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Voluntary - Public

Date: 6/23/2010

GAIN Report Number: E50045

EU-27

Post: Brussels USEU

State aids approved to support EU farmers who encounter difficulties

Report Categories:

Trade Policy Monitoring

Approved By:

Debra Henke

Prepared By:

Barrie Williams

Report Highlights:

In addition to the subsidies granted to EU farmers under the Common Agricultural Policy, the agriculture sector may benefit from advantages conferred by national public authorities within the framework of the State aid rules, after approval by the European Commission. In October 2009, the Commission amended the *Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis* to allow farmers a one-off payment per undertaking of up to €15,000 in State aid to be granted until December 31 2010. To date, schemes have been approved for farmers in Finland, Bulgaria, Austria, UK, Belgium, Italy, Lithuania, Hungary, the Netherlands and France representing a total of some €1,102 million in State aids.

General Information:

General rules for State aids in agriculture

In addition to the subsidies granted to EU farmers under the Common Agricultural Policy, the agriculture sector may benefit from advantages conferred by national public authorities within the framework of the State aid rules, after approval by the European Commission.

State aids on agriculture refer to all State aids, including aid measures financed by parafiscal taxes, granted in connection with activities related to the production, processing and marketing of agricultural products.

State aid rules in the agricultural sector must:

- follow the general principles of competition policy;
- be coherent with the Community's common agricultural and rural development policies;
- be compatible with the Community's international obligations, in particular the WTO Agreement on Agriculture.

These principles have resulted in the application of some legal instruments which are specific to the agricultural sector. Conversely, some general legal instruments associated with Community competition policy are not relevant for State aids in the agricultural sector.

Within the agricultural sector, the main types of State aid which the Commission can accept, and the conditions associated with the granting of such aid are summarized in the following [Community Guidelines](#) which entered into force on January 1, 2007:

- aids for investments on farms can normally be permitted at up to 40 percent of eligible expenses, or 50 percent in less favored areas. Higher rates of aid may sometimes be allowed for investments linked to the conservation of traditional landscapes, the relocation of farm buildings in the public interest, or to the improvement of the environment, animal welfare or hygiene;
- aids for investment in the processing and marketing of agricultural products are governed by the provisions applicable to State aid in the industrial sector. The aid intensity, however, is in general higher than for the industrial sector;
- aids granted in return for agri-environmental undertakings given by farmers and other environmental aids;
- aids to compensate for handicaps in less favored areas;
- aids to help setting-up young farmers;
- aids for early retirement, the cessation of farming activities, or the closure of production, processing and marketing capacity;
- aids for the establishment of producer groups;
- aids to compensate for damage to agricultural production or the means of production caused by

natural disasters or exceptional occurrences, adverse weather conditions or outbreaks of animal or plant disease, and aids granted to encourage insurance against such risks;

- aids to encourage the production and marketing of quality agricultural products, the provision of technical support for producers and the improvement of the genetic quality of livestock;
- aids to grant specific support for the outermost regions and the Aegean islands;
- Natura 2000 payments and payments linked to [Directive 2000/60/EC](#) *establishing a framework for Community action in the field of water policy* ;
- aid for meeting standards;
- aid for advertising agricultural products;
- aid relating to exemption from excise duties as provided for in [Directive 2003/96/EC](#) *restructuring the Community framework for the taxation of energy products and electricity* ;
- aid for the forestry sector.

In addition to these categories, aid may also be granted for research and development, rescue and restructuring farms in difficulty, and to support employment.

Temporary Community framework for State aids to support access to finance in current financial and economic crisis

In January 2009, the European Commission adopted its Communication on the [Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis](#). This Communication provides for various aid possibilities to facilitate access to finance for EU undertakings aimed at driving Europe's recovery from the current financial crisis. On October 28 2009, the Commission amended the Temporary Community framework to allow farmers a one-off payment of up to €15,000 in State aid. This amount can be granted once per undertaking until December 31 2010. The idea of allowing farmers State aid of up to €15,000 formed part of the Commission's Communication on the milk sector of July 22 2009. Aid schemes put in place under this instrument are open to farmers engaged in all sub-sectors of primary agricultural production, on the basis that they were not in difficulty on July 1 2008 (before the beginning of the crisis).

To date, the Commission has cleared the following State aids under the Temporary Community framework by considering them to be approved under Article 107 (3) (b) [*'...any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market...3. The following may be considered to be compatible with the internal market:...(b) aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State...'*] of the [Treaty on the functioning of the European Union](#):

May 26 2010: Some €22 million in State aid to [Finnish](#) farmers. The Finnish scheme provides aid in the form of direct grants and complements other crisis measures allocated to some Finnish companies in 2009.

April 21 2010: Some €10.26 million in State aid to [Bulgarian](#) farmers and €1.2 million to [Austrian](#) farmers. The Bulgarian scheme provides aid in the form of a direct grant aimed at supporting agricultural holdings active in

the primary production, marketing and processing of agricultural products. The Austrian scheme provides aid in the form of direct grants, interest rate subsidies, subsidized loans and guarantees.

March 30 2010: Some €22.3 million in State aid to UK farmers. The UK scheme provides aid in the form of direct grant, interest rate subsidy, loan with an aid element and guarantee.

February 15 2010: €2.73 million in State aid to Belgian farmers. The Belgian scheme provides aid in the form of subsidized guarantees and interest subsidies to support farmers in Flanders.

February 3 2010: €320 million in State aid to Italian farmers, around €2.9 million to Lithuanian farmers and some €18.2 million to Hungarian farmers. Aid under the Italian scheme is awarded by local, regional authorities and by public entities under different forms on condition that the aid is transparent. The Lithuanian scheme takes the form of direct grants. The Hungarian scheme takes the form of direct grants, soft loans, interest subsidies and guarantees.

December 22 2009: €2.81 million in State aid to Dutch farmers. The Dutch scheme takes the form of State guarantees on working capital loans.

December 2 2009: €700 million in State aid to French farmers. The French scheme takes the form of direct grants, interest rate subsidies, subsidized loans and aid towards the payment of social security contributions.