

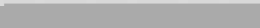

Briefing for Commissioner WOJCIECHOWSKI

Copa and Cogeca Joint Praesidia Meeting

28 April 2022, 16:30

Online

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SCENE SETTER

- Following an invitation by **Personal data** the **Personal data** of Copa-Cogeca, **you will attend the Joint Praesidia Meeting of Copa and Cogeca.**
- **‘Praesidia’ are the highest decision-making bodies** of Copa and Cogeca. They are composed of the Presidents of each Member Organisation and set out the general policy priorities for the organisations¹.
- Copa-Cogeca would like **to hear your views on the crisis management and the CAP process**, but you will also address **state aid**.
- In general, they are grateful for your work on markets and food security, but **they are sceptical regarding the Commission’s doubling down on the Green Deal and the Farm to Fork strategy** and may challenge you on this strategic orientation.
- Copa-Cogeca allocated **30 minutes for your intervention** incl. Q&A.

Personal data DG AGRI, **Personal data**

¹ <https://copa-cogeca.eu/about-cogeca>

TOPICS

SPEAKING ELEMENTS

Introduction

- Thank you for inviting me to take part in today's meeting; it is a timely moment for discussion.
- I will take this opportunity to address some key **topics**, which I understand you are particularly interested in:
 - firstly I would like to outline the Commission's approach to crisis management, including the application of state aid,
 - and secondly, let me discuss our current position regarding the CAP reform process.

Crisis Management

- I will turn first to our crisis management, in response to the Russian invasion of Ukraine.
- As you know, the food systems of Europe and the world are facing **challenges, both in the short term and in the long term.**
- The Russian military aggression disrupts important trade flows, particularly for wheat, and it threatens food security in some parts of the world.
- In the EU, **we are largely self-sufficient** for almost all agricultural products – not least thanks to you, our farmers, and the support of the Common Agricultural Policy.
- But as you know:
 - we import feed grains and oilseeds from Ukraine,
 - as well as fertilisers and natural gas from Russia,

- Some **supply disruptions** and **market and price pressures** may **be inevitable** – but the Commission has taken steps to address the situation.
- On 23 March, the Commission presented its **Communication on ‘Safeguarding food security** and reinforcing the resilience of food systems’².
- In the Communication, the Commission put forward a range of **short-term and medium-term actions** to enhance global food security and support farmers and consumers in light of rising food prices and input costs.
- Let me break down some of these actions:
 - The Commission activated the **crisis reserve mechanism** and took market safety net measures to support the most affected farmers; this included a support package of €500 million.
 - By exceptionally **derogating certain greening obligations**, the Commission also introduced temporary flexibility to boost our agricultural production capacity, in particular by allowing the use of fallow land while maintaining greening payments.
 - The Commission advanced **direct payments and rural development measures**. It gave Member States the freedom to introduce temporary flexibilities to existing import requirements on animal feed, which should help to alleviate the pressure on the feed market.
 - To improve affordability of food, Member States may also implement **reduced value added tax rates**, and they can draw from EU funds, such as the Fund for European Aid to the Most Deprived to provide food or basic material assistance to the most vulnerable.

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022DC0133>

- The new **European Food Security Crisis preparedness and response Mechanism** (with European and national administrations and private operators) was asked to map risks and vulnerabilities of the EU food supply chain and recommend mitigation measures.
- Moreover, the Commission proposed that Member States communicate **data on private stocks of essential commodities** for food and feed on a monthly basis to have a timely and accurate overview of their availability.

State Aid

- Finally, the Commission also adopted a new **temporary crisis framework for state aid**, to mitigate the economic impact of the war and support severely impacted sectors and operators, including farmers.
- The framework allows Member States to act in a coordinated way, while **preserving the level playing field** in the Single Market.
 - Member States can set up **schemes to grant up to €35,000** per undertaking active in primary agricultural production.
- I would like to stress that this aid does not need to be linked to increases in energy or input costs and can quickly remedy the impact of the disruption of supply chains.
- For other sectors, including fertiliser producers, Member States can grant up to €400,000 per undertaking. This should help to stabilise input costs for farmers.
- Member States can also set up **additional schemes to compensate costs** due to exceptionally severe increases in natural gas and electricity for all sectors, including primary agricultural producers.
 - Fertiliser companies may benefit from higher aid intensity.

CAP Process

- Let me now turn to the next topic.
- You are all aware that the Commission is continuing with its **reform of the common agricultural policy**.
- Key for the implementation of the new CAP are the **national strategic plans**.
- These plans must address specific needs of each Member State, but also deliver tangible results for EU-level objectives.
- It is essential that these plans contribute to our sustainability commitments: not only for climate, biodiversity, and the environment, but also for fair farming incomes, generational renewal, and stronger rural areas.
- **In the long term**, the transition to more sustainable agriculture, as supported by the Farm to Fork strategy, will ensure resilient food security for the future.
- Regarding the ongoing reform process, in March we sent **observation letters** to the 19 Member States that had submitted their CAP strategic plans by January. Our analysis of the other plans is ongoing.
- In forming our observations, we examined how Member States identified their needs, the evidence they used, the interventions they intend to implement, and the targets they have set.
- We now expect Member States to address the observations and submit a revised version of the plans. We remain committed to engage in **bilateral meetings with Member States to discuss our observations**.
- As part of an open and transparent process, the views of farmers and other stakeholders will continue to be heard.

- The Commission is aware that the context in which Member States have designed their draft plans has changed with **the Russian invasion of Ukraine**, and we will consider this in the approval process.
- The Commission has called on Member States to take into account this new context and **strengthen the resilience of the sector**.
- We hope that Member States react rapidly and constructively to our letters and to submit revised plans taking our observations into account. **In this case, the Commission is ready to approve the revised plans rapidly.**
- Our priority is to provide farmers with clarity and certainty on how the CAP will support them in the years ahead.
- Thank you for your time and attention. I look forward to our discussion.

Crisis Management

Green Deal objectives have become obsolete, we should drop them.

- Sustainability objectives are as important as ever. We must understand that short-term market measures are contingency measures that address the fall-out of the crisis; they do not provide solutions for our long-term challenges.
- These short-term measures should not be taken to imply a backtracking on the long-term strategic orientation of the CAP and its place in the Green Deal and the Farm to Fork strategy.
- By delaying action on climate and biodiversity goals, we would increase the food security risks in the long-run.
- Reducing our dependence on fossil fuel from Russia not only reduces our dependence on inputs, including for agricultural production, it also contributes to fighting climate change.

How will the €500 million of the support package be distributed to farmers?

- The Commission distributes national ‘envelopes’ to Member States so they can support the producers in the EU agricultural sectors affected by market disturbance induced by Russia’s military aggression.
- Member States should design measures that contribute to food security or address market imbalances. The measures should target farmers who are the hardest hit by the crisis. Support under these measures should be prioritise if farmers engage in sustainable activities (circular economy, nutrient management, efficient use of resources, environmental and climate friendly production methods).
- It will be exceptionally possible to complement this EU support up to 200% with national funds.
- Member States will notify the Commission not later than 30 June 2022 of the measures they will take, their intended impact, and the criteria for granting the aid.

How can we enhance resilience by reducing dependency on fertilisers and inputs needed for agricultural production?

- The resilience of the agri-food sector requires diversified import sources and market outlets through an ambitious bilateral and multilateral trade policy.

- The EU invests considerably in research and innovation to substitute energy-intensive inputs, such as synthetic fertilisers, and to accelerate the transition to more sustainable, resilient, and competitive farming systems. Strategies and technologies to produce bio-based alternatives will be further scaled-up. Progress in plant breeding and precision farming can also reduce the use of inputs, while producing healthier crops and higher yields. Holistic and environmentally sustainable production systems, such as mixed-farming or agroecology can also optimise the nutrient cycles.

How can we reduce dependence on feed imports?

- The Farm to Fork strategy announces actions to foster EU-grown protein crops, support the incorporation of alternative feed materials and facilitate a better use of European feed resources through the use of feed additives.
- The future CAP also provides supportive instruments, for instance, Member States may implement sectoral operational programmes in the plant protein sector, eco-schemes that reward the integration of legumes in rotation plans, and coupled income support for protein crops.
- In the framework of Horizon 2020 and Horizon Europe, the EU is investing in research and innovation programme that supports activities such as breeding of protein plants, feeding, sustainable use of resources, alternative proteins for feed and food, and animal health and welfare.

State Aid

The current threshold for small amount of aid set at €35,000 for farmers under the Temporary Crisis Framework seems to be too low.

- The situation is rapidly evolving and the full impact cannot be fully estimated. The Commission will continue to monitor the situation and provide the necessary support to governments and citizens.

CAP Process

Has the Commission taken into account in their assessment of the CAP Strategic Plans the impact of the Russian invasion of Ukraine?

- The Commission is aware that the context in which Member States have designed their draft plans has substantially changed with the Russian invasion of Ukraine and the ongoing generalised commodity price surge.
- In its assessment of the CAP Strategic Plans, the Commission has already taken into account the new context. In line with the analysis and actions foreseen in its Communication on ‘Safeguarding food security and reinforcing the resilience of food systems’, the plans will play a key role to strengthen the resilience of the sector and foster its adaptation to the new geo-political context.

- In this new context, Member States should review their CAP Strategic Plans to exploit all opportunities:
 - to strengthen the EU's agricultural sector resilience;
 - to reduce their dependence on synthetic fertilisers and scale up the production of renewable energy without undermining food production;
 - to transform their production capacity in line with more sustainable production methods.
- This entails, among other actions, support for carbon farming, support for agro-ecological practices, boosting sustainable biogas production and its use, improving energy efficiency, extending the use of precision agriculture, fostering protein crop production, and spreading through the transfer of knowledge the widest possible application of best practices.
- The Commission assessed the Strategic Plans of Member States with these considerations of the sector's economic, environmental and social viability in mind.

Will you publish the observation letters?

- The Commission is committed to a transparent process to favour an open dialogue and broad acceptance of the process by all stakeholders, including the agriculture sector, consumers and civil society.
- It is the Commission's intention to publish the observation letters, after having given the Member States the opportunity to comment on them.
- [The consultation period before publication will be three weeks.]
- We will keep you informed of the progress of the process, a specific Civil Dialog Group has been organised in May to explain the observation letters.

What is the timeline for the evaluation and approval of the CAP plans?

- First, each Member State had to officially submit its CAP strategic plan. By 18 March 2022, all plans have been sent to the Commission.
- Then, after reception of a plan, there is a three months period for the Commission to send the observation letters to the Member State.
- On 31 March, the Commission sent observation letters to 19 Member States that had submitted their plan in time (Austria, Croatia, Cyprus, Denmark, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Slovenia, Spain, Sweden).
- We then enter a stop-the-clock period when Member States revise their CAP plans in collaboration with the Commission.
- Afterwards, they are expected to re-submit their revised plans.
- When deemed fit-for-purpose, the Commission will adopt the CAP plans.

- We need to ensure that the plans are complete and ambitious, insisting that they work for the farmers in the present difficult economic context.
- Therefore, the timeline will depend on the quality and timeliness of Member State reactions to the observation letters.
- ‘Stop-the-clock period’ means that the six months countdown for the adoption of the CAP plans that contain all elements is not running during that period. Hence the difficulty in predicting when the plans will be approved.
- Still, the Commission is committed to assist Member States in completing their plans so that these can be adopted as soon as possible and implementation can start at the beginning of 2023.

Crisis Management

Press release on the 23 March Communication on food security and the resilience of food systems: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1963

State Aid

On 23 March, the European Commission adopted a *Temporary Crisis Framework* to enable Member States to use the flexibility foreseen under State aid rules to support the economy in the context of Russia's invasion of Ukraine³.

The framework complements the existing state aid toolbox with many other possibilities already available to Member States, such as measures providing compensation to companies for damages directly suffered due to exceptional circumstances, and measures outlined in the *Commission Communications on energy market developments*⁴.

The new framework enables Member States to:

- **Limited amounts of aid:** Member States will be able to set up schemes to grant up to €35,000 for companies affected by the crisis active in the agriculture, fisheries and aquaculture sectors and up to €400,000 per company affected by the crisis active in all other sectors. This aid does not need to be linked to an increase in energy prices, as the crisis and the restrictive measures against Russia affect the economy in multiple ways, including physical supply chain disruptions. This support can be granted in any form, including direct grants.
- **Liquidity support in form of State guarantees and subsidised loans:** Member States will be able to provide (i) subsidised state guarantees to ensure banks keep providing loans to all companies affected by the current crisis and (ii) public and private loans with subsidised interest rates.
- **Aid to compensate for high energy prices:** Member States will be able to partially compensate companies, in particular intensive energy users, for additional costs due to exceptional gas and electricity price increases. This support can be granted in any form, including direct grants. The overall aid per beneficiary cannot exceed 30% of the eligible costs, up to a maximum of €2 million at any given point in time. When the company incurs operating losses, further aid may be necessary to ensure the continuation of an economic activity. To that end, Member States may grant aid exceeding these ceilings, up to €25 million for energy-intensive users, and up to €50 million for companies active in specific sectors, such as production of aluminium and other metals, glass fibres, pulp, fertiliser or hydrogen and many basic chemicals.

The temporary framework will be in place until 31 December 2022, with a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.

By 20 April, the Commission had already approved three measures by Member States under the framework.⁵

³ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022XC0324\(10\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022XC0324(10))

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022DC0108>

⁵ An updated overview can be found here: https://ec.europa.eu/competition-policy/document/download/24a0e022-c2e0-4c3b-8358-c86f92ab82c3_en