



**European Committee
of the Regions**

NAT-VII/022

149th plenary session, 27-28 April 2022

OPINION

Future EU state aid in the agricultural and forestry sectors and in rural areas

THE EUROPEAN COMMITTEE OF THE REGIONS:

- stresses that it is essential to support agricultural and forestry holdings through the green transition, especially smaller agricultural holdings which are located in strategic areas and which are active in safeguarding and protecting the landscape;
- suggests not requiring Member States: to submit notifications on a yearly basis relating to events that can be assimilated to natural disasters, animal or plant diseases or infestations, as, if they are recognised as such by the national authorities, they do not need to also be notified to the Commission; to publish information on individual beneficiaries of aid under EUR 75 000 for agricultural production, and under EUR 500 000 for the processing and marketing of agricultural products;
- suggests providing for the possibility of granting investment aid through the Agricultural Block Exemption Regulation (ABER), even for products from a single sector;
- suggests amending the *De minimis* Regulation for the agricultural sector in such a way as to make it simpler;
- proposes defining a new type of microenterprise in agriculture and rewarding these SMEs which are located in mountain, inland or disadvantaged areas for their role in preserving and protecting habitats;
- calls for it to be possible for holdings in high mountain areas to purchase land for an amount exceeding 10% of the total eligible expenditure for the operation concerned, in order to allow the land consolidation necessary to keep them economically active and to carry out their tasks of safeguarding and protecting the landscape;

Rapporteur

Guido MILANA (PES/IT), Member of Olevano Romano Municipal Council

**Opinion of the European Committee of the Regions -
Future EU state aid in the agricultural and forestry sectors and in rural areas**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. welcomes the European Commission's recent new proposals for granting state aid in agriculture, which will apply from 1 January 2023;
2. points out that Article 107(1) of the Treaty on the Functioning of the EU provides that state aid granted to undertakings which could distort competition between Member States is incompatible with the internal market, with the article then introducing certain derogations;
3. points out that, for the agricultural and forestry sectors and rural areas, the Commission assesses whether such a distortion exists on the basis of the Guidelines for State aid in the agricultural and forestry sectors and in rural areas, and that those guidelines cover the 2014-2022 programming period;
4. stresses that Article 81 of Regulation (EU) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development stipulates that funding for measures not covered by Annex I to the TFEU must be implemented under state aid rules;
5. stresses that aligning the two texts ensures that the state aid rules apply for the same length of time as the rural development rules;
6. notes that, to this end, the Commission launched a consultation in 2019 and that the findings of that consultation are set out in working document SWD(2021) 107 final¹;
7. points out that, in the meantime, the Parliament and the Council of the EU have adopted the new CAP regulations, in particular Regulation (EU) 2021/2115² establishing rules on support for strategic plans, taking into account the opinion of the Committee of the Regions on the new common agricultural policy (CAP);
8. stresses that the new proposals for granting state aid must take into account and remain in line with the new CAP;
9. stresses that agricultural holdings will be required to implement the Green Deal strategies, in particular the Biodiversity Strategy and the Farm to Fork Strategy;

¹ Cf. *Commission Staff Working Document: Evaluation of the instruments applicable to State aid in the agricultural and forestry sectors and in rural areas*.

² Cf. Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013 ([OJ L 435, 6.12.2021](#)).

10. stresses that it is essential to support agricultural and forestry holdings through the green transition, especially smaller agricultural holdings which are located in strategic areas and which are active in safeguarding and protecting the landscape;
11. urges the Commission to lay down binding European production standards and reciprocity or mirror clauses for imports, like those imposed on EU producers;
12. calls on the Commission to increase the number of border checks and to enforce procedures such as cold treatment of imported products;
13. points out that the European Committee of the Regions has already given its views on the two strategies, in the opinions on *Bio-diverse cities and regions beyond 2020 at the UN CBD COP 15 and in the EU Biodiversity Strategy for 2030*³ and *From farm to fork – the local and regional dimension*⁴;
14. stresses the key role played by local authorities in defining and managing certain procedures linked to certain kinds of aid, in particular aid linked to risk management in agriculture;
15. points out that regions, provinces and municipalities not only help draw up the national strategic plans provided for in Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 and Regulation (EU) No 1307/2013⁵; they are also recipients of rural development support and help establish the bottom-up approach provided for by the LEADER initiative;
16. notes that from 2014 to 2019, state aid granted in the agricultural sector at European level fell from EUR 7.6 billion to 6 billion, but then increased during the COVID-19 pandemic;
17. stresses that, during this period, agricultural and agri-food holdings and the forestry sector never ceased to produce, ensuring security of supply as required by Article 39 TFEU;
18. stresses that the war between Russia and Ukraine has created instability on the commodity and food supply markets;
19. highlights the role that the CAP should play in this regard, in terms of self-supply and guaranteeing food security;
20. points out that this supply was also made possible because holdings could receive aid defined as *ad hoc* by the Commission in response to the economic crisis caused by COVID-19;

³ Published in [OJ C 440, 18.12.2020](#).

⁴ Published in [OJ C 37, 2.2.2021](#).

⁵ Published in [OJ L 435, 6.12.2021](#).

21. notes, furthermore, that most of the state aid, with the exception of specific aid for the COVID crisis, was granted primarily under rural development plans and, in particular, for measures not included in the objectives of Annex I to the Treaty (agricultural products);
22. notes the complex procedure for including state aid in the RDPs;
23. notes that, although Regulation (EU) No 1305/2013 on EAFRD support for rural development and the Guidelines for state aid in the agricultural and forestry sectors and in rural areas 2014 to 2020 are very similar, the rural development measures are not always fully in line with state aid rules;
24. notes that the consultation launched by the Commission revealed that some aspects of current state aid rules have become obsolete;
25. stresses that ensuring a level playing field for all businesses in the European Union remains a key objective;
26. notes that some measures need to be maintained and adapted, in particular as regards risk management;
27. notes that for the forestry sector aid has mostly been used for rural development measures and that, given the important role played by forests, it will be necessary to make aid easier to implement;
28. considers it necessary to support agricultural and forestry holdings through the green transition, especially microenterprises, local small farmers and short food supply chains, which, including in the light of high food prices and input costs, such as energy and fertilisers, which have been impacted by the war in Ukraine, would not be able to cope with these consequences alone; in this regard, welcomes the European Commission's Communication on Safeguarding food security and reinforcing the resilience of food systems;
29. harmonising the criteria concerning information and publicity requirements, in particular as regards the deadlines for communicating the details of the aid schemes covered by the Block Exemption Regulations;
30. stresses that the CAP reform which has just been adopted is based on the subsidiarity principle, and that it is therefore important that state aid rules uphold this principle without undermining competition between farmers in different Member States;
31. considers it essential to preserve the subsidiarity principle, especially when it comes to the role played by local authorities, which are closest to the regional bodies that play an essential role in managing support at local level.

Therefore suggests:

Simplification

32. not requiring Member States to submit notifications on a yearly basis relating to events that can be assimilated to natural disasters, animal or plant diseases or infestations, as, if they are recognised as such by the national authorities, they do not need to also be notified to the Commission;
33. not requiring Member States to publish information on individual beneficiaries of aid under EUR 75 000 for agricultural production, and under EUR 500 000 for the processing and marketing of agricultural products;
34. not making procedures linked to the part of the common evaluation for notified aid more cumbersome;
35. providing for the possibility of granting investment aid through the Agricultural Block Exemption Regulation (ABER), even for products from a single sector, and particularly where the aid is intended to mitigate the consequences of events that can be assimilated to natural disasters or to provide compensation for damages caused by animal or plant diseases or pests;
36. providing for a single window approach for notifying state aid in the NSPs referred to in Regulation (EU) 2021/2115;
37. defining a *lex specialis* for implementing the *De minimis* Regulation in agriculture, given the sizeable differences between the agricultural sector and the other sectors. In particular, we call for the *De minimis* aid ceiling to be raised to EUR 50 000 over a period of three years, and for an amount (e.g. EUR 1 000) to be set, below which the *De minimis* Regulation would not apply (very limited amounts of aid);
38. amending the *De minimis* Regulation for the agricultural sector in such a way as to make it simpler, in particular to remove monitoring of the single undertaking requirement;
39. leaving it up to the Member States to define an undertaking in difficulty;
40. simplifying administrative procedures for aid to local authorities, especially when they are recipients of state aid support. In particular, we ask for them not to be considered large undertakings;
41. establishing simpler procedures for local and regional authorities to manage local and regional needs and emergencies in the first instance;
42. simplifying the procedures for granting state aid for advertising and promotion campaigns, in particular considering general institutional promotion activities which do not refer to specific brands and do not encourage consumers to purchase a product as NOT being aid;

43. simplified costs are currently deemed compatible with state aid rules only in the context of aid benefiting from co-financing from EU sources. We call for it to be possible to use simplified cost options irrespective of European co-financing. There seems to be no valid justification for continuing to stipulate different methods for calculating eligible costs depending on where the aid scheme's funding comes from;

Greening

44. supporting agricultural and forestry holdings, especially microenterprises, in the green transition;
45. ensure adequate flexibility in the application of State aid rules in the event of crises, such as the ones created by the COVID-19 pandemic and the war in Ukraine, by providing for appropriate and consistent aid ceilings so that farmers can continue to produce food and consumers can benefit from fair consumer prices; this can also be achieved by simplifying the procedures for the implementation and granting of aid, while reducing red tape, in particular for final beneficiaries;
46. simplifying certain procedures for granting State aid for investments in renewable energy production, particularly with regard to the size of the incentive;
47. introducing higher investment rates for agricultural SMEs investing in the green transition;
48. creating *ad hoc* aid for carbon farming to pay farmers for this important task;
49. considers that the dispersed nature of agricultural holdings makes it difficult for them to be market players and start the green transition which agriculture has to effect;

Territorial cohesion

50. considers it essential to redefine the concept of SMEs in the agricultural sector , and revise the definition of microenterprise set out in Annex I, Article 2(3) of Regulation 702/2014, to create an ad hoc definition for the agricultural sector, given the specific nature of the sector, and therefore proposes defining a new type of microenterprise in agriculture;
51. supporting agricultural and forestry SMEs in mountain and inland areas and in the outermost regions in their role of safeguarding and protecting the landscape;
52. rewarding SMEs in the agricultural sector which comply with the parameters set out in point 50, which are located in mountain, inland or disadvantaged areas as defined by the Member States in their National Strategic Plans for their role in preserving and protecting habitats;
53. calls for it to be possible for holdings in high mountain areas to purchase land for an amount exceeding 10% of the total eligible expenditure for the operation concerned, as set out in Article 73(3)(c) of Regulation (EU) 2021/2115 of the European Parliament and of the Council, in order

to allow the land consolidation necessary to keep them economically active and to carry out their tasks of safeguarding and protecting the landscape;

54. allowing the forestry sector to benefit from the notification exemption procedure outside NSP measures as well;
55. also with regard to the forestry sector, that infrastructure support be considered NOT to be default aid where it concerns non-productive investments;
56. amending the current risk management rules, in particular by lowering the damage threshold for defining events which can be assimilated to natural disasters to 20%, as provided for in Regulation (EU) 2021/2115;
57. providing for an increase in the compensation threshold for subsidised insurance and other risk management tools as provided for by Article 76 of Regulation (EC) No 2021/2115; this threshold must allow current insurance prices for agricultural holdings to be maintained;
58. that aid compensating damage caused by protected animals be exempt from notification;
59. that, for such damage, it be possible to provide for compensation for loss of income, as is already provided for with regard to damage resulting in a loss of production equipment;
60. that, in addition to the damage caused by protected animals, compensation for other animals also be envisaged, leaving it up to national, regional and local authorities to establish a definition of these animals, as the impact varies from country to country;
61. considering institutional promotion campaigns which do not refer to specific brands as NOT being aid;
62. sufficient support should be provided for non-agricultural start-ups in rural areas, with the ceiling for the limited amount of aid aligned with the ceiling for agricultural start-ups (EUR 100 000). There is no reason to make a distinction that penalises diversification in non-agricultural businesses, as the amounts in question are in any case very small;
63. in order to help SMEs benefiting from CLLD projects or Operational Group projects, we call for:
 - the scope to be extended to local authorities, LAGs, universities, and other bodies regardless of their size, in view of the great diversity of these projects, which involve many different entities working together;
 - the total amount of limited aid granted per project to be increased to EUR 300 000 for community-led local development projects and EUR 500 000 for EIP Operational Group projects.

Brussels, 28 April 2022

The President

of the European Committee of the Regions

Apostolos Tzitzikostas

The Secretary-General
of the European Committee of the Regions

Petr Blížkovský

II. PROCEDURE

Title	Future EU state aid in the agricultural and forestry sectors and in rural areas
Reference(s)	
Legal basis	Article 307(4) TFEU
Procedural basis	Rule 41(b)(ii) RP
Date of Council/EP referral	
Date of Commission letter	
Date of Bureau/President's decision	
Commission responsible	Commission for Natural Resources (NAT)
Rapporteur	Guido MILANA (PES/IT), Member of Olevano Romano Municipal Council
Analysis	December 2021
Discussed in commission	3 February 2022
Date adopted by commission	3 February 2022
Result of the vote in commission (majority, unanimity)	Majority
Date adopted in plenary	28 April 2022
Previous Committee opinion(s)	
Date of subsidiarity monitoring consultation	