

AECM comments to the Commission's proposal for the amendment of the Regulation 1408/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to the *de minimis* aid in the agriculture sector

The European Association of Guarantee Institutions (AECM) welcomes the opportunity to provide feedback on the draft text of the Regulation on *de minimis* aid in the agriculture sector, which proposes changes compared to the current Regulation in respect to:

- (i) the *de minimis* ceiling,
- (ii) adjustment to the 'national caps' and
- (iii) the introduction of the mandatory central register at national or EU level.

With reference to the proposed ceiling of EUR 37 000 as the amount of the *de minimis* aid that a single undertaking may receive per Member State over any period of three years, AECM and its members are of the opinion that this envisaged threshold is too low and ask the European Commission to increase it to EUR 50 000 for the following reasons:

- Due to significant geopolitical events such as Russia's invasion of Ukraine, inflation has surged to over 10% in several EU countries over the past few years¹. This spike in inflation has severely eroded the purchasing power of farmers and drastically increased the cost of essential inputs like fertilizers and feed. Consequently, the prices of key agricultural inputs have skyrocketed, placing additional financial strain on farmers. For this reason, the current *de minimis* ceiling is no longer appropriate.

Additionally, the agricultural sector is unlike most other industries: it is highly susceptible to weather and climate events, experiences fluctuating demand, and, despite the critical importance of food production, farmers' incomes are about 40% lower than those in non-agricultural sectors². Given these obstacles, it is important to consider the increasing challenges facing agriculture in respect to other sectors.

¹ <https://ec.europa.eu/eurostat/databrowser/view/tec00118/default/table?lang=en>

² https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-glance_en

Increasing the individual ceiling based solely on past and projected inflation, as done for other sectors, does not reflect the reality of Agri-SMEs. For instance, the European Commission's EU Agricultural Outlook 2023-2035³ assumes different annual inflation rates for the EU-13 countries (those that joined after 2004): picking up to 11.1% in 2023 and 4.7% in 2024, with a projected stabilization at 2% annually by 2035.

However, it is important to note that the economic outlook remains uncertain, particularly due to geopolitical tensions from the ongoing Russian aggression in Ukraine and rising conflicts in the Middle East. These factors could impact trade developments and exert additional pressure on prices. Therefore, it is crucial to ensure adequate financial support for agriculture to provide security to the sector in case the inflation will remain elevated for longer than previously expected.

- The current CAP budget is too tight to address the ongoing challenges. The CAP allocates €264 billion for the 2023-2027 period, but this budget has been stretched thin over the past year and a half due to soaring inflation and the skyrocketing prices of key inputs like fertilizers and feed, driven by Russia's invasion of Ukraine. Additionally, the 2021-2027 programming period is expected to support the transition towards a greener, more sustainable future, as outlined in the EU's flagship food policy, the Farm to Fork strategy. Given that reconsidering the sector's share of the EU budget under the current framework is not an option, the European Commission should allow governments to provide adequate support to agricultural sector, to ensure stability for farmers who play a vital role in our food supply chain.
- An increase to EUR 50 000 is necessary to help Agri-SMEs access working capital financing. While the Temporary Crisis and Transitional Framework (TCTF) provides some relief, it is set to expire on 31 December 2024. The Agricultural Block Exemption Regulation (ABER) allows SMEs to receive various categories of aid, yet Agri-SMEs remain in dire need for financing for working capital, a situation that has been

³ EU Agricultural Outlook 2023 - 2035, page 16: https://agriculture.ec.europa.eu/document/download/a353812c-733e-4ee9-aed6-43f8f44ca7f4_en?filename=agricultural-outlook-2023-report_en_0.pdf

worsened by the consequences of the Russian military aggression against Ukraine coupled with the impacts of climate change which requires substantial investment in new technologies and sustainable practices, no longer leaving sufficient capital for running costs.

- In addition, agriculture plays a central role in the transition towards a greener, more sustainable economy. However, achieving this, requires significant investment in new technologies and sustainable practices, which many Agri-SMEs currently cannot afford. Increased financial support would enable SMEs to invest in innovative practices and technologies, contributing to the EU's sustainability goals and enhancing overall agricultural productivity.
- Last but not least, European farmers face stiff competition from international markets where input costs and regulatory burdens may be lower. Increasing the *de minimis* ceiling to EUR 50 000 would help level the playing field by providing additional financial support to local farmers. Further, enhanced financial support would help stabilize the agricultural market by ensuring that SMEs can maintain production levels and meet demand, thereby preventing supply chain disruptions.
- Finally, we acknowledge that the Commission's discretion in setting the *de minimis* ceiling is limited. However, we strongly advocate for increasing the threshold to EUR 50,000, if not to all undertakings, then at least to young farmers. Young farmers are crucial to the future of the agricultural sector, yet only 11% of all farm holdings across the EU are managed by farmers under the age of 40. With an ageing farming population, it is imperative that the European Union takes steps to encourage young people to enter the farming profession. Increasing the *de minimis* support ceiling specifically for young farmers would be a significant step in this direction.

Regarding the introduction of mandatory public registers at the national or EU level, AECM and its members recognize the importance of ensuring transparency for all *de minimis* aid granted by any authority within the Member States. We welcome the Commission's proposal to implement a mandatory register.

Regarding the implementation, it is important to highlight that establishing such registers at national level requires time, especially for Member States with federal or decentralized administrative systems. Therefore, we would like to draw the Commission's attention to the fact that the proposed deadline of 1 January 2026, might be challenging.

Brussels, July 2024

About us

The 47 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 countries in Europe⁴. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance.

Currently, 19 AECM members support Agri-SMEs and 4 of them are exclusively agriculture-oriented guarantee institutions.

Furthermore, AECM has 6 partners, who are partly active in the field of agriculture, too⁵.



⁴ <https://aecm.eu/members/our-members/>

⁵ <https://aecm.eu/international-partners/our-partners/>