Council of the European Union
General Secretariat

**Interinstitutional files:**
**2018/0218(COD)**
**2018/0216(COD)**

**Brussels, 06 December 2019**

**WK 14024/2019 INIT**

**LIMITE**

**AGRI**
**AGRIFIN**
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# WORKING PAPER

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**WORKING DOCUMENT**

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| From:<br>To: | General Secretariat of the Council<br>Special Committee on Agriculture (SCA) |
| N° Cion doc.: | 9645/18 + COR 1 + ADD1<br>9556/18 + REV 1 (en, de, fr) + COR 1 |
| Subject: | Post 2020 CAP reform package<br>a) Regulation on CAP Strategic Plans<br>b) Regulation on common market organisation (CMO) of agricultural products<br>- Non-paper from the Bulgarian, Latvian and Polish delegations on important market regulation aspects under the future CAP |

With a view to the meeting of the Special Committee on Agriculture on 9 December 2019, delegations will find attached a non-paper from the Bulgarian, Latvian and Polish delegations on important market regulation aspects under the future CAP.

the Non Paper of Bulgaria, Latvia and Poland,

*on important market regulation aspects under the future CAP.*

It is important for Bulgaria, Latvia and Poland that the EU CAP continues developing as a targeted, effective and strong policy, beneficial for farmers and food producers and contributing
to raising a healthy and aware society. Therefore, with regard to the ongoing discussions on the future of the EU CAP and the draft Regulations on Strategic Plans, amendments to the CMO and on horizontal rules, Bulgaria, Latvia and Poland would like to bring forward the following two points.

*1. The need to grant adequate incentives for small farmers to organize in accordance with draft CAP Strategic plan Regulation:*

The Commission in its communication "The Future of Food and Farming" has emphasized that producer organizations are particularly relevant for small farmers.

Having in mind the extreme asymmetries of negotiating powers in the supply chain clearly to the disadvantage of producers, we see the producer organizations as a major tool for strengthening the bargaining position of EU farmers and particularly of small and medium scale farmers.

Nevertheless, the Commission's legislative proposal on CAP Strategic plan regarding the support to Producer Organizations under the framework of sectoral interventions does not provide sufficient incentives for stimulating small and medium scale farmers to organize, as the ratio of financial assistance of 5% (or 4,1% for sectors of fruit and vegetables) is appropriate only for large scale producer organizations.

For example, producer organization of small famers with the value of marketed production worth of 200 000 EUR would get less than 10 000 EUR of financial assistance. Such amount wouldn't provide installation support and would prevent small farmers from organizing.

The former scheme to support producer groups in fruit and vegetable sector is a perfect example showing that higher levels of support during start-up phase of formation of organization are essential to facilitate engagement in such organizations, as the suspension of the support as from 2013 has precluded the formation of new producer organizations. To contribute to the goal of strengthening the bargaining power of farmers of small and medium scale, the limit of EU financial assistance should be increased to 14,1% for fruit and vegetable sector and to 15% for '*other sectors*' of the value of POs' marketed production, with its threshold not higher than 3 000 000 EUR. This increase should be available for POs implementing their first operational programs, and the amount of financial assistance should be limited to 200 000 EUR maximum.

Also, the last Presidency proposal (WK 14288/19) introduced in Article 60a a four-year transitional period during which cooperatives and other forms of cooperation, if they are recognized by Member States as producer groups (PGs) with an aim to meet the requirements of and to be recognized as POs, are eligible for support for interventions in other sectors through their approved operational programs. Therefore, in order to guarantee that the other forms of cooperation would gradually acquire the status of recognized POs and to stimulate a real increase in producer organization in these sectors, the level of EU financial assistance for PGs should also be increased to14,1% for fruit and vegetable sector and to 15% for '*other sectors*' of the value of marketed production. Further, Member States with extremely low levels of organization should have a possibility to provide a national co-financing to PGs, with a ceiling equivalent to the amount of EU assistance and, if necessary, providing an appropriate threshold. This will be an incentive for PGs to meet the criteria and be recognized as POs after the implementation of their first operational program.

By providing for increased support rates, the scheme would be better tailored to motivate small farmers to organize and to engage in producer organizations.

Furthermore, regarding the financial conditions on sectoral interventions, Bulgaria, Latvia and Poland have serious concerns regarding the unused funds. We stress that Member States should be allowed to review their decision each year as concerns financial allocations for sectoral interventions in order to avoid unspent funds while at the same time providing the framework to encourage farmers to consider the benefits of sectoral interventions in strengthening the bargaining power of farmers.

*2. The proposed budget for the EU school scheme:*

Also, in its communication "The Future of Food and Farming" the Commission pointed to the high ambitions and goals for the EU School fruit, vegetables and milk scheme in promoting healthy diets, reducing obesity and malnutrition, while also facilitating access to healthy and fresh products.

In the view of Bulgaria, Latvia and Poland these ambitious goals will be difficult to achieve with the proposed reduction in the EU School scheme budget from 250 000 000 EUR to 220 804 135 EUR per school year. It will be a challenge for Member States to fill the financial gap caused by reduction of the EU financing, in order to maintain the achieved results of the school scheme, but it will also negatively affect other areas financed from national budgets.

Furthermore, it must be taken into account that every year part of allocated indicative allocations of some Member States are being re-distributed among other Member States, meaning that in general, in the EU as a whole, there is a need for all budgetary means available from the EU budget for the school scheme. Therefore, Bulgaria, Latvia and Poland believe that the budget for the school scheme must be regarded as the budget for an EU- level measure and the current budget for the school scheme should not be reduced