

Brussels, 4 December 2019

Dear Mr Michel, Ms Von der Leyen, and Mr Sassoli,

The agricultural organizations of Estonia, Latvia and Lithuania would like to congratulate you on your new roles!

At the start of the new mandate, we would also like to raise a long-standing issue concerning the calculation of the direct payments under the Common Agricultural Policy (CAP). There are some substantial issues which need a proper solution, and which have consistently remained unaddressed since the Baltic states joined the European Union.

Ahead of the summit of the European Council on 12th of December 2019 and the discussions on the EU's 2021-2027 Multi-Annual Framework (MFF), we would like to emphasize that our message is still the same as in previous years: since accession to the EU in 2004, farmers from all three Baltic States have been receiving the lowest level of direct support compared to other Member States, currently only 54-60% of the European average. This is due to a wrongful interpretation of the provisions of the EU Accession Treaty. The initial payment calculations were based on a reference period when the countries were undergoing major land reform while transitioning from the Soviet model Kolkhozes to family farming structures. An unprecedented drop of productivity during those years was taken as reference.

Whereas the direct payments to the Baltic states are the lowest in Europe, the production costs are currently much higher than the European average: 129% in Estonia, 112% in Lithuania and 113% in Latvia.

The European Council of 7th and 8th of February 2013 agreed to ensure that „all Member States should attain at least the level of EUR 196 per hectare in current prices by 2020“. However, as a result of calculations of national ceilings for the period of 2014-2020, which did not take into consideration the actual increase of arable land, the direct payments paid to the Baltic farmers in 2020 are expected to be approximately 20-30 EUR less than the commitment of 2013. Moreover, in the proposed calculations of the post 2020 CAP, the minimum payment level of EUR 196 is ignored, which is the point of reference in the convergence formula. Thus, unfair distribution of payments is integrated in the CAP until 2027.

The Commission's legislative proposals for the next period emphasize the urgent need to take action to meet the climate challenge. Also, civil society groups and the European Parliament have confirmed that the CAP must be an instrument for the transition towards more sustainable systems. The rural development policy has proven its importance and effectiveness in the Baltic States, contributing to the livelihood of people living in rural areas

and helping to tackle contemporary agri-environmental challenges. Therefore, the significant reduction of the budget for rural development is unacceptable.

In light of the above, we ask for your full commitment and continuous efforts to assure a viable future for the farmers in the Baltic States. A solid budget for the CAP must be secured to meet the new challenges and to ensure food security, high standards of food safety and quality for consumers.

Since a proper fairness is still not achieved among the EU member states, a new **political commitment is necessary**. We would be highly grateful to discuss our concerns with you further.

Kind regards,

Estonian Chamber of Agriculture and Commerce

Estonian Farmers Federation

Latvian Agricultural Cooperatives Association

Latvian Farmers Parliament

Latvian Farmer's Federation

Latvian Agricultural Organization Cooperation Council

Latvian Agricultural Statutory Societies

Lithuanian Agricultural Council

Lithuanian Chamber of Agriculture