



Council of the
European Union

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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Temporary derogation from the maximum threshold allocated for coupled income support measures for claim year 2023 <i>- Information from the Hungarian delegation, supported by the Bulgarian, Croatian, Cyprus, Finnish, Greek, Polish, Slovak and Slovenian delegations</i>

Delegations will find in the Annex a document on the above subject to be presented by the Hungarian delegation under "Any other business" at the "Agriculture and Fisheries" Council on 30 January 2023.

**TEMPORARY DEROGATION FROM THE MAXIMUM THRESHOLD ALLOCATED FOR COUPLED
INCOME SUPPORT MEASURES FOR CLAIM YEAR 2023**

European farmers face unprecedented challenges. Combined negative effects of various factors – notably high energy prices, input cost shocks together with limited availability of fertilizers and feed, serious draught in 2022 – have reached such a serious level, that it risks food security in the EU and our export markets. Although, the situation varies to a certain extent among Member States according to their specific conditions, the above-mentioned factors are present in all parts of the EU, which calls for common solutions.

Bulgaria, Croatia, Cyprus, Finland, Greece, Hungary, Poland, Slovakia and Slovenia welcome the European Commission's proposals for different crisis measures to alleviate the difficulties. It seems though that the possible future activation of the agricultural reserve and the increased possibility of providing state aid from national budgets are simply not enough to reassuringly handle the situation. Especially taking into account the differences between Member States' national budgetary capacities. Currently, most of the sectors do not reach a satisfactory level of profitability or the coveted level of production. The production incentives are not sufficient to maintain diversified and sustainable production structures and several sectors are endangered by leaving of demanding production or cultivation in favour of monocultures. The inadequate production profitability and a gradual reduction in the production of strategically important commodities lead to job losses, not only directly connected to these commodities, but also in the processing industry, along with the gradual abandonment of rural areas. This in turn, will endanger the fulfilment of the medium and long term goals of the EU and CAP, notably those stemming from the European Green Deal. As market processes are not expected to return swiftly to normality, more has to be done in order to ensure support for farmers thereby preventing long-term or even irreversible damages in the sector.

As possibilities to acquire additional budgetary resources are limited, in line with the principle of subsidiarity, Member States should be allowed to use their direct payments allocations (laid down in Reg. (EU) 2021/2115) in a more targeted way. According to Bulgaria, Croatia, Cyprus, Finland, Greece, Hungary, Poland, Slovakia and Slovenia a possible option would be to increase the maximum financial allocation of coupled income support beyond the financial limits laid down in Article 96 of Regulation (EU) 2021/2115. According to Article 148 (3) of Reg. (EU) 2021/2115 *“In order to resolve specific problems, the Commission shall adopt implementing acts which are both necessary and justifiable in an emergency.”* This measure has to be limited in time and only cover claim year 2023, similarly to Commission Implementing Regulation (EU) 2022/1317 (the so called GAEC derogation). With this new derogation, Member States could redistribute certain share of the pre-defined direct payment envelopes and use that to help sectors in need on the basis of eligibility rules fixed in the CAP Strategic Plans approved by the European Commission. It would be a simple and budgetary neutral way to help farmers working in the most vulnerable sectors and would contribute to long-term food security, therefore preventing irreversible damages in agriculture and connecting industries. Finally, it should also be highlighted that by respecting the minimum and maximum unit amounts, this derogation will in no way jeopardize the logic and rules of the New Delivery Model of the CAP, providing exactly the same level of assurance for the European Commission.

Therefore Bulgaria, Croatia, Cyprus, Finland, Greece, Hungary, Poland, Slovakia and Slovenia ask the European Commission to table a legislative proposal, on the basis of Art. 148 (1) of Reg. (EU) 2021/2115 to derogate from the maximum threshold allocated for coupled income support measures for claim year 2023.

The derogation would give Member States an additional tool to help farmers by using existing, pre-allocated financial resources, which consequently would not discriminate Member States with limited room for manoeuvre in their national budget.