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Direct aid: simplified scheme for small farmers

Cutting the red tape entangling small farmers and national authorities as a result of direct aid applications is the aim of the regulation adopted on 20 June by the Council [1]. Under the scheme the Member States can opt for a simplified system (the 'Small farmers' scheme' or SFS) under which farmers receiving small payments will be able to submit a single claim for aid, to be paid out annually in one lump sum.

According to the results of a recent Eurobarometer survey on the CAP [2], the administrative burden on farmers is considered too heavy or much too heavy by 61 % of the farmers interviewed. This confirms, if need be, the importance of simplifying agricultural legislation, which is one of the major priorities of the reform of the CAP. The SFS represents a further step along the path the Commission has been following for several years now [3].

Why introduce a special scheme for small farmers?

While most farmers receive direct aid nowadays (it was introduced in 1992 to offset the reduction in support prices and subsequently stepped up by Agenda 2000), the various schemes generally make no distinction between recipients in terms of the size of grants. The amount received by a large number of them is very small: the amount paid to nearly one million potential beneficiaries under the simplified SFS, i.e. approximately one third of the total number of farmers qualifying under the same aid schemes, accounts for barely 2.4 % of total direct aid. The large number of schemes increases the formalities for small farmers and imposes a disproportionate administrative burden on the national authorities responsible for processing applications and paying and checking up on the aid, as well as on the Commission.

A simplified system but no new aid

The new scheme will not involve any new aid, but it will simplify the implementation of a number of existing schemes. Its effect on the budget will therefore be neutral. The amount payable will be limited to EUR 1 250 a year: given the slight expenditure this represents, the financial risks in applying the scheme will be negligible. It will be introduced for a trial period lasting from 1 January 2001 [4] until 2005, and the Commission will evaluate the effects in the third year.

Access to the SFS will be open (and optional) to farmers who have received payments under at least one of the schemes concerned in each of the three years preceding that in which they apply to join. The annual sum they receive will be the higher of the following two amounts, i.e. either the average of payments received over those three years or the sum of the amounts received in the last year. Applicants who are entitled to an amount in excess of the annual ceiling of EUR 1 250 can qualify under the SFS if they agree to receive no more than that amount.

The aid

The SFS will cover the following types of aid, comprising the most important direct-support schemes:

- area payments on arable crops (including those for set-aside, the supplement for durum wheat and grass silage);
- area aid for grain legumes and rice;
- special premiums in the beef/veal sector, suckler-cow premiums and additional payments connected with that aid;
- extensification premiums;
- ewe and she-goat premiums (including supplements for less-favoured areas in the sheepmeat sector).

(1) *Council regulation - (EC) No 1244/2001 - amending Regulation (EC) No 1259/1999 establishing common rules for direct support schemes under the common agricultural policy. An implementing regulation is being prepared.*

(2) *See site: <http://europa.eu.int/comm/agriculture/survey/index_en.htm>.*

(3) *See* Newsletters *Nos 28 and 11 and the 'Report from the Commission to the European Parliament and the Council on simplification of agricultural legislation' — COM(2001) 48 final.*

(4) *The first payments can be made in November 2002.*

The SFS does not cover indirect aid such as export refunds and intervention buying-in, or direct aid where the amount depends on the quality or quantity of the products: i.e. aid for potato starch, olive oil, bananas, tobacco and seeds. Aid schemes that have been applied for less than three years (slaughter premium, agri-environmental measures) are also ruled out, as is the deseasonalisation premium, which concerns certain areas only. The Member States can, however, lump payments together for recipients under the SFS who have qualified under another support system in addition to the aid covered.

Overhaul of the market organisation for sugar

Concluding discussions that began in October 2000 [1], an agreement on an overhaul of the common organisation of the markets in the sugar sector was reached at the Council meeting on agriculture of 22 May on the basis of a compromise presented by the Presidency. The arrangements concerning prices and production quotas are to be extended for five years from 1 July 2001, i.e. until the end of the 2005/06 marketing year (instead of 2002/03 as the Commission proposed). The Council accepted the main amendments to the COM in the Commission's proposal, namely the following.

- A permanent reduction of 115 000 tonnes in quotas.
- The abolition of the compensation system for storage costs, under which Community aid was granted. The minimum storage requirement is also scrapped. With a view to a smooth switchover, the compensation system will be maintained until the end of the compulsory storage period, in principle on a degressive basis, solely for 'C' sugar (non-quota) [1] carried over to the 2001/02 marketing year.
- Full self-financing, by the sector, of production refunds on sugar used by the chemical industry; the exemption for the first 60 000 tonnes is abolished.

The Council also kept the national aid authorised in southern Italy and mainland Portugal and that for sugar-cane production in southern Spain at the level applying in 2000/01. In view of its climate, Finland has been authorised to introduce a nationally financed system of compensation for storage costs limited to its own 'C' sugar carried over. The Commission has said it is willing to take such measures as prove necessary to prevent any sugar in storage until 30 June 2001 and on which the storage levy has been paid under the former COM from being penalised as a result of the abolition of the storage scheme when it is placed on the market at a later date.

Lastly, in early 2003 the Commission will present a report based on the studies it will have carried out, together, if necessary, with suitable proposals.

(1) *See* Newsletter *no 27.*

News in brief

❑ Sapard: management entrusted to Bulgarian authorities

On 15 May [1], authorising the decentralised management of aid by a non-member country for the first time, the Commission decided to entrust the management of the Sapard (Special Accession Programme for Agriculture and Rural Development) scheme to the Bulgarian authorities. The decision allows an initial advance (of nearly EUR 13 million from a first annual budget of EUR 53 million available for Bulgaria) to be paid and sets the innovative Sapard scheme in motion. Three measures will be implemented at this stage, i.e. investments in agricultural holdings, improvements to the processing and marketing of agricultural and fisheries products, and diversification of economic activities and sources of income. Managing the programme will give the Bulgarian authorities a chance to gain valuable experience in applying the mechanisms for administering rural development programmes, and this can be transferred to the management of other Community funds after accession. The Commission is currently considering a request from Estonia to be given responsibility for managing its own programme. Other candidate countries are developing their structures and procedures too. For the record (see *Newsletter* No 32), full responsibility for managing programmes prior to accession is legally possible once the multiannual and annual financing agreements have been signed (the 10 Sapard beneficiary countries have already done this) and where the national Sapard agencies approved by the Commission have been set up.

(1) Press Release IP/01/692 on RAPID web site: <http://www.europa.eu.int/rapid/start/welcome.htm>.

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