

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

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 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 42 and Article 43(2) thereof,

Having regard to the 1979 Act of Accession, and in particular paragraph 6 of Protocol No 4 on cotton attached thereto,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee⁷, [where necessary]

Having regard to the opinion of the Committee of the Regions⁸, [where necessary]

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled "The Future of Food and Farming" sets out the challenges, objectives and orientations for the future Common Agricultural Policy ("the CAP") after 2020. These objectives include – *inter alia* – the need for the CAP to be more result-driven, to boost modernisation and overall sustainability of the agricultural, forestry and rural areas, and to help reducing the EU-related administrative burden for beneficiaries.
- (2) In view of the scope of the reform, it is appropriate to replace Regulations (EU) No 1305/2013,⁹ No 1306/2013,¹⁰ and 1307/2013¹¹ with a new approach to ensure that those objectives can be achieved.

⁷ OJ C [...], [...], p. [...].

⁸ OJ C [...], [...], p. [...].

⁹ Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (OJ L 347, 20.12.2013, p. 487).

¹⁰ Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy (OJ L 347, 20.12.2013, p. 549).

- (3) Since the CAP needs to sharpen its responses to the challenges and opportunities as they manifest themselves at Union, national, regional, local and farm levels, it is necessary to streamline the governance of the CAP and improve its delivery on the Union objectives and to significantly decrease the administrative burden. In the CAP based on delivery of performance ("delivery model"), the Union should set the basic policy parameters, such as objectives of the CAP, broad types of interventions and basic requirements, while Member States should bear greater responsibility as to how they meet the objectives and achieve targets. Enhanced subsidiarity makes it possible to better take into account local conditions and needs, tailoring the interventions to maximise the contribution to Union objectives. Moreover, Member States have the opportunity to shape the interventions in a way to achieve simplification of the policy.
- (4) In order to give substance to the objectives of the common agricultural policy as established by Article 39 of the Treaty on the Functioning of the European Union (TFEU), as well as to ensure that the Union adequately addresses its most recent challenges, this Regulation provides for a set of general objectives laid down by the Commission Communication on "The Future of Food and Farming". A set of specific objectives should be further defined at Union level and applied by the Member States in their CAP Strategic Plans. These specific objectives translate the general objectives of the CAP into more concrete priorities and take into account relevant Union legislation, particularly with regard to climate and environment. These objectives will play a key role in both the planning of interventions by Member States and the assessment of the performance of the policy, and therefore need to be spelt out clearly in this Regulation.
- (5) A smarter, modern and sustainable CAP needs to embrace research and innovation, in order to serve the multi-functionality of Union agriculture, forestry and food systems, investing in technological development and digitalisation, as well as improving the access to impartial, sound, relevant and new knowledge.
- (6) In order to foster a smart and resilient agricultural sector, direct payments keep on constituting an essential part to guarantee a fair income support to farmers. Likewise, investments into farm restructuring, modernisation, innovation, diversification and uptake of new technologies are necessary to improve farmers' market reward.
- (7) In the context of greater market-orientation of the CAP, as provided for by the Commission Communication on "The Future of Food and Farming", market exposure, climate change and associated frequency and severity of extreme weather events, as well as sanitary and phyto-sanitary crises, may lead to risks of price volatility and increasing pressures on incomes. Thus, although farmers are ultimately responsible for designing their on-farm strategies, a robust framework should be set up to ensure appropriate risk management. To this aim, Member States and farmers may be able to draw on a Union-level platform on risk management for capacity-building in order to provide farmers with adequate financial instruments for investments and access to working capital, training, knowledge transfer and advice.
- (8) Bolstering environmental care and climate action and contributing to the achievement of Union environmental and climate objectives is a very high priority in the future of

¹¹ Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (OJ L 347, 20.12.2013, p. 608).

Union agriculture and forestry. The architecture of the CAP should therefore reflect greater ambition with respect to these objectives. By virtue of the delivery model, action taken to tackle environmental degradation and climate change should be result-driven and Article 11 TFEU should, for the purposes of this Regulation, be considered as an obligation of result.

- (9) As many rural areas in the Union suffer from structural problems such as lack of attractive employment opportunities, skill shortages, underinvestment in connectivity, infrastructures and essential services, as well as youth drain, it is fundamental to strengthen the socio-economic fabric in those areas, particularly through job creation and generational renewal, by bringing the Commission's jobs and growth to rural areas, promoting social inclusion, generational renewal and the development of "Smart Villages" across the European countryside. As indicated in the Communication on "The Future of Food and Farming", new rural value chains such as clean energy, the emerging bio-economy, the circular economy, and ecotourism can offer good growth and job potential for rural areas. In this context, financial instruments can play a crucial role for ensuring access to financing and for bolstering the growth capacity of farms and enterprises.
- (10) Citizens' concerns regarding sustainable agricultural production, including health, nutrition, food waste and animal welfare should be appropriately addressed. The CAP should continue to support production with specific and valuable characteristics, while at the same time helping farmers to proactively adjust their production according to market signals and consumers' demands.
- (11) The use of common definitions entirely set at Union level has caused certain difficulties for Member States to cater their own specificities at national, regional, and local level. Member States should therefore be given the flexibility to specify certain definitions in their CAP Strategic Plan. In order to ensure a common level playing field, a certain framework has, however, to be set at Union level constituting the necessary essential elements.
- (12) In order to ensure that the Union can respect its international obligations on domestic support as set out in the WTO Agreement on Agriculture, and in particular that the Basic Income Support for sustainability and related interventions continue to be notified as "Green Box" support which has no, or at most minimal, trade-distorting effects or effects on production, a framework definition for "agricultural activity" at Union level should provide for both the production of agricultural products or the maintenance of the agricultural area. In light of adjusting to local conditions, Member States should lay down the actual definition of agricultural activity in their CAP Strategic Plans.
- (13) In order to retain the essential Union wide elements to ensure comparability between Member State decisions, without however limiting Member States in reaching their objectives, a framework definition for "agricultural area" should be set out. The framework definition for "arable land", "permanent crops" and "permanent grassland" should be set out in a broad way to allow Member States to further specify definitions according to their local conditions. The framework definition for "arable land" should be laid down in a way that allows Member States to cover different production forms, including system such as agroforestry and arable areas with shrubs and trees and that requires the inclusion of fallow land areas in order to ensure the decoupled nature of the interventions. The framework definition of "permanent crops" should include productive as well as non-productive areas as well as nurseries and short rotation

coppice to be defined by Member States. The framework definition of "permanent grassland" should be set in a way that allows Member States to specify further criteria and allows them to include areas that can be grazed and shrubs and trees that may produce animal feed, whether used for actual production or not.

- (14) In order to ensure legal certainty that support is paid for an agricultural area which is at the farmer's disposal and where an agricultural activity is exercised, a framework definition for eligible hectare with the essential elements should be set out. In particular, in order to avoid double claims, Member States should set the conditions to determine whether the land is at the farmer's disposal. Considering the likelihood of occasional and temporary use of agricultural land for an activity which is not strictly agricultural, and given the potential of certain non-agricultural activities to contribute to the income diversification of agricultural holdings, Member States should set conditions.
- (15) As regards the areas used for the production of hemp, in order to preserve public health and to ensure the coherence with other bodies of legislation, the use of hemp seeds varieties with tetrahydrocannabinol content below 0.2% should be part of the definition of eligible hectare.
- (16) In view of further improving the performance of the CAP, income support should be further targeted to genuine farmers. In order to ensure a common approach at Union level for such a targeting of support, a framework definition for "genuine farmer" displaying the essential elements should be set out. On the basis of this framework, Member States should define in their CAP Strategic Plans which farmers are not considered genuine farmers based on conditions such as income tests, labour inputs on the farm, company object and inclusion in registers. Such framework definition should ensure that no incentive to produce is associated with the definition of genuine farmer. It should also not result in precluding support to pluri-active farmers, who are actively farming but who are also engaged in non-agricultural activities outside their farm, as their multiple activities often strengthen the socio-economic fabric of rural areas.
- (17) In order to ensure consistency between the direct payments interventions and rural development interventions when addressing the objective of generational renewal, a framework definition for "young farmer" with the essential elements should be set out at Union level.
- (18) In order to ensure that the Union can respect its international obligations on domestic support as set out in the WTO Agreement on Agriculture, certain types of interventions provided for in this Regulation should continue to be notified as "Green Box" support which has no, or at most minimal, trade-distorting effects or effects on production or "Blue Box" support under production-limiting programmes and is so exempted from reduction commitments. While the provisions set out in this Regulation for such types of interventions are already in compliance with the "Green Box" requirements as set out in Annex 2 to the WTO Agreement on Agriculture or the "Blue Box" requirements set out in its Article 6.5, it should be ensured that these types of interventions as implemented in Member States CAP Strategic Plans continue to respect those requirements.
- (19) Building on the previous system of cross-compliance implemented until 2020, the system of new conditionality links full receipt of CAP support to the compliance by beneficiaries of legal standards concerning the environment, climate change, public health, animal health, plant health and animal welfare. The basic standards encompass in a streamlined form a list of statutory management requirements ("SMRs") and

standards of good agricultural and environmental conditions of land ("GAECs"). These basic standards should better take into account the environmental and climate challenges and the new environmental architecture of the CAP. Conditionality also aims to contribute to the development of sustainable agriculture through better awareness on the part of beneficiaries of the need to respect those basic standards. It also aims to make the CAP more compatible with the expectations of society through improving consistency of the policy with the environment, public health, animal health, plant health and animal welfare objectives. Conditionality should form an integral part of the environmental architecture of the CAP, as part of the baseline for more ambitious environmental and climate commitments, and should be comprehensively applied across the Union.

- (20) The framework of standards of GAECs aims to contribute to the mitigation and adaptation to climate change, the tackling of water challenges, the protection and quality of soil and the protection and quality of biodiversity. The framework needs to be adapted to take into account in particular the practices set until 2020 under the greening of direct payments, the mitigation of climate change and the need to improve farms sustainability, and in particular the nutrients management. In order to implement the framework, Member States should define a national standard for each of the standards set at Union level, taking into account the specific characteristics of the area concerned, including soil and climatic conditions, existing farming conditions, land use, crop rotation, farming practices and farm structures. Member States may also define in addition other national standards related to the main objectives laid down in [ex-Annex II HZR Regulation] in order to improve the environmental and climate delivery of the GAEC framework.
- (21) As part of GAEC framework, in order to support both the agronomic and the environmental performance of farms, nutrient management plans will be established with the help of a dedicated electronic Farm Sustainability Tool made available by the Member States to individual farmers. The tool should provide on-farm decision support starting from minimum nutrient management functionalities. A wide interoperability and modularity should also ensure the possibility to add other electronic on-farm and e-governance applications. In order to ensure a level playing field between farmers and across the EU, the Commission may provide support to the Member States in the design of the Tool as well as with the data storage and processing services required.
- (22) SMRs need to be fully implemented by Member States in order to become operational at farm level and ensure equal treatment of farmers. To ensure the consistency of the rules on conditionality in enhancing the sustainability of the policy, SMRs should encompass main Union legislation on environment, public health, animal health, plant health and animal welfare which implementation at national level imply precise obligations on individual farmers. This includes Directive 92/43/EEC ("Habitats

Directive”),¹² Directive 2009/147/EC (“Birds Directive”)¹³ and Directive 91/676/EEC (“Nitrates Directive”).¹⁴

- (23) Member States should set farm advisory systems for this purpose to improve the sustainable management and overall performance of agricultural holdings and rural businesses, covering economic, environmental and social dimensions, and to identify the necessary improvements as regards all measures at farm level provided for in the CAP Strategic Plans. These farm advisory systems should help farmers and other beneficiaries of CAP support to become more aware of the relationship between farm management and land management on the one hand, and certain standards, requirements and information on the other hand. The list of the latter includes standards applying to or necessary for farmers and other CAP beneficiaries and set in the CAP Strategic Plan, as well as those stemming from the legislation on water, on the sustainable use of pesticides, as well as the initiatives to combat antimicrobial resistance and the management of risks. In order to enhance the quality and effectiveness of the advice, Member States should integrate advisors within the Agricultural Knowledge and Innovation Systems (“AKIS”), in order to be able to deliver up to date technological and scientific information developed by research and innovation.
- (24) While beneficiaries of large holdings may benefit from the economics of scale, smaller holdings do often not benefit from this advantage. In order to ensure a fairer distribution of income support, the amounts of direct payments to large beneficiaries should be reduced/capped. The capping of direct payments should be compulsory to a maximum total amount of direct payments and this product of capping should be used in priority for the complementary redistributive income support for sustainability. In order to avoid negative effects on employment, labour should be taken into account when applying the mechanism.
- (25) Union legislation should provide that Member States define genuine farmers and set requirements in terms of minimum area for receiving decoupled payments in their CAP Strategic Plan. Such requirements should relate to the need to avoid the excessive administrative burden caused by managing numerous payments of small amounts and to ensure an effective contribution of the support of the objectives of the CAP.
- (26) The EAGF should continue financing direct payments and sectorial interventions, whereas the EAFRD should continue financing rural development interventions as described in this Regulation. The detailed rules for the financial management of the CAP should be laid down separately for the two funds and for the activities supported by each of them, taking into account that the new delivery model gives more flexibility and subsidiarity for Member States to reach their objectives.
- (27) In order to guarantee a minimum level of agricultural income support for all genuine farmers, as well as to comply with the Treaty objective in ensuring a fair standard of living for the agricultural community, an annual area-based decoupled payment should

¹² Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

¹³ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (J L 20, 26.1.2010, p. 7).

¹⁴ Commission Regulation (EEC) No 676/91 of 20 March 1991 fixing the export refunds on pigmeat (OJ L 75, 21.3.1991, p. 32).

be established as the intervention "Basic income support for sustainability" ("BISS"). In order to enhance better targeting of this support, the payment amounts can be differentiated, by groups of territories, based on socio-economic and/or agronomic conditions. In view of avoiding too strong disruptive effects for farmers' income, Member States may choose to implement the Basic income support for sustainability based on payment entitlements, in relation to their value under the Basic Payment Schemes, taking also into account the payments for agricultural practices beneficial for the climate and the environment. In that case, Member States should however achieve further convergence in the period 2021-2027 in order to continue to move progressively away from historical values.

- (28) Support for direct payments under the CAP Strategic Plans should be granted within national allocations to be fixed by this Regulation. These national allocations should reflect a continuation of the changes whereby the allocations to Member States with the lowest support level per hectare are gradually increased to close [XX% - to be inserted] of the gap towards 90% of the Union average. In order to take into account the capping mechanism and the option for using the product of capping in the Member State, the total indicative financial allocations per year in the CAP Plan of a Member State should be allowed to exceed the national allocation.
- (29) When providing decoupled direct support based on the system of payment entitlements, Member States should continue to manage a national reserve or reserves per group of territories within the direct payments' envelope. Such reserves should be used, as a matter of priority, for young farmers and farmers commencing their agricultural activity. Rules on the use and transfers of payment entitlements are also necessary in order to guarantee a smooth functioning of the system.
- (30) Small farms remain a cornerstone of the European agriculture as they play a vital role in supporting rural employment and contribute to territorial development. In order to promote a more balanced distribution of support and to reduce administrative burden for beneficiaries of small amounts, Member States should have the option of replacing the other direct payments by providing a lump-sum payment to small farmers.
- (31) In view of the acknowledged need to promote a more balanced distribution of support towards small and/or medium-sized farmers in a visible and measurable way, a specific decoupled payment per hectare, the Complementary Redistributive Income Support for Sustainability ("CRISS"), should be established at Union level. To allow for a better targeting of the CRISS and in view of acknowledging the differences in farm structures across the Union, Member States should have the possibility to provide different amounts of complementary support to different ranges of hectares.
- (32) The creation and development of new economic activity in the agricultural sector by young farmers is financially challenging and constitutes an element that should be considered in the allocation and targeting of direct payments. This development is essential for the competitiveness of the agricultural sector in the Union and, for this reason, Member States can establish a Complementary Income Support for Young Farmers ("CISYF"). This type of intervention should be established to provide young farmers with an additional income support after the initial setting up.
- (33) The CAP should offer sufficient flexibility for Member States to increase the environmental delivery while respecting local needs and farmers' actual circumstances. Eco-schemes under direct payments could on an optional basis be integrated in the CAP Strategic Plan and in this case should be fully coordinated with the other relevant interventions. They could be defined by the Member States as a payment granted

either for remunerating the provision of public goods by agricultural practices beneficial to the environment and climate or as a compensation for the introduction of these practices. In both cases they should aim at enhancing the environmental and climate performance of the CAP and should consequently be conceived to go beyond the mandatory requirements already prescribed by the system of conditionality. Eco-schemes under direct payments interventions can also include "entry-level schemes" ("ELS") which may be a condition for taking up more ambitious rural development commitments.

- (34) Member States should be allowed to use part of their financial ceiling available for direct payments for coupled income support ("CIS") in order to improve competitiveness, sustainability, and/or quality in certain sectors and productions that are particularly important for social, economic, or environmental reasons and undergo certain difficulties. Furthermore, Member States should also be allowed to use an additional part of their financial ceiling available for direct payments to grant CIS specifically for the support of protein crop production in order to reduce the Union's deficit in this regard.
- (35) Compliance of CIS with the Union's international commitments, such as the Memorandum of Understanding between the European Economic Community and the United States of America on oilseeds within the framework of the GATT, should be ensured. The Commission should have the power to adopt delegated acts for this purpose of laying down detailed rules in this respect.
- (36) For rural development interventions, principles are defined at Union level, particularly with regard to the basic requirements for the Member States to apply selection criteria. However, Member States should have ample discretion to define specific conditions according to their needs. Rural development interventions include payments for environmental, climate and other management commitments that Member States should support throughout their territories, in accordance with their national, regional or local specific needs. Member States should grant payments to farmers and other land managers who undertake, on a voluntary basis, management commitments which are considered to be beneficial to achieving the specific objectives of the CAP.
- (37) Support under payments for management commitments include agri environmental climate commitments ("AECC"), particularly in the form of locally led, integrated or cooperative approaches and result-based interventions; organic farming premia for the maintenance of and the conversion to organic land; payments for other types of environmentally friendly production systems such as agro-ecology, conservation agriculture and integrated production; forest environmental and climate services and forest conservation; premia for forests and establishment of agroforestry systems; animal welfare; conservation, sustainable use and development of genetic resources. Member States may develop other schemes under this type of intervention on the basis of their needs. This type of payments should only cover commitments going beyond the baseline of mandatory standards and requirements established in Union and national law, as well as conditionality, as laid down in the CAP Strategic Plan. Commitments related to this type of interventions may be undertaken for a pre-established annual or pluri-annual period and might go beyond seven years where duly justified.
- (38) Forestry measures should contribute to the implementation of the Union Forest Strategy, and be based on Member States' national or sub-national forest programmes or equivalent instruments, which should build on the commitments made in the

Ministerial Conferences on the Protection of Forests in Europe. Interventions may comprehend forest area development and sustainable management of forests, including the afforestation of land and the creation and regeneration of agroforestry systems; the protection, restoration and improvement of forest resources; investments to guarantee and enhance forest conservation and resilience, and the provision of forest ecosystem and climate services; and measures and investments in support of the bio-economy.

- (39) In order to ensure a fair income and a resilient agricultural sector across the Union territory, Member States may grant support to farmers in areas facing natural and region specific constraints. This type of payments previously related to areas facing natural or other specific constraints ("ANC"), Natura 2000 areas and other payments linked to provisions included in Directive 2000/60/EC¹⁵ should be streamlined into the single category of intervention "payments for natural constraints or other region-specific constraints". As regards payments for ANC, the designation of the 2014-2020 Rural Development policy should continue to apply.
- (40) The objectives of the CAP should also be pursued through support for investments, productive as well as non-productive, on farm as well as off-farm. Such investments may concern – *inter alia* – infrastructures related to the development, modernisation or adaptation of agriculture and forestry, including access to farm and forest land, land consolidation and improvement, agro-forestry practices and the supply and saving of energy and water. In order to better ensure the consistency of the CAP Strategic Plans with Union objectives, as well as a level playing field between Member States, a negative list of investment topics is included in this Regulation.
- (41) In the light of the need to fill the investment gap in the Union agricultural sector and improve access to financial instruments ("FIs") for priority groups, notably young farmers and new entrants with higher risk profiles, combination of grants and FIs should be encouraged. Since the use of FIs across Member States varies considerably as a result of differences in terms of access to finance, banking sector development, presence of risk capital, familiarity of public administrations and potential beneficiaries with FIs, Member States should establish in the CAP Strategic Plan appropriate targets, beneficiaries and preferential conditions, and other possible eligibility rules.
- (42) Young farmers and new entrants still face significant barriers regarding access to land, high prices and access to credit. Their businesses are more threatened by price volatility (for both inputs and produce) and their needs in terms of training in entrepreneurial and risk management skills are high. It is therefore essential to continue the support for the setting up of new businesses and new farms. Member States should provide for a strategic approach and identify a clear and coherent set of interventions for generational renewal under the specific objective dedicated to this issue. To this aim, Member States may set in their CAP Strategic Plans preferential conditions for financial instruments for young farmers and new entrants, including the ring-fencing of at least an amount corresponding to 2% of the annual direct payments' envelope. An increase of the maximum amount of aid for the installation of young farmers and rural business start-ups, up to € 100.000, which can be accessed also

¹⁵ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

through or in combination with financial instrument form of support, should be established.

- (43) In the light of the need to ensure appropriate risk management tools, insurance premia and mutual funds should be established, financed by the EAFRD. The category of mutual funds encompasses both those linked to production losses, and the general and sector-specific income stabilisation tools, linked to income losses.
- (44) Support should enable the establishment and implementation of cooperation between at least two entities in view of achieving CAP objectives. Support can entail all aspects of such cooperation, such as the setting up of quality schemes; collective environmental and climate action; the promotion of short supply chain and local markets; pilot projects; Operational Group ("OG") projects within the European Innovation Partnership for agricultural productivity and sustainability ("EIP-AGRI") local development projects, Smart Villages, buyers' clubs and machinery rings; farm partnerships; forest management plans; networks and clusters; social farming; community supported agriculture; actions within the scope of LEADER; and the setting up of Producer Groups (PGs) and Producer Organisations (POs), as well as other forms of co-operation deemed necessary to achieve the specific objectives of the CAP.
- (45) The Communication on the "The Future of Food and Farming" mentions the exchange of knowledge and focus on innovation as a cross cutting objective for the new CAP. The CAP should continue to support the interactive innovation model, which enhances the collaboration between actors to make best use of complementary types of knowledge with a view to spreading practical solutions. Farm advisory services should be strengthened within the AKIS. The CAP Strategic Plan should provide information on how advisory services, research and rural networks will work together. Each Member State or region, as appropriate, can fund a number of actions aimed at knowledge exchange and innovation, using the types of intervention developed in this regulation.
- (46) Sectorial interventions are needed to contribute to the CAP objectives and reinforce synergies with other CAP instruments. In line with the delivery model, minimum requirements concerning the contents and objectives for such sectorial interventions should be elaborated at Union level in order to ensure a level playing field in the internal market and avoid conditions of unequal and unfair competition. Member States would have to justify their inclusion in their CAP Strategic Plans and ensure consistency with other interventions at sectorial level. The broad types of interventions established at Union level should cover the sectors of fruit and vegetables, wine, apiculture products, olive oil and table olives, hops and the other sectors, as defined in this Regulation, for which the establishment of sectorial programmes is deemed to have beneficial effects towards the achievement of some or all of the general and specific objectives of the CAP.
- (47) National financial envelopes or other limitations in form of caps are needed in order to maintain specificity of intervention and facilitate programming sectorial interventions for wine, olive oil and table olives, hops and the other sectors as defined in this Regulation. However, in the fruit and vegetables and apiculture sectors Union financial assistance should continue to be provided as for the modalities laid down in Regulation (EU) No 1308/2013 in order not to undermine the achievement of the additional objectives that are specific to these interventions, as provided for in this Regulation. Where Member States would introduce support for "other sectorial

interventions" in their CAP Strategic Plans, the financial allocation established should be deducted from the allocation for direct payments type of interventions of the Member State concerned in order to remain financially neutral. Where a Member State would choose not to implement sectorial interventions for apiculture, hops and olive oil, the related allocations for that Member State should be made available as additional allocations for direct payments types of interventions. Provision should be made for the determination of the total amount and the breakdown of Union support for rural development under this Regulation for the period from 1 January 2021 to 31 December 2027, in accordance with the Multi-annual Financial Framework for the period 2021 to 2027.

- (48) In accordance with the objectives set out in Protocol No 4 on cotton attached to the 1979 Act of Accession, it is necessary to continue a 'crop-specific payment' per eligible hectare linked with the cultivation of cotton, as well as the support for inter-branch organisations in the cotton producing regions. However, since the budgetary allocation for cotton is fixed and cannot be used for other purposes and because the implementation of this programme has a Treaty law basis, the payment for cotton should not be part of the interventions approved in the CAP Strategic Plan. In order to ensure the efficient application and management of the crop-specific payment for cotton, the power to adopt certain acts should be delegated to the Commission.
- (49) In order to facilitate the management of EAFRD funds, a single contribution rate for support from the EAFRD should be set in relation to public expenditure in the Member States. In order to take account of their particular importance or nature, specific contribution rates should be set in relation to certain types of operations. In order to mitigate the specific constraints resulting from the level of development, the remoteness and insularity, an appropriate EAFRD contribution rate should be set for less developed regions, the outermost regions referred to in the TFEU and the smaller Aegean islands.
- (50) Whereas Member States for the purpose of ensuring the progress towards targets should be allowed to deviate from the average unit rates or amounts planned under various interventions, the deviation should, for the sake of avoiding undermining the plan, be limited, except for the types of interventions where by nature significant variations can be expected.
- (51) [Place holder - recital on ring-fencing and minimum allocations]
- (52) The transfer of responsibility to Member States for assessing needs and achieving targets goes hand in hand with an increased flexibility to set up the combination of interventions needed for both direct payments and rural development. This should be supported by some flexibility to adjust the relevant national allocations of funds. When Member States estimate that the pre-allocated envelope is too low to have room for all intended measures, a certain degree of flexibility is therefore justified, while at the same time avoiding considerable fluctuations in the level annual direct income support versus the amounts available for multi-annual interventions under EAFRD of annual CAP. Since any transfer triggers a need for adjusting the EAGF net ceiling, Member States should have a duty of notification.
- (53) To enhance the Union added value and to preserve a functioning agricultural internal market, as well as to pursue the above-mentioned general and specific objectives, Member States should not take decisions according to this Regulation in isolation but in the framework of a structured process that should materialise in a CAP Strategic Plan. In order to promote more subsidiarity within a common Union framework,

Member States should choose the interventions when designing the CAP Strategic Plan, while complying with the general principles of Union law and the objectives of the CAP. Such Strategic Plans should enhance consistency among all Union policy interventions as specific means of pursuing the general and specific objectives of this reform.

- (54) The CAP Strategic Plans should be drafted by Member States and should aim, in particular, to ensure enhanced coherence across the multiple tools of the CAP, since it should cover both direct payments interventions (except for market measures) and rural development interventions; ensure and demonstrate the alignment and appropriateness of the choices made by Member States to the Union priorities and objectives; allow the Commission to assume its responsibility for the management of the Union budget; provide Member States with legal certainty on certain elements of the Plan.
- (55) CAP Strategic Plans should set the specific targets defined by Member States, whereas Union top-down rules should be limited to the fundamental choices and the governance structure. Such a distribution of tasks is aimed at ensuring full correspondence between financial resources invested and results achieved.
- (56) In order to ensure the immediate start and efficient implementation of the CAP Strategic Plans, support from the EAGF and the EAFRD should be based on the existence of sound administrative framework conditions. Member States should therefore assess the fulfilment of a limited number of ex ante conditions, which can bring real added value and lead to significant simplification. Each CAP Strategic Plan should be structured around the CAP specific objectives, while at the same time adapting to national contexts and complementing the other Union policies, in particular the agricultural market policy, the cohesion policy, the common fisheries policy as well as environmental, climate and public health policies. In particular, each CAP Strategic Plan should relate to the environmental and climate legislations where appropriate, and include a description of national plans emanating from these legislations as part of the analysis of the current situation ('SWOT analysis'), such as Directive 92/43/EEC ("Habitats Directive"),¹⁶ Directive 2009/147/EC ("Birds Directive")¹⁷, Directive 91/676/EEC ("Nitrates Directive"),¹⁸ Directive 2000/60/EC (the "Water Framework Directive"),¹⁹ Directive (EU) 2016/2284,²⁰ Directive 2009/128/EC,²¹ Regulation XXX/2018 (LULUCF) and Regulation XXX/2018 (ESR) [references to be added].

¹⁶ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

¹⁷ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (J L 20, 26.1.2010, p. 7).

¹⁸ Commission Regulation (EEC) No 676/91 of 20 March 1991 fixing the export refunds on pigmeat (OJ L 75, 21.3.1991, p. 32).

¹⁹ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

²⁰ Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants (OJ L 344, 17.12.2016, p. 1).

²¹ Directive 2009/128/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for Community action to achieve the sustainable use of pesticides (OJ L 309, 24.11.2009, p. 71).

- (57) The approval of the CAP Strategic Plan by the Commission is a crucial step in order to guarantee that the policy is implemented according to the common objectives. In accordance with the principle of subsidiarity, the Commission should provide the Member States with appropriate guidance in presenting coherent and ambitious intervention logics. Flexibility should be accorded to Member States as regards the choice of delegating part of the implementation of the CAP Strategic Plan at regional level on the basis of a national framework, in order to facilitate co-ordination among the regions in addressing nation-wide challenges.
- (58) It is necessary to provide for the possibility for programming and revising CAP Strategic Plans, in accordance with the conditions laid down in this Regulation.
- (59) A Managing Authority should be responsible for the management and implementation of each CAP Strategic Plan. Its duties should be specified in this Regulation. The Managing Authority should be able to delegate part of its duties while retaining responsibility for the efficiency and correctness of management.
- (60) In accordance with the principle of shared management, the Commission is assisted by committees formed by Member States representatives in the implementation of the CAP. With a view to simplifying the system and streamlining the position of Member States, only one Monitoring Committee is established for the implementation of this Regulation, merging the "Rural Development" Committee and the "Direct Payments" Committee, which were established under the 2014-2020 programming period. The responsibility to assist Member States in the implementation of the CAP Strategic Plans is shared between the Managing Authority and this Monitoring Committee. The Commission should also be assisted by the "Common Agricultural Policy" Committee, in accordance with the provisions laid down by this Regulation.
- (61) The EAFRD should support through technical assistance, at the initiative of the Commission, actions relating to the preparatory, monitoring, administrative and technical support activities, including corporate information technology systems, as well as evaluation, audit and inspection measures, required to implement the CAP Strategic Plan. Technical assistance may also be provided, at the initiative of Member States, for the purpose of the fulfilment of the tasks necessary for the effective administration and implementation of support in relation to the CAP Strategic Plan.
- (62) In a context where Member States will have much more flexibility and subsidiarity on the design of interventions, networks are a key tool to drive and steer policy and to ensure sufficient attention and capacity in the Member States. A single network should ensure better coordination between networking activities at the Union and at the national and regional levels. The European and national CAP network replace the current European Network for Rural Development ("ENRD") and EIP-AGRI networks, in the form of a platform providing for more exchange of knowledge in order to capture the results and added value of the policy at European level, particularly the Horizon 2020 policy. In the same perspective of improvement of the exchange of knowledge and innovation, a EIP-AGRI is set up, implementing the interactive innovation model in accordance with the methodology outlined in this Regulation.
- (63) Each CAP Strategic Plan should be subject to regular monitoring of the implementation and of progress towards the established targets. Such a performance, monitoring and evaluation framework of the CAP Strategic Plans should be set up with the purpose of demonstrating the progress and assessing the impact and efficiency of policy implementation.

- (64) The result-orientation triggered by the delivery model requires a strong performance framework, particularly since CAP Strategic Plans would contribute to broad general objectives for other shared managed policies. A performance-based policy implies annual and multi-annual assessment on the basis of selected outputs, result and impact indicators, as defined in the Performance Monitoring and Evaluation Framework ("PMEF").
- (65) Member States are required to report annually on progress towards achievement of targets set in the CAP Strategic Plans. Mechanisms should be in place to enable the Commission to assess Member States performances and take action to protect the EU's financial interests in case the CAP Strategic Plan implementation deviates significantly from the targets set. Member States may thus be asked to submit action plans in case of significant and non-justified underperformance. This could lead to suspensions and, in the end, reductions of the Union funds if the planned results are not achieved. In line with the enhanced focus on environmental and climate action anticipated in the Communication from the Commission on "The Future of Food and Farming" an incentive mechanism should be established in view of encouraging good environmental and climate performances.
- (66) In accordance with the principle of shared management, Member States should be responsible for the evaluation of their CAP Strategic Plans, whereas the Commission is responsible for the syntheses at Union level of the Member States' ex ante and for the Union level ex post evaluations.
- (67) Notifications are needed from Member States for the purpose of applying this Regulation, and for the purpose of monitoring, analysing and managing financial entitlements. In order to ensure the correct application of the rules set out in this Regulation and to make such notifications fast, efficient, accurate, cost-effective and compatible with the protection of personal data, the power to adopt certain acts should be delegated to the Commission in respect of establishing the necessary measures regarding notifications to be made by Member States to the Commission or for the purpose of checking, controlling, monitoring, evaluating and auditing direct payments and for complying with requirements laid down in international agreements, including notification requirements under those agreements and in respect of further rules on the nature and type of the information to be notified, the categories of data to be processed and maximum period of retention, the access rights to the information or information systems and the conditions of publication of the information.
- (68) Articles 107, 108 and 109 TFEU should apply to the support interventions under this Regulation. Nevertheless, given the specific characteristics of the agricultural sector, those TFEU provisions should not apply to direct payments and rural development interventions concerning operations falling within the scope of Article 42 TFEU, that are carried out under and in conformity with this Regulation or to payments made by Member States, intended to provide additional national financing for rural development interventions for which Union support is granted and which fall within the scope of Article 42 TFEU.
- (69) Farmers are increasingly facing risks of income volatility, partly because of market exposure, partly because of extreme weather events and frequent sanitary and phytosanitary crises affecting the Union livestock and agronomic assets. To alleviate the effects of income volatility by encouraging farmers to make savings in good years to cope with bad years, national tax measures whereby the income tax base applied to

farmers is calculated on the basis of a multiannual period should be exempted from the application of the State aid rules.

- (70) Personal data collected for the purposes of the application of any provision enshrined in this regulation should be processed in a way that is compatible with those purposes. It should also be made anonymous, be aggregated when processed for monitoring or evaluation purposes, and be protected in accordance with Union law concerning the protection of individuals with regard to the processing of personal data and on the free movement of such data, in particular Directive 95/46/EC of the European Parliament and of the Council²² and Regulation (EC) No 45/2001 of the European Parliament and of the Council²³. Data subjects should be informed of such processing and of their data protection rights.
- (71) [Place holder for the Opinion of the European Data Protection Service]
- (72) In order to supplement or amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.
- (73) In order to ensure legal certainty, protect the rights of farmers and guarantee a smooth, coherent and efficient functioning of direct payments interventions, the power to adopt certain acts should be delegated to the Commission in respect of hemp: rules on the establishment and access of the national reserve and the reserves per group of territories; the rules on calculation of the value of payment entitlements; the rules on the content of the declaration and the requirements for the activation of payment entitlements; rules on eco-schemes; the decision that coupled income support may continue to be paid until 2027 on the basis of the production units for which such support was granted in a past reference period; rules and conditions for the authorisation of land and varieties for the purposes of the crop-specific payment for cotton; rules on the conditions for the granting of that payment, on the eligibility requirements and on agronomic practices; criteria for the approval of interbranch organisations; rules governing the situation where the approved interbranch organisation does not satisfy such criteria and obligations for producers; and the adaptation of Member States' financial allocations for direct payments types of interventions.
- (74) In order to ensure that sectorial interventions contribute to the CAP objectives and reinforce synergies with other CAP instruments, the power to adopt certain acts should be delegated to the Commission in respect of proper functioning of such types of intervention; basis for the calculation of Union financial assistance, including the reference periods and the calculation of the value of marketed production; maximum

²² Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p. 31).

²³ Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

level of Union financial assistance for market withdrawals referred to in [X – final reference to be determined]; rules for the fixing of a ceiling for expenditure on the replanting of vineyards referred to in [X – final reference to be determined]; rules under which producers are to withdraw the by-products of winemaking, and on exceptions to that obligation in order to avoid additional administrative burden and rules for the voluntary certification of distillers; additional requirements concerning the duty of notification and the establishment of a minimum Union contribution to the expenditure to implement the types of intervention provided for by this Regulation for the apiculture sector.

- (75) In order to ensure legal certainty and to guarantee that rural development interventions achieve their objectives, the power to adopt certain acts should be delegated to the Commission in respect of [list of empowerments for delegated acts for rural development types of interventions to be defined];
- (76) In order to ensure uniform conditions for the implementation of this Regulation, to avoid unfair competition or discrimination between farmers, implementing powers should be conferred on the Commission in respect of [list of empowerments for implementing acts to be defined]; and the adoption of necessary and justifiable measures to resolve specific problems in an emergency. Those powers should be exercised in accordance with Regulation (EU) No 182/2011.
- (77) Regulation (EU) No 228/2013 (POSEI Scheme)²⁴ and Regulation (EU) No 229/2013 (Smaller Aegean Islands)²⁵ should remain outside the scope of this Regulation, unless where some of their provisions are explicitly recalled.
- (78) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States but can rather, by reason of the disparities between the various rural areas and the limited financial resources of the Member States, be better achieved at Union level through the multiannual guarantee of Union financing and by concentrating on clearly identified priorities, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union (TEU). In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (79) [Place holder for repeals]
- (80) [Place holder for transitional provisions]
- (81) In order to ensure legal certainty and continuity, the special provisions for Croatia concerning the gradual introduction of direct payments and complementary national direct payments in the framework of the phasing-in mechanism should continue to apply until the anticipated year of 2021.
- (82) [Place holder for entry into force and application]

HAVE ADOPTED THIS REGULATION:

²⁴ Regulation (EU) No 228/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in the outermost regions of the Union (OJ L 78, 20.3.2013, p. 23).

²⁵ Regulation (EU) No 229/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in favour of the smaller Aegean islands (OJ L 78, 20.3.2013, p. 41).