

Measure fiche

ORGANIC FARMING

Measure 11

Article 29 of Regulation (EU) No 1305/2013

This fiche is based on the text of Regulation (EU) No 1305/2013 [EAFRD] and, when relevant, on Regulation (EU) No 1303/2013 [CPR]. Since the Delegated and Implementing Acts supplementing these regulations have not yet been adopted, some modifications to this guidance fiche might be needed after their adoption.

This guidance does not represent a binding legal interpretation of Regulation (EU) No 1305/2013. It is therefore essentially non-binding in nature and complements the related legal acts.

1. RATIONALE OF THE MEASURE

The support under this RD measure is to be focused on the conversion to or / and maintenance of organic farming practices with a view to encourage farmers to participate in such schemes, thus answering society's demand for the use of environmentally friendly farm practices.

The measure aims at encouraging farmers to convert from conventional farming methods and to apply organic farming methods as defined in Council Regulation (EC) No 834/2007 as well as to maintain these methods after the initial period of conversion.

In both cases, support is paid for carrying out the environmentally favourable production methods which are intrinsically linked to organic farming.

2. WHAT'S NEW IN COMPARISON TO THE PERIOD 2007 – 2013

During the 2007-2013 programming period support for organic farming was part of the compulsory agri-environment measure. For the programming period 2014-2020 it has been proposed to establish a specific voluntary Organic farming measure. This is to recognise the importance of organic farming in contributing to various rural development objectives and priorities.

Moreover, the new legal framework makes groups of farmers eligible for the support under this measure with the possibility of granting higher transaction costs for such groups when compared to individual beneficiaries.

3. CONTRIBUTION TO FOCUS AREAS AND CROSS-CUTTING OBJECTIVES

In the rural development context, organic farming is mainly expected to establish and maintain a sustainable management system for agriculture. The farming practices it promotes contribute to improving soil and water quality, to mitigation and adaptation to climate change and to the improvement of the state of biodiversity (e.g. by no use of synthetic plant protection products and synthetic fertilisers, crop rotation, use of organic fertilisers, and improvement to soil organic matter).

The Organic farming measure is expected to contribute to several Union priorities for RD. It is most relevant for the following priorities:

- Priority 4: "Restoring, preserving and enhancing ecosystems related to agriculture and forestry" with a focus on the following areas:
 - a) restoring, preserving and enhancing biodiversity, including in Natura 2000 areas and in areas facing natural or other specific constraints, and high nature value farming, as well as the state of European landscapes (focus area 4a);
 - b) improving water management, including fertiliser and pesticide management (4b);
 - c) preventing soil erosion and improving soil management (4c).
- Priority 5: "Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors" with a focus on the following area:
 - a) fostering carbon conservation and sequestration in agriculture and forestry (focus area 5e).

4. SCOPE, TYPE AND LEVEL OF SUPPORT

4.1. Definition

Following Council Regulation (EC) No 834/2007¹, "*organic production shall pursue the following general objectives:*

- a) *establish a sustainable management system for agriculture that:*
 - (i) *respects nature's systems and cycles and sustains and enhances the health of soil, water, plants and animals and the balance between them;*
 - (ii) *contributes to a high level of biological diversity;*
 - (iii) *makes responsible use of energy and the natural resources, such as water, soil, organic matter and air;*

¹ Definition given at Article 3 of Regulation (EC) n° 834/2007 on organic production and labelling of organic products, and repealing Regulation (EEC) n°2092/91 (OJ L 189 of 20/07/2007).

(iv) respects high animal welfare standards and in particular meets animals' species-specific behavioural needs;

b) aim at producing products of high quality;

c) aim at producing a wide variety of foods and other agricultural products that respond to consumers' demand for goods produced by the use of processes that do not harm the environment, human health, plant health or animal health and welfare."

4.2. Length of the commitments

Commitments under this measure shall be undertaken for a period of five to seven years. However, where support is granted for conversion to organic farming methods, a shorter initial period may be determined corresponding to the period of conversion.

For new commitments concerning maintenance directly following the conversion commitment performed in the initial period, Member States may determine a shorter period in their rural development programmes.

In addition, the RD programmes may provide for annual extension after the termination of the initial period of maintenance where support is granted for the maintenance of organic farming practices.

The contracts concerning maintenance and which do not follow directly the conversion commitments must be signed for a period of five to seven years.

4.3. Types of operation

Support under this measure can be provided for operations falling under two sub-measures:

- conversion to

and/or

- maintenance of

organic farming practices and methods as defined in Council Regulation (EC) No 834/2007.

4.4. Beneficiaries

There are two possible types of beneficiaries eligible for the support under Organic farming measure:

- Farmers (active farmers²).

² The active farmer provisions under Pillar II start being applicable from the moment they enter into force under Regulation 1307/2013. Member State may, however, anticipate the definition of the active farmer term in order to bring it in place from the beginning of the programming period.

- Groups of farmers.

The eligibility of groups of farmers stems from the potential of such groups to multiply the environmental and climate benefits related to organic farming practices and can play a significant role in providing environmental public goods.

Member States are given flexibility with regard to the eligible forms of groups of farmers which are not defined in the RD Regulation.

Both groups with a legal status and other types of groups (e.g. formed on ad hoc basis) shall be eligible. This can also include producers groups.

For more information on this aspect please refer to point 4.2.1 of the document on the technical guidance for the agri-environment-climate measure³.

4.5. Eligibility

4.5.1. Eligible expenditure

Costs of activities are calculated on the basis of income foregone and additional costs resulting from the commitments made and regarding the conversion to or maintenance of organic farming practices and methods as defined in Organic farming legislation. Fixed costs are not eligible (they can be covered by the investment measures).

In principle, the calculation of the costs of organic farming practices shall be established by comparing them to conventional farming methods.

For further information on eligibility expenditure and methods of calculating payments, please refer to point 4.7.2 of the technical guidance for agri-environment-climate measure. Points 4.7.3 and 4.7.4 of this guidance also apply to organic farming measure.

4.5.2. Other eligibility issues

Beneficiaries of the support for Organic farming must respect the baseline conditions and can only be compensated for requirements going beyond these conditions.

The baseline conditions are made of:

- the rules of cross-compliance comprising the statutory management requirements and the standards for good agricultural and environmental conditions as provided for in Council Regulation (EU) No 1306/2013;
- the relevant criteria and minimum activities as established pursuant to the second and third indents of point (c) of Article 4(1) of Regulation (EU) No 1307/2013;
- relevant minimum requirements for fertilisers and plant protection products use;
- other relevant mandatory requirements established by national law.

³ "Technical elements of agri-environment-climate measure in the programming period 2014-2020", European Commission, DG AGRI, 2013

The support for Organic farming can only be granted to land defined as agricultural area. This also implies that the support shall be granted per hectare. However, in duly justified cases other units than hectares can be used for the purpose of payments' calculation. These do not include payments per livestock units. The threshold for the annual payments set out in Annex I of the RD Regulation would still apply. Conversion to units other than those used in Annex I will be further regulated in the framework of the implementing acts.

While the support per beehives shall be possible, support for organic aquaculture is excluded from the scope of this measure.

The rules of Article 47 of Regulation 1305/2013 also apply to organic farming measure; for more information please refer to point 7.4 of the technical guidance for agri-environment-climate measure.

4.5.3. Application of the rule on non-double funding

Art.29(4) of the RD Regulation stipulates that "When calculating the payments referred to in the first sub-paragraph, Member States shall deduct the amounts necessary in order to exclude double funding of the practices referred to in Article 43 of Regulation (EU) No 1307/2013".

This provision requires avoiding double funding between the commitments supported under Art.29 and the greening practices rewarded by the 1st pillar's green payments.

To avoid double funding, the calculation of income foregone and additional costs resulting from the commitments made under Art.29 shall take into account only those costs and income which are linked to the commitments going beyond the relevant greening practices.

4.6. Targeting and principles with regard to the setting of selection criteria

It is assumed that potentially all beneficiaries of this measure provide the same environmental benefits as they subject to the same commitments; therefore there is no need to undertake any selection of beneficiaries. And for this reason Regulation (EU) No 1305/2013 does not require establishing selection criteria for organic farming measure.

However, the implementation of the measure may bring particularly important environmental benefits in certain areas and Member States may wish to give a preferential access to the support under this measure to those areas. In this case, they can give preference to the implementation of the commitments in those areas.

For further information on this aspect, please refer to point 5.6 of the guidelines on eligibility conditions and selection criteria⁴.

⁴ "Draft guidelines on eligibility conditions and selection criteria for the programming period 2014 – 2020", European Commission, DG AGRI, 2013.

4.7. Links to other legislation

The link to other legislation is very important in case of the Organic farming measure as organic farming practices and methods defined in Council Regulation (EC) No 834/2007, and supporting only those commitments going beyond the baseline as described in the point 4.5.2 of this fiche, constitute the basis for granting support under this measure.

The following legislation is of relevance:

- Horizontal Regulation, Chapter I of Title VI (cross-compliance).
- Direct payments Regulation, Art.4(1)(c) (minimum activity, maintenance of agricultural area)
- Council Regulation (EC) No 834/2007 on organic farming and Commission Regulation (EC) No 889/2008 with detailed implementing rules.
- Council Regulation (EC) No 882/2004 on official food and feed controls.

This measure is obviously linked to the Union and national legal frameworks implementing the organic farming policy. Thus, the support provided under this measure underpins the objectives of such specific legislation, and is conditional on the respect of relevant provisions concerning this policy.

4.8. Aid intensity / amount of support

Support under this measure shall be limited to the maximum support rates laid down in Annex I to the RD Regulation:

- 600 EUR per ha per year for annual crops.
- 900 EUR per ha per year for specialized perennial crops.
- 450 EUR per ha per year for other land uses.

The amounts indicated in Annex I to the RD Regulation may be increased in duly substantiated cases taking into account specific circumstances to be justified in the RD programmes.

4.9. Financial aspects

The contribution rates applicable are those lay down in Art. 59 of Regulation 1305/2013.

This measure is among the measures which contribute to the compliance with the requirement stipulated in Article 59(6) of Regulation 1305/2013 and which requires that at least 30% of the total EAFRD contribution to the rural development programme shall be reserved for measures contributing to climate change mitigation and adaptation as well as environmental issues.

Furthermore, this measure can also benefit from a higher co-financing rate (75%) as it contributes to the objectives of environment and climate change mitigation and

adaptation (Article 59(4)(b) of the RD Regulation). In case of the less developed regions, in the outermost regions and in the smaller Aegean islands this co-financing rate can be even higher (85% of the eligible public expenditure) as stipulated in Article 59(3)(a).

The individual beneficiaries (i.e. farmers) of this measure can also be granted compensation for transaction costs, where necessary and justified, of the value of up to 20% of the premium. When the beneficiaries are collective (i.e. groups of farmers) this value can be increased up to 30%.

This higher transaction costs for groups of farmers is linked to additional costs linked to establishing and managing such groups. For further information on transaction costs, please refer to point 4.7.4 of the technical guidance for agri-environment-climate measure.

4.10. Focus on specific issues

Apart from identifying and defining elements of the baseline, other elements must be defined/included:

- level of premiums: whether they cover all or a part of the calculated amount, their accuracy, their certification by an independent body, sources and dates of the figures used in the calculations.
- the certification of the correctness of the premia calculations shall include a specific references confirming that the proposed premia avoids double funding.

5. INDICATORS

Reference should be made to the Commission Working Paper "Elements of strategic programming for the period 2014-2020", Annex IV.

6. VERIFIABILITY AND CONTROLLABILITY

Reference to be made to the "Guidelines on verifiability and prevention of errors"

In order to avoid errors the following elements should be taken into account:

- Clarity of the supported commitments and of the eligibility conditions.
- Avoiding unnecessary eligibility conditions.
- Valid documentary evidence that the beneficiary meets the requirements laid down in Regulation (EC) No 834/2007, established according to the model set out in Annex XII to Regulation (EC) No 889/2008 (documentary evidence provided by Control authorities or Control bodies).
- Exchange of information between the RD Paying Agency and the Control Authority or Control body approved in accordance with Article 27 of Regulation (EC) No 834/2007 on the status of the beneficiary and on the results of

inspections and visits to the operator carried out by the Paying Agency or the Control Authority or Control body.

When designing and implementing this measure, Member States shall consider the existing or potential possibilities to market the output of organic farming methods as organic products.

7. TRANSITIONAL ARRANGEMENTS

It shall be possible to undertake new commitments related to organic farming until end 2014 within the framework of the agri-environment measure as defined in Regulation 1698/2005. However, the programming of the new commitments should be done under the new organic farming measure as defined in Regulation 1305/2013. Such commitments, in 2015, will need to be revised according to the provisions of Article 48 of Regulation 1305/2013.

If budget for the period 2007-2013 is still available, Member States can support organic farming in 2014 and 2015 under the rules of Regulation 1698/2005. However, when the measure is supported in 2014 and 2015 under the old rules but with the new financial resources of the period 2014-2020, the co-financing rates of the corresponding new measure (Article 29 of Regulation 1305/2013) shall apply (Article 3(2)(b) of Regulation 1310/2013).

According to the rules of Article 1 of Regulation 1310/2013, Member States may continue to undertake new agri-environmental commitments (organic farming being part of the measure in the period 2007-2013) in 2014 on the basis of Regulation (EC) No 1698/2005, even after the financial resources of the period 2007-2013 are used up, until the adoption of the respective rural development programme for the 2014-2020 programming period.

The commitments carried over from the 2007-2013 programming period can be financed from the financial resources of the new programming period. Requirements are that such possibility is provided for in the new RD programme, the new co-financing rates apply and that the transitional operations are clearly identified in the MS' management and control systems.

8. BEST PRACTICES

8.1. Strategic approach

Member States should consider a **strategic approach** to organic farming, considering the marketing structures and the specific economic environmental and societal potential of organic farming. This strategic approach may be addressed in the form of a national or regional organic farming action plan, developing a vision for the territory and possibly fixing certain targets. **If any, it should be referenced in the RD programmes.**

The participation of farmers in organic farming can be watered down if it is not fully remunerated by the market, especially at the early years of participation, when additional obligations and additional costs are imposed.

8.2. Relation with other RD measures

In the context of RD, in addition to Article 29 ("Organic farming"), a farmer applying organic farming methods can receive support, among others, through Article 16 – "Quality schemes" and through Article 17 - "Investment in physical assets" as long as interventions under these three measures cover different costs. Article 17 can cover the investment related eligibility and costs, Article 16 the new participation in organic food quality schemes.

Other useful measures include knowledge transfer and information actions (Article 14), use of advisory services (Article 15), development of farm and business for small farms (Article 19), and cooperation (Article 35), which supports the development of innovative products, processes, practices, technologies, and cooperation approaches among actors of the food chain.

Obviously, beneficiaries of the support under Organic farming measure are also eligible for the agri-environment-climate payments as long as they commit to carry out commitments going beyond the agri-environment-climate measure's baseline and which differ from the commitments supported under Article 29.

8.3. Experience gained in previous programming period

An external study financed by the European Commission⁵ (DG AGRI) was carried out in 2011 on the "Use and efficiency of public support measures addressing organic farming".

Its first part provides a comprehensive description of public support measures for organic farming in the EU 27. Its second part consists in a detailed analysis, based on six case studies, of the contribution of these measures to the development of the organic sector and of the presence and coherence of policy strategies.

The study concludes that policy packages are more relevant than the sum of individual policy measures and appear more effective if they are embedded in the general policy development, contain strategic goals and consider directly the needs of the sector.

It also suggests that the development of organic support strategies be based on an in-depth analysis of the relevant bottlenecks for further development (both on the side of production and demand), the specific economic, environmental and societal potential of organic farming, the interplay of different organic support policies, and a balance of different instruments in recognition of the organic farming's dual societal role (public goods from organic land management and specialist markets for organic food).

8.4. Linkage with public goods

Introduction or maintenance of organic farming is often, together with extensive farming systems, applied in order to maintain and enhance soil functionality. Support for converting to organic and for maintaining organic management practices is also considered as contributing to the provision of the broad range of public goods, including rural vitality. This is because of the higher labour needs of organic farms, which provide employment opportunities in rural areas.

⁵ "Use and efficiency of public support measures addressing organic farming", 2011, available at http://ec.europa.eu/agriculture/external-studies/organic-farming-support_en.htm

Organic farming methods applied on arable land, permanent grassland and permanent crops can play a role of an accompanying measure in providing proper management in Natura 2000 sites.

According to the Public Goods study published by the Commission⁶ organic farming, its maintenance and introduction contribute positively to the following public goods:

- Soil functionality
- Farmland biodiversity
- Water quality
- Air quality
- Agricultural landscapes
- Rural vitality
- Water availability
- Climate stability.

⁶ "Provision of public goods through agriculture in the European Union", 2009, available at http://ec.europa.eu/agriculture/analysis/external/public-goods/index_en.htm