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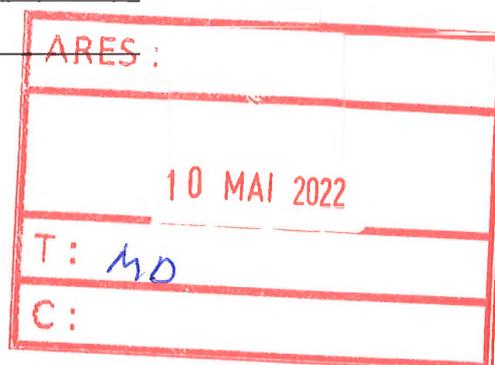
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Mr. Wolfgang BURTSCHER
Director General of Directorate-General for
Agriculture and Rural Development



On observations on the proposal by Latvia for a CAP Strategic Plan 2023-2027 - CCI: 2023LV06AFSP001

On 7 April 2022 the Ministry of Agriculture received the European Commission's observation letter on the CAP Strategic Plan of Latvia. We are grateful for your analysis and comments, as it allows us to better understand the Commission's view on certain subjects, as well as to identify topics, where further discussions are needed to finalise the CAP Strategic Plan of Latvia.

Before addressing the observations prepared by the European Commission, let me briefly reflect on the current circumstances.

A situation since the CAP reform and drafting of the CAP Strategic plan has changed dramatically. More than ever global events guide our everyday decisions and also a long-term development perspective. Apart from our local needs and challenges in agri-food sector and rural areas, a lot more issues have come into focus. Common actions are needed to ensure food security in Europe and whole world, and this requires a reconsidering of priorities defined so far.

This leads to Commission's call for revision of CAP strategic plans in the context of Russian invasion of Ukraine, as well as climate and biodiversity crises.

Since the Russia's invasion in Ukraine, we have been closely monitoring the situation in the agricultural markets and tried to identify where the most sever disruptions are occurring. We have come to conclusion that there should not be shortages of particular food products here in Latvia. At the same time food producers will have to look for alternative imports of raw materials (fertilizers, sunflower meal). In addition, we expect an increase in food prices due to increase in prices for energy resources (fuel and gas) and agricultural inputs. These are issues, where urgent solutions are required and thus cannot be provided by the Strategic plan, in particular, as the only or main tool. However, in long term, tools for strengthening resilience of agricultural sector are already envisaged in our Strategic plan. Several support schemes (eco-

schemes, agri-environmental schemes, green investments, organic farming) to facilitate more sustainable production methods are also proposed in our Strategic plan, which will contribute to mitigating climate and biodiversity issues. As to the production of renewable energy – as a part of the investment measure, we have already provided support to farmers for renewable energy production for self-consumption. However, Latvia already has a high share of renewable energy. Moreover, the national renewable energy policy makes it virtually impossible to set up new biogas stations, thus our options currently are limited.

Now, few comments concerning other observations on the content of the Plan we have received. These are the key elements, which we recognize as those to be discussed during further consultation process.

One of the main concerns we have is the question on balance between our financial possibilities and the Commission's desire for higher ambitions and additional support tools to tackle every need identified. Let me assure you, that our Strategic Plan was developed after thorough analysis of the situation, prioritisation of all identified needs and endless discussion with the stakeholders. The Plan is a balanced compromise between all parties involved in the process. We would gladly do more, but it is simply not possible without additional funding. We have also discussed with the Ministry of Finance an option to increase co-financing of the State budget, we have proposed a transfer from pillar I to pillar II, as far as possible. However, we still see that we cannot increase the level of ambition due to limited funding, and in this situation, planning new interventions or increasing of ambition level means reducing funding for one or more of the specific objectives.

At the same time, we acknowledge, that the CAP must contribute to the environmental and climate objectives identified in accordance with a number of EU legislation and national plans emanating from these legal acts, such as the National Energy and Climate Plan, the Priority Action Framework Natura 2000, the Air Pollution Reduction Plan. Though, at this point we cannot accept a request to take into account national targets to be laid down only after revision of the Regulation (EU) 2018/842 (the Effort Sharing Regulation) and Regulation (EU) 2018/841 (the Regulation for the Land Use, Land Use Change and Forestry (LULUCF)), which are not yet in force. However, we see clearly that all the measures provided in these plans cannot be fully and solely financed by the CAP, particularly under Pillar II. Therefore, it is necessary to find a balance and we have tried to ensure this in our CAP Strategic Plan.

Discussion with Commission is also needed as regards the establishing of unit amounts and result indicators, as the existing observations go against the approach presented by the Commission during Expert Working groups and, moreover, goes in the opposite direction of simplification.

In the case of CRISS we need to reach common understanding with the Commission as to what is "sufficient" regarding the distributive effect. We have provided our vision therefore it would be important to reach common understanding in order to improve the distributive effect in the CAP plan if necessary.

We are quite disappointed about the Commission's view on eco-schemes. All measures are based on SWOT analysis and needs, developed in close collaboration with the farmers' organisations. We have developed measures to ensure that the requirements are adequate to the level of compensation. We cannot impose higher requirements causing additional costs than the funding available.

As for the animal welfare requirements and respective support tools - we have discussed the possibility with non-governmental organisations, however, they do not support the implementation of increased welfare requirements, as it impacts the sector's already fragile economic situation. In addition, by prioritizing the identified needs according to objective criteria, we have concluded that animal welfare in comparison with other needs is not recognized

as a high priority issue within the CAP Strategic plan. However, we have still envisaged several options concerning animal welfare and health in our Plan via investment measures (e.g., for biosecurity, housing, etc.) and also knowledge transfer activities as part of preventive actions.

And final remark concerning Green Deal and the Commissions expectations for the Member states to set national target values. In our Strategic plan we have considered Green Deal targets. A set of interventions contributing to mitigation of environmental and climate concerns is established. However, we will act according to the legally binding provisions, were setting of national target values is not envisaged.

We believe that most of the observations can be addressed via better explanations and clarifications and apart from minor revisions at the level of certain interventions, no substantial changes of the Plan are needed. Hopefully a smooth and reasonably rapid consultation process will lead to timely approval of Latvia's CAP Strategic Plan. We are looking forward to constructive consultations and the best possible compromises.

Sincerely,



State secretary of the Ministry of Agriculture

Raivis Kronbergs