

<p>Meeting with Romanian Farmer's delegation</p>	<p>28/11/2018 Brussels</p>
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Scene Setter

- You are meeting with the representatives of Romanian farms of a larger size;
- The Commission’s post-2020 proposal includes compulsory:
 - Progressive reduction of payments as of €60,000 and capping above €100,000 per farm;
 - Complementary redistributive income support for sustainability (CRISS).
- These Commission proposals are unfavourable to them as they imply a reduction of support for larger farms. In fact, RO will be one of the most concerned MS in terms of the magnitude of these reductions.
- Therefore, Romanian farmers are going to request that the support for larger competitive farms should not be reduced.

OUT OF SCOPE

privacy

2. How much the CAP reform will affect the competitiveness of the average – medium and big farms? (please consider that more than 3200 farms in Romania are working between 400 and 4000 Ha agriculture land) Do some of these farms have to split in order to survive?

- The primary objective of direct payments is to ensure a fair standard of living for the farming community across the EU. Direct payments also have positive effects on farm competitiveness by increasing the per hectare profitability of the agricultural activities.
- However, better targeting and fairer distribution of the available financial resources is an overarching objective of the post-2020 reform. Reduction of payments plays a role in this, which can be justified by the economies of size that farmers achieve. Analysis indeed show that, on average, the farm income per worker increases with farm size.

- Besides it should be stressed that the amounts cut from bigger farms remain available to the support for agriculture and rural development in the Member State concerned. A more balanced distribution of support should therefore help strengthen the socio-economic fabric of rural areas, which in turn is vital for the competitiveness of the agricultural sector as a whole in the long-run.
- Furthermore, the obligatory (and simplified) exemption of salaried and unpaid labour also recognizes the important role of larger farms in rural employment, and considerably mitigates the potential effect of reduction of subsidies on these farms.
- It is of course possible to split the activity for business purposes. However, if the aim is purely to circumvent the reduction/capping, the support should not be granted for such farmers. According to Article 60 of HZ Regulation (“circumvention clause”), MS will indeed have to take effective and proportionate measures to avoid provisions of Union law, including reduction/capping, to be circumvented and ensure, in particular, that no advantage (e.g. exemption from capping) can be granted in favour of a farm in respect of which it is established that the conditions required for obtaining such advantages were created artificially, contrary to the objectives of the legislation concerned.

3. Moving money from average - big farms to smaller farms would it really manage to make those small farms competitive and capable to fill the gap for the market production - to produce more in order to cover the additional needs of the market?

- There is no supporting evidence that bigger farms would lose their market position to smaller farms as a result of the proposed redistribution of support. The analysis of farms of different sizes indicates that, noticeably in RO, the income per worker constantly increases with the farm size.

- In addition, it is important to note that:
 - Member States are free to design the redistributive payment according to their needs and to decide on such important factors as the number of hectares to be supported and the relevant amounts.
 - There is no obligation to use the product of capping to redistribute the support to small structures, if this is deemed inefficient in a given national context. The product of the capping can also be used under rural development, for investments or for innovation projects for example.
- The competitiveness of farms should not only be looked at purely from the productivity point of view, but also in terms of the strength of socio-economic fabrics of rural areas, which is essential for the sustainable development of the agricultural sector in the long term.

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