

European Commission
(attn. DG Competition)
Place Madou/Madouplein 1
1210 Bruxelles/Brussel
Belgium

Subject: Public consultation concerning the review of rules on exemptions for small amounts of aid (de-minimis aid) in agriculture

The Hague, 19 July 2024

The Association of Dutch Provincial organisations (Interprovinciaal Overleg) would like to thank the European Commission for the opportunity to provide feedback regarding the draft amendments to the agricultural de-minimis Regulation. The Dutch provinces have a profound responsibility in the rural areas of the Netherlands for the implementation of agricultural, nature and social policies.

The agricultural sector faces serious challenges with regard to sustainable production and land use practices. The challenges include mitigating and adapting to climate change, pollution reduction (e.g. control and reduce pesticides use, minimise nitrate leaching and runoff etc.) and biodiversity protection and restoration. The Common Agricultural Policy (CAP) and state aid subsidies are important instruments to help farmers with sustainable development. The agricultural de-minimis Regulation offers an option that is complementary to the CAP and state aid, to provide support by governments to farmers for these sustainability purposes.

In The Netherlands, the provinces are responsible for implementing the agricultural policies of the EU under the second pillar of the CAP. They widely use the agricultural de-minimis Regulation to support the transition to a more sustainable agriculture, among others in pilot projects. The applicable individual and national caps are however too low to leverage the sustainability transition significantly¹. Higher caps than now proposed in the draft amended Regulation, exclusively targeted to sustainability measures, would be most helpful.

The de-minimis exemption for SMEs has been increased to €300,000/3 years since 1 January 2024. That is no less than 15 times as much as for agriculture. In order to accelerate the sustainability of agriculture and horticulture, it is time to align the exemption with that of SMEs. Farmers are now opting out of subsidies for management measures or for partial functional change, for example, because we cannot offer more than an amount of €20,000 under the de-minimis conditions. If they also received another (non-CAP) subsidy in those three years, there is no possibility to support them.

We would therefore suggest that the European Commission considers adjusting the amended agricultural de-minimis Regulation for increasing its usefulness for the sustainability transition. This may be done by introducing a mechanism in which the applicable individual and national de-minimis caps are substantially increased (e.g. at least the same as for SMEs²), on condition that additional support (i.e. above the currently proposed caps) is provided exclusively for agro-environment-climate measures as may also be supported under Article 70 of CAP Regulation 2021/2115, and on the basis

¹ C.L- Wolberink & R.P, Baayen (2024). Scope and usefulness of the EU legislation as regards the sustainability transition in agriculture. Options, obstacles and opportunities. https://denholl_andsl.info/artikel18007

² See arguments at the end of this letter

of costs incurred and income foregone. Such support does not distort competition or trade, nor the functioning of the internal market. Evidently, it should be registered separately.

Increasing the de-minimis ceilings specifically for sustainability purposes will help farmers adjust to legal and societal requirements and will help alleviate the tensions in society between the farming sector and sustainability interests.

Thank you very much for taking our suggestions into consideration. We are happy to provide further clarification if so requested.

Kind regards,

Association of Dutch provincial organisations

Interprovincial Program for rural areas

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The Netherlands

Arguments increase of cap to SMEs level:

- Current government support is increasingly less focused on (the pricing of) the agricultural product that is produced by the farmer or horticulturist. It is - nowadays - increasingly about making production more sustainable and contributing to social, environmental and climate goals. As a result, the argument that government support affects competition and/or trade is becoming less and less valid.
- Many claim that agriculture already receives too much support from Europe, and that the exemption is therefore rightly much lower than for SMEs. In the early days of the EU a large part of the EU budget indeed went to agriculture. Today, however, this is only 30%. The rest goes to SMEs, among others.
- We also see that more than half of the Dutch SMEs are micro-SMEs. The average value (sales price) for an SME in the Netherlands is approximately €2.5 million (2017). The average balance sheet total of an average agricultural company is €3.8 million. Despite this higher balance sheet total, SMEs are supported to a much greater extent; the state aid exemption for agriculture is a factor of 15 smaller.
- According to the EU regulation, there is state aid if it brings an economic advantage that would not have been obtained through normal commercial channels (non-market conformity). The point is, however, that the market offers too few opportunities to recover the costs that a farmer incurs to produce more sustainably or to contribute to social goals. There is an agricultural exemption regulation, but it does not offer sufficient opportunities. This is because support measures for sustainability often alleviate costs that would normally be borne by the company, which in strict business economic terms still results in an economic advantage.