

**CONTRIBUTION FROM THE CANARY ISLANDS REGIONAL GOVERNMENT ON THE AMENDMENT OF REGULATION (EU) 1408/2013 ON THE APPLICATION OF ARTICLES 107 AND 108 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION TO *DE MINIMIS* AID IN THE AGRICULTURE SECTOR**

**Context**

The European Commission, taking note of the European Council Conclusions in April 2024 on the importance of a competitive, sustainable and resilient agricultural sector, and taking into account the increasing inflationary pressure on the agricultural sector and high raw material prices, has launched a targeted review of Regulation (EU) 1408/2013 on the application of Articles 107 and 108 of the TFEU to *de minimis* aid in the agriculture sector (hereinafter referred to as the Agriculture *de minimis* Regulation).

This agriculture *de minimis* Regulation has made it possible to allocate up to EUR 25,000 in public grants to a single agricultural undertaking for a period of three years without having to notify to the European Commission. The proposal of the Commission is to increase this amount to EUR 37,000, based on actual inflation from 2019, inflationary forecasts for 2024-2025 by the Commission and the inflation target for the remaining years until the end of validity of the Regulation (31 December 2032).

The Canary Islands, as outermost region of the EU (OR) and in accordance with article 349 of the TFEU, may benefit from specific measures due to their remoteness, insularity, small size, difficult topography and climate.

The EU **Council conclusions of 21 June 2022** on the outermost regions recall the importance of the changes to the European state aid framework, while underlining the fact that “*aid in outermost regions may not affect competition in the internal market, as long as it targets purely local activities*”.

This contribution highlights the persistence of certain shortcomings in the case of the Canary Islands which still need to be improved to take into account the specificities of the agricultural model in the Canary Islands.

**Characteristics of the agriculture sector in the Canary Islands**

The analysis of the main quantitative indicators in the Canary Islands indicates that, in general for the recent past period (2000-2019) and considering the variability that can in fact be found by subsectors, islands, surface areas or specific types of production, the activity of the primary sector has oscillated between stability and decline. Although the GVA<sup>1</sup> of the primary sector has been increasing over the last two decades, the contribution of the primary sector to the economy of the Canary Islands continues to be the lowest of all sectors, standing at 1.8% in 2019.

The Regional Agricultural Income<sup>2</sup>, a relevant indicator for measuring the farming activity, has followed a general downward trend without the increase in agricultural production compensating for the fall in animal production and the increase in intermediate consumption<sup>3</sup>. During the period 2014-2020 there has also been a decline in the Canary Islands livestock population<sup>4</sup>.

**On average, 80% of OR undertakings cultivate less than 5 hectares, compared with an EU average of 62%. The Canary Islands, according to the agriculture record published in 2022, is the Spanish**

<sup>1</sup> Source: *Contabilidad Trimestral de Canarias* (ISTAC).

<sup>2</sup> Source: *Servicio de Estadística of the Consejería de Agricultura, Ganadería y Pesca del Gobierno de Canarias*.

<sup>3</sup> Source: Boletín Oficial de Canarias N. 42 10635 of 1.03.2023. Estrategia Canaria de Soberanía Alimentaria <https://www.gobiernodecanarias.org/boc/2023/042/007.html>

<sup>4</sup> Source: Livestock statistics in the Canary Islands (ISTAC)



**autonomous community with the smallest average usable agricultural area per undertaking, 4.81 hectares<sup>5</sup>, compared to an average of 26 hectares in Spain.**

Thus, the scope for achieving economies of scale and increasing investments is limited, given the additional costs involved. Similarly, most of the agricultural production structures in these sectors are made up of small family undertakings, which limits their ability to recover quickly in times of crisis, due to the lack of cash flow linked to the low farmer income level, especially in a context of inflation.

This has been aggravated by the urban development process experienced by the region, as well as the demographic pressure on the territory and hence on agricultural land, which has had consequences for the agriculture activity derived from the social and cultural change in the population and the economic orientation towards other sectors such as services, tourism or construction.

In the Canary Islands<sup>6</sup>, the situation of the farming activity concerning the access to resources may be synthesised in the following points:

- competition with other sectors (urban development, tourism...) for access to common resources such as land, water or the sea;
- essentially private access (to land, water and most agricultural inputs);
- high cost of resources (water and land);
- external supply of resources (most intermediate inputs: agrochemicals, energy, seeds, feed, machinery, etc.).

Agricultural land, the cardinal resource of the whole farming activity, is limited in the Canary Islands both for natural reasons and because of the historical conception of the territory (urban development, protected areas, etc.) by public management. Production capacity is therefore also limited, with the surface area of the agricultural system having been reduced by 25% in the last 20 years<sup>7</sup>, with the consequent risk of erosion due to the loss of fertile soil.

In addition, water for consumption in the Canary Islands is scarce, private and expensive<sup>8</sup>, yet it has one of the highest levels of consumption in Spain and where most losses occur. Agricultural water demand is close to 50% of the total demand<sup>9</sup>.

To conclude, expenditure on inputs or intermediate consumption, such as energy and lubricants, animal feed, fertilisers and phytosanitary products, machinery, financing, seeds and seedlings, has gradually increased during the period 2005-2018 (especially animal feed and energy), contributing to the detriment of the Regional Agricultural Income, which has also followed a downward trend in recent years. Most of them come from abroad, which can lead to a rise in their price and increase in external dependence on factors that could be at least partly produced locally using agro-ecological methods (seeds, fertilisers,

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<sup>5</sup> Source: [INEbase / Agricultura y medio ambiente / Agricultura / Censo Agrario / Últimos datos](#) .

<sup>6</sup> Source: Boletín Oficial de Canarias N. 42 10635 of 1.03.2023. Estrategia Canaria de Soberanía Alimentaria <https://www.gobiernodecanarias.org/boc/2023/042/007.html> .

<sup>7</sup> Source: DOSA from Mapa de cultivos de Canarias.

<sup>8</sup> Source: Estadística sobre el suministro y saneamiento del agua (INE), and the report “España en cifras 2020” (INE), and DOSA from Planes Hidrológicos Insulares, 2º Ciclo (2015-2021), Plan de Regadío de Canarias 2014-2020, Report on “Fiscalización del Uso Agrícola del Agua por las Entidades Locales, ejercicio 2013” (Audiencia de Cuentas de Canarias, 2015).

<sup>9</sup> Source: DOSA and PDR Canarias.



animal feed, renewable energies, local knowledge, etc.) and renewable energy sources (solar, wind, etc.)<sup>10</sup>.

### **Proposal**

The aim of this brief description of the agriculture sector in the Canary Islands is to highlight the specific situation thereof within the EU, faced with the challenges of food sovereignty and food security. In the Canary Islands, where social indicators are among the worst in the EU (unemployment, early school-leaving, brain drain), actors in this sector remain vulnerable.

Strengthening their competitiveness through *de minimis* aid schemes involving an appropriate amount comes into play in this context.

As a result, in addition to the structural constraints provided for in Article 349 of the TFEU, the agriculture sector in the Canary Islands is facing the effects of multiple economic crises (armed conflicts, energy, pandemics) without the availability of tailor-made responses to be implemented rapidly.

In view of the above, we consider it highly appropriate to raise *de minimis* aid ceilings in order to respond to currency depreciation. Therefore, an increase from EUR 25,000 (according to the latest amendment of the regulation in force) to EUR 37,000 is very necessary and positive.

**However, in view of the vulnerability of the production in this sector, the *de minimis* threshold in the Canary Islands, and therefore in the other outermost regions, should be increased to EUR 74,000, following the example of the specific allowances that already exist in state aid regulations for other purposes.**

As regards raising ceilings for aid in the form of loans, in order to be considered transparent aid, for the same reasons that the maximum aid amounts are raised, we consider this to be equally positive.

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<sup>10</sup> Further information: [Agricultura \(gobiernodecanarias.org\)](http://Agricultura(gobiernodecanarias.org))