adjusted accordingly.

MFF negotiations

The agricultural reserve is an agricultural specific issue, which is why CZ, HU and SK appeal on the AT PRES to withdraw this particular point from the negotiation box of the MFF. We believe that the functioning and setting up of the reserve is very technical and should therefore be subject of the political decision of the Ministers for Agriculture.
