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NOTE

From: General Secretariat of the Council

To: Delegations

Subject: The establishment of an efficient, flexible and simple "ad hoc" financial support mechanism in case of crisis

- Information from the Croatian and Slovenian delegations supported by the Bulgarian, Cyprus, Greek, Hungarian, Maltese and Portuguese delegations

Delegations will find in the Annex a document on the above subject to be presented by the Croatian and Slovenian delegations, supported by the Bulgarian, Cyprus, Greek, Hungarian, Maltese and Portuguese delegations under "Any other business" at the "Agriculture and Fisheries" Council on 23-24 October 2023.

**THE ESTABLISHMENT OF AN EFFICIENT, FLEXIBLE AND SIMPLE "AD HOC"
FINANCIAL SUPPORT MECHANISM IN CASE OF CRISIS**

In the last few years, the agri-food sector was affected by several external factors on which the agricultural producers had no influence, and which resulted in extreme price volatility in agricultural markets. Some of these factors influenced all Member States, although not with the same intensity and in the same way, such as the war in Ukraine. In addition, extreme weather phenomena occur, i.e., natural disasters, like droughts and floods with severe consequences, fires or earthquakes. We are also witnessing the emergence of infectious diseases of domestic animals and plant pests with an extremely negative long-term effect on the financial stability of farmers. Different countries are susceptible to different challenges and events. Hence, there should be a non-discriminatory approach when determining which events are eligible to access the additional financial support.

Faced with all these challenges, some agricultural producers found themselves in very difficult circumstances, with reduced fiscal capacity and facing great risks when planning their future activities. Because of those reasons, some farmers are no longer ready to take the risk of further improving their production through new investments and therefore, they abandon already prepared projects. Such a situation jeopardizes the fulfillment of the ambitious objectives of the Common Agriculture Policy as well as the transition to a more resilient sector.

The current crises faced by European farmers are unprecedented and the circumstances are such that they require constant and careful consideration of the possibilities and use of instruments that will help mitigate and resolve their harmful effects. The Republic of Croatia and the Republic of Slovenia recognize the efforts made so far by the Member States in cooperation with the European Commission to solve some of these problems and to ease the situation for EU farmers as much as possible. All the measures taken until now, either in the form of direct financial support, derogations from the implementation of certain rules and practices to make the production easier and cheaper, or certain administrative measures, have had positive effects, which was recognized and highlighted during the discussions at AGRIFISH Councils meetings. In addition, Member States allocated significant funds from their national budgets through state aid programs, and farmers were provided with additional financial support from the agricultural reserve.

Therefore, there is a growing need to be prepared to constant threats posing risks to agricultural activities. For example, there is a high possibility that all Member States will be increasingly affected by climate change, although to different extent, making the measures to support adequate self-care more important than ever. Consequently, risk management and climate adaptation should have higher priority in the Common Agricultural Policy, both in terms of the current and future framework. Reviewing the current CAP Strategic Plans, we consider there is a room for improvement already now, for example in terms of the better targeting of the risk management tool or by strengthening the available response mechanisms. In the future, much more will need to be done to ensure better resilience of the EU agriculture to climate change and its ability to quickly recover. However, it must be clear that we cannot shift full responsibility to our farmers under the circumstances when such disturbances could not be predicted in any way, or if they are of the magnitude that surpasses their capacities.

In conclusion, Croatia and Slovenia believe that there is a need for new approach that would enable Member States to direct financial aid to those who need it most at a given moment in an efficient, fast and flexible manner, without unnecessary administrative and procedural restrictions. Therefore, we would like to propose the establishment of an intervention within the CAP Strategic Plan (CSP) that ensures the possibility of "Ad hoc" financial support mechanism in case of crisis, without prioritization of one event over another.

This support would be financed in a maximum amount of 2% of the existing total national CSP envelope, while respecting the financial framework that foresees minimum allocations for interventions and programs that mitigate the impact of the climate and the environment protection, as well as other minimum "ring fencing" amounts foreseen in the financial plan. In addition, the Member States would have the possibility of granting national additional co-financing ("top-ups") in the amount of 200%. This measure would be voluntary for Member States, and its additional advantage would be that it would be fully adapted to the specific needs of the individual Member State that decides to activate it. The same cost, covered under this measure should not be financed by any other means.

Ad hoc financial support mechanism in case of crisis would be granted based on clear, objective and non-discriminatory criteria in the following cases:

1. Occurrence of natural disasters or other crisis linked to climate change in certain regions, Member States or some of its parts
2. Market disturbances due to the exceptional and unexpected price fluctuations and/or production costs of more than 20% compared to the same period of previous year for individual products or groups of products
3. Occurrences of animal's infectious diseases or plant pests.

The Republic of Croatia and the Republic of Slovenia believe that, bearing in mind the current circumstances, it is necessary to look ahead and therefore invite the European Commission to consider this proposal and to prepare an intervention proposal in cooperation with the Member States.

Food security and its availability to EU citizens, as well as the financial stability of EU farmers, especially primary producers, should not be left to chance and the impact of adverse unforeseen events.
