

**WORKING DOCUMENT**  
**RURAL DEVELOPMENT COMMITTEE**

**MEMBER STATE: Spain**

**REGION: Extremadura**

Note for the reader:

Please note that each section of this document is sub-divided into three parts:

- 1) Changes related to the Health Check (HC) and the European Economic Recovery Package (EERP)
- 2) Changes related to the increase of available funds as a result of the Wine CMO reform and modulation adjustments.
- 3) Other changes.

The opinion of the Rural Development Committee is needed for the modifications presented under 1) and 2). The modifications presented under 3) are included only for information of the Rural Development Committee

## **1. APPROVED PROGRAM**

Rural Development Programme of Extremadura 2007-2013 adopted by the Commission Decision C(2008)3836 of the 16<sup>th</sup>/7/2008 (CCI 2007 ES 06 RPO 010).

## **2. LEGAL BASIS FOR THE MODIFICATION**

This modification proposal was sent via SFC to the Commission on the 15 July 2009, following its approval by the Monitoring Committee of RDP Extremadura (meeting of the 8 July 2009 and written procedure from the 10<sup>th</sup> to the 14<sup>th</sup> July 2009).

### **2.1.Changes related to the Health Check and the European Economic Recovery Package**

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005

### **2.2.Changes related to the increase of available funds as a result of modulation adjustments and the Wine CMO reform**

Article 6 (1) (a) of Regulation (EC) No 1974/2006, as the additional amount resulting from Council Regulation (EC) No 479/2008 implies a change in the total Community contribution.

### **2.3.Other changes**

Article 6 (1) (c) of Regulation (EC) No 1974/2006

### **3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN**

This amendment has three main justifications:

1. The need to incorporate into the RDP the new financial allocation, as well as the new legal requirements resulting from the "Health Check and the Recovery Package". This change involves the incorporation of an EAFRD amount of EUR 70 709 037.

2. The need to adapt the tobacco production of Extremadura to cope with the full implementation of the reform of the Tobacco CMO from 2004. This reform involved a financial transfer of 154,37 MEUR (almost 20% of the whole EAFRD contribution of the RDP of Extremadura). At the moment of the approval of the RDP, the Managing Authority decided not to foresee specific actions addressed to the restructuring of this sector and the 154,37 MEUR were integrated into the whole set of measures RDP.

In the current modification, the MS proposes to introduce a complete set of measures/actions addressed to the restructuring of the tobacco sector. These new measures/types of operations are divided in two groups:

- Measures/types of operations classified under "new challenges" and financed by the new HC/RP transfer.

- Measures/types of operations not classified under "new challenges", and funded with the original EAFRD contribution of the RDP (applying in fact, to the tobacco sector, a part of the financial allocation which was transferred from the Tobacco CMO).

3. The RDP also incorporates the financial transfer from the Wine CMO (18 107 900 EUR) and an adjustment of modulation (EUR 9 409 860). The incorporation of these transfers involves important financial increases in certain measures as well as the modification of certain actions in order to adapt the RDP to the needs of the Wine sector.

4. Finally, the RDP also includes adjustments and financial transfers among measures and Axis, in order to adapt the RDP to the new needs detected. The financial transfers among measures also take into account the restructuring of the wine and tobacco sectors.

#### **Update of the analysis and strategy concerning "new challenges"**

In general terms, the incorporation of the "new challenges" does not involve important changes in the Strategy of the RDP Extremadura.

Based on the updated SWOT analysis and with a view to addressing the general objectives of the RDP, the new strategy incorporates the "new challenges" in the existing specific objectives of the RDP:

- (1) Improve and adapt human resource capacities
- (2) Improve the productivity of labour and of rural resources
- (3) Diversify rural products and services
- (4) Promote the innovation and technology in the agricultural and rural context
- (5) Improve the efficiency in the use of resources in the agricultural and agro-food sector
- (6) Increase the added value of the agro-food complex
- (7) Promote and assure the differentiated quality of rural products
- (8) Ensure the provision of basic services and infrastructures in rural environment
- (9) Improve the defensive capacities against flooding and natural catastrophes
- (10) Increase the value of environmental services which are insufficiently valued in the market

- (11) Promote the adoption of farming methods compatible with the protection and improvement of the environment
- (12) Protect, conserve, and capitalize on high nature value production systems.
- (13) Contribute to the improvement of the environment, fires prevention and fight against climate change through forestation activities
- (14) Promotion of social cooperation and rural cooperation
- (15) Promote the economic diversification of the rural areas: creation of microenterprises and rural tourism.
- (16) Extend the territorial coverage of Local Action Groups and ensure their representativeness, transparency, and efficacy.
- (17) Stimulate the human potential and the capacities of local development

According to the new strategy proposed, all of the “new challenges” had already an important coverage in the existing measures of the RDP:

**Climate change:** The fight against climate change has been since the beginning a key priority of the RDP Extremadura. The level of emissions of greenhouse gases in Extremadura is very low: it represents 0,003% of the total Spanish emissions. However, the agricultural sector is the principal responsible of gas emission in this region (48% of greenhouse gas emissions) with total of 8.67 millions tons of CO<sub>2</sub> equivalent; the transport sector accounts for 27%, industrial activities for 18%, and waste incineration for 5.6% of emissions. The main contributor in terms of gases is CH<sub>4</sub> with 47% of all emissions, followed by NH<sub>3</sub> (24%), NO<sub>2</sub> and SO<sub>2</sub> with 11% each.

The introduction of environmentally friendly farming practices and machinery is considered a key factor in the reduction of the gas emissions in this region.

The agro-forestry systems of Extremadura with a surface of 2.8 million hectares or 68% of the regional territory are an important source of greenhouse gas absorptions. The Forestry Plan of Extremadura foresees various activities to increase carbon sequestration, such as repopulation in deforested land, and change of species.

An important number of existing measures fund types of operations which are strictly linked to the fight against climate change: it is the case of the investments foreseen in the Axis 1 (Measures 121 and 123), measures specifically addressed to forestation (Measures 221 and 222) and other forestry measures (Measures 225, 226 and 227).

**Renewable energy:** the development of renewable energy was a priority already incorporated in the priorities of the RDP. The existing strategy already paid a special attention to these kind of investments because of their key role in the increase in competitiveness combined with the security of the supply, the generation of labour and their positive environmental impact. In the current version of the RDP, special attention is paid to the investments which contribute to energy saving, stimulate a more efficient use of energy and promote the renewable energies as well as cogeneration; furthermore, Measure 123 funds investments to transform and commercialise agricultural and products into biomass and energy.

**Water management:** investments in water management are one of the key priorities of the RDP. In particular, Measure 125 aims to fund the modernisation of existing irrigation systems (with an overall EAFRD contribution of 37 million € in 200 projects); also, the

improvement of water management is also incorporated as an objective in the investments of Measures 121 and 123. At the moment of approval, the RDP already incorporated specific additional indicators on water saving.

**Biodiversity:** the importance of the High Natural Areas in the region involved the incorporation of an important number of specific AE actions addressed to improve biodiversity; it is the case of actions addressed to promote Organic and integrated farming, rearing farm animals of endangered autochthonous breeds, conservation of genetic resources as well as the protection of the most vulnerable habitats of the region: the "Dehesa" production system and the agrarian systems with steppe birds in Natura 2000 areas.

**Innovation and “new challenges”:** the introduction of innovative technologies has been present in the RDP as a “horizontal” priority which has been taken into account in the implementation of all the Measures of the RDP. The measures addressed to improve the competitiveness of the agro-food sector paid special attention to the use of new technologies and developing of new products by developing more sustainable and efficient.

**Broadband:** According to the management authority, 100% of the municipalities and local entities of Extremadura have broadband coverage (since 2006); Extremadura has not participated in the BEPA programme funded by the Spanish Ministry of Industry, since all the targets fixed in this plan had already been achieved. Since 2008, Extremadura is effectively participating in the AVANZA programme (2008-2011), with the view of improving the telecommunication services and use in the rural areas; particular attention has been paid in the last years in the use of the ICTs in the public administrations.

### **Analysis of the tobacco sector and new strategy foreseen**

The tobacco reform in 2004 has introduced partial decoupling in the tobacco sector (40% decoupling, 60% coupling), with the possibility for MS to opt for higher decoupling level. As from 2010, full decoupling applies, and direct payments to farmers will be reduced by 50%; the amount equal to 50% of the 1<sup>st</sup> pillar tobacco amounts will be available from the financial year 2011 as additional Community support for measures in tobacco producing regions in the 2<sup>nd</sup> pillar (annual transfer of €484 million for the years 2011, 2012 and 2013).

Since the region of Extremadura concentrates 93% of the Spanish production of tobacco, the Rural Development Programme of this region needs to be updated to integrate the appropriate measures on the restructuring of this sector.

Extremadura as a whole is classified as a tobacco 'producing region' according to the relevant EU legislation. The tobacco production, concentrated in the north of the Caceres province, is important both in terms of production output, employment contribution and for its cultural significance and long tradition. From a local and regional point of view, the tobacco production represents 37% of the final agricultural crop output of the province of Caceres and 12% of the whole region of Extremadura.

The social significance of tobacco production is reflected in the high level of employment in the sector. Most tobacco producers are small-scale producers and 70% of them are specialised holdings which only produce tobacco. More than 20,000 families in Extremadura, directly or indirectly, depend on tobacco for income. In the northern Caceres, the broader socio-economic significance of tobacco is highlighted by the positive demographic trends in municipalities with a concentration of tobacco production. Also, the municipalities with a concentration of tobacco production have a much lower unemployment rate than the other municipalities with irrigated surface.

The tobacco production is the most labour-intensive crop in the region: a calculation which integrates all the operations associated to this crop estimates a level of 410 work units for a surface of 1000 ha (equivalent to 1 920 working hours/ha). The only products with a similar level of labour intensity are: "*pimentón*" (paprika) with 375 WU/1000 ha, stone fruits (339 WU/1000 ha), pip fruits (307 WU/1000 ha) and industrial tomato and red pepper (234 WU/1000 ha).

The analysis and strategy proposed on the evolution of this sector in Extremadura is focused on the following issues:

### **1) Strategic options**

The analysis provided by the MS includes 3 scenarios/options to be faced by the tobacco producers once the reform of the tobacco sector will be fully implemented in Extremadura:

a) *Continuity of tobacco production*: the effects of the reform would force important structural changes which affect both the modernisation of the holdings and the commercial channels. An important part of the current producers have initiated this restructuring/modernisation process to adapt to the new context.

b) *Reconversion towards other sectors/activities*: this option will certainly affect a part of the current producers; however, the current economic context and the analysis of the other agricultural activities show a limited scope of alternatives. There is a certainty that only a limited number of holdings will change activity.

c) *Immobilism (no change)*: the new full decoupling payments (which will be in force since 2010) could encourage this scenario, since an income is guaranteed to the holders of the farms (but not to the workers and other complementary sectors). This scenario has important negative effects, since the land could become a non-productive surface only addressed to receive decoupled payments.

### **2) Integration of the tobacco strategy in the RDP Extremadura**

The economic analysis carried out by MS concludes that there are the conditions to foresee the continuity of the tobacco production in Extremadura after the implementation of full decoupling: costs of production will decrease to 2,05 €/Kg while the price will finally stabilize at a higher level than today (1,88 €/Kg) following the trend observed last year and as a result of the improvements to be made in quality.

Under these conditions, tobacco producers will still be worse off than before the reform but, overall, return to labour from tobacco would be much higher compared to alternative

crops such as maize, winter cereals, melons and alfalfa. A specific type of pepper would be more attractive but it has only a restricted market.

As a result of this economic analysis, Extremadura foresees a dominance of the first scenario: most of the current producers have started the process of adjusting their own holdings to adapt to the new economic context.

This scenario requires an appropriate adjustment of the RDP of Extremadura in order to assist this process.

The strategy foreseen aims to provide the appropriate instruments to adapt the tobacco sector of Extremadura to a new context by acting in three areas: on the one hand, by promoting the modernisation of the sector by integrating the introduction of technological innovations in the holdings (Axis 1); by promoting environmentally-friendly agronomic practices in the area (Axis 2); and providing opportunities to the farmers which abandon this sector and diversify their activity (Axis 3 and 4).

This three-fold strategy should allow the remaining tobacco producers in Extremadura to produce competitive and quality-oriented sustainable production of tobacco.

This process is encouraged by the following actions:

- Adaptation of the processes of the driers, including collective systems that replace the fossil fuels by resources that need revalorisation.
- Setting up of Business Plans to improve the productive structures of the holdings.
- Modernisation of the existing installations in the holdings in order to have a more efficient use of the natural resources.
- Introduction of technological innovations in the holdings.
- Integration of the tobacco within the framework of the integrated farming
- Other measures addressed to optimise the available resources in the holdings.
- Measures to diversify the activities towards other complementary activities.

The incorporation of these actions involves important changes in the following Measures of the RDP: 121, 123, 144 (new measure), 214 and 311 (under Leader). This strategy is integrated in the overall strategy to integrate the objectives of the "Health Check/Recovery Package".

➤ **Health Check and Recovery Package**

- Extremadura has decided to use the additional EAFRD amount of EUR 70 709 037 from the **"Health Check and Recovery Package"** in two new actions addressed to cope with existing environmental and quality problems of the tobacco sector:

New submeasure under Measure 123 "*Adding value to the agricultural products*" addressed to "promote the use of renewable energies in the first transformation of the tobacco". This new submeasure includes two different actions: on the one hand, it intends to replace the use of fossil fuels by biomass in the drier plants of tobacco; on the other, it intends to support the investments addressed to transform agricultural or forestry biomass for the production of renewable energy by using remains of the tobacco plants. For these "types of operations" there is an increase a 10% increase in the intensity rate.

New submeasure under Measure 214 "*Integrated production for tobacco*".

➤ **The other modifications also related to the tobacco restructuring are the following:**

Reinforcement of the Measure 121 "*Modernisation of agricultural holdings*" with an increase of the financial allocation, and the introduction of the following new types of operations: investments addressed to the restructuring of the tobacco sector, modernisation of installations to introduce renewable energies as well as water and energy savings; promotion of the diversification of the activities of the tobacco producing cooperatives; support to the tobacco producing farms to address the new market challenges; and increase of the competitiveness of the groups of producers.

Introduction of the new Measure 144 "*Restructuring of the tobacco sector*". This measure is introduced in order to facilitate the restructuring of the holdings which will experience a substantial decrease in the direct payments as from 2011.

Financial transfer to increase with non-HC resources the allocation to the Measure 214 "Integrated production of tobacco".

Financial reinforcement of the Measure 311 (under Leader Axis), addressed to provide more funding to the actions on diversification to be done by the Local Action Groups in the tobacco producing area.

➤ Extremadura has also decided to allocate the additional EAFRD amount of EUR 18 107 400 from **the Wine CMO reform** to the following measures:

Measure 121 "Modernisation of agricultural holdings".

Measure 123 "Adding value to agricultural products".

Measure 214 "Agro-environmental measures" (organic farming).

The allocation of the transfer from the Wine CMO to these measures is justified on the need to encourage the restructuring of the wine sector of Extremadura. In the case of Measure 121, special reference is done to the fact that the all investments to modernise the irrigation systems of the vineyards will be funded exclusively under the RDP (and excluded from the restructuring actions to be funded by the 1<sup>st</sup> pillar).

- The RDP also incorporates the transfer of an EAFRD contribution of 9 409 860 from "**modulation adjustments**": this transfer is located to the Measure 214 "Agro-environmental payments".
- **Other modifications included are the following:**
  - Changes in the financial allocations (as well as minor changes in the measures) in the case of the following measures: **111, 114, 115, 125, 133, 211, 212, 214, 216, 221 and 323**. The changes of the financial allocations are justified on the basis of the current level of execution detected as well as some adjustments in the number of actions foreseen.
  - The inclusion of the new **Measure 215 "Animal welfare"**: The introduction of this new Measure is justified on the need of improving the rearing conditions of animals to above the standards established in the current animal welfare legislation; even though Extremadura production of meat is characterised by the extensive holdings, there is an increase of intensive farming of pigs and poultry in certain areas of the region.
  - A general financial redistribution among the measures which are implemented through the **Leader approach**. This relocation is justified on the need to adapt the financial allocation to each Axis 3 Measure to the detected demands of the Local Action Groups. It is argued that the current economic crisis has involved a redefinition of the priorities of the Local Actions Groups among the Axis 3 Measures. Furthermore, the growing interest of the Local Action Groups in doing projects in the agro-food sector has let the Management Authority to enlarge the scope of the Leader approach to the Axis 1.

#### **4. DESCRIPTION OF THE AMENDMENTS PROPOSED:**

This chapter is divided into three parts:

- 4.1: concerns modifications "Health Check and Recovery Package" - first implementation of Article 16a of Regulation (EC) No 1698/2005
- 4.2: concerns other modifications according to article 6(1)(a).
- 4.3: concerns modifications according to article 6(1)(c).

The opinion of the Rural Development Committee is needed for the modifications under points 4.1 and 4.2.

The modifications under point 4.3 are included in this Working Document only for consultation of the Commission services.

#### **4.1. Modifications "Health Check and Recovery Package" - first implementation of Article 16a of Regulation (EC) No 1698/2005.**

##### **4.1.1. Description of the change**

The EAFRD amount available for RDP Extremadura from the "Health Check and Recovery Package" is EUR 70 709 037. This additional EAFRD amount is located into two new actions addressed to cope with existing environmental and quality problems of the tobacco sector:

New submeasure under Measure 123 "*Adding value to the agricultural products*" addressed to "promote the use of renewable energies in the first transformation of the tobacco".

New submeasure under Measure 214 "*Agro-environmental measures*" "*Integrated production for tobacco*".

Axis / Measure	Priority: renewable energies				
	Type of operation	Potential effects	"Existing" or "new" type of operation (E or N)	Referent to the description of the type of operation in the RDP	Output indicator - target
123	Processing of agricultural/ forest biomass for renewable energy	Substitution of fossil fuels	N	Type of actions under Measure 123	Number of supported companies = 48
					Total volume of investment = 85 000 000 EUR

This measure is expected to contribute to the objective of reduction of the CO2 emissions in Extremadura as well as to the general strategic goals of the RDP (fight against depopulation, increase of the quality of life and conservation of the natural environment of the region).

This measure will allow to replace 60% of the 1 835 existing drier cells (units of treatment of the tobacco); also, it is foreseen to fund 4 industrial plants of transformation of agrarian biomass for the production of renewal energies. In general terms, all these investments will benefit 48 enterprises and will represent a total volume of investment of 85 000 000 EUR.

Axis / Measure	Priority: biodiversity				
	Type of operation	Potential effects	"Existing" or "new" type of operation (E or N)	Referent to the description of the type of operation in the RDP	Output indicator – target
214.2	Integrated and organic production	Conservation of species-rich vegetation types, protection and maintenance of grasslands	N	Type of operation under the sub-measure 214.2 "integrated production"	Number of holdings supported = 2 100
					Total Area supported (Ha): 9 611
					Physical area supported (Ha): 9 611
					Number of contracts: 959

This new submeasure is justified on the need to shift the intensification process existing in the tobacco holdings in the North of Cáceres. The introduction of the integrated production farming methods in the tobacco production in Extremadura is considered to have important effects on the biodiversity, water and soil quality. By promoting rotation in the tobacco cultivation, the measure is intended to cope with the environmental challenges due to intensive tobacco monoculture over many years.

#### 4.1.2. Text of the RDP

### **123: Increase in the added value of agricultural and forest products**

(This measure complements the Measure 123 of the Spanish National Framework)

#### Types of actions implemented:

- **Environmental performance:** investments for increasing energy conservation, energy efficiency, use of renewable energies and co-generation; investments for the use of alternative energy; investments for water saving measures, waste management, use of by products and responsible use of natural resources; investments that contribute to the setting up of environmental management systems along the whole food supply chain, assistance for compliance with national standards that are stricter than community standards and, in the case of micro-businesses, assistance for adjustments to new community standards up to a maximum of three years from the adoption of the standard.

Within the scope of this section of the Measure, the modification includes the following “type of operation”: “*Processing of agricultural/ forest biomass for renewable energy*”. This “type of operation” includes two separate actions:

**Action 1:** Support to the investments addressed to create new collective plants of treatment of tobacco type Virginia or the adaptation of the existing ones, as long as the process eliminates the use of the fossil fuels and their substitution by renewable energies.

**Action 2:** Support to the investments related to the transformation of the agrarian or forestry biomass for the production of renewable energies.

#### Aid intensity:

- Micro-enterprises and SMEs: 50%
- Enterprises which are not SMEs but have less than 750 employees and a volume of business less than 200 MEUR: 25%
- For the new operations which fall under the “new challenges”, the aid intensity is in any case increased by 10 %.

Output indicators for the “new challenges operations”: number of companies supported (48), total volume of investments (EUR 85 millions)

EAFRD contribution for the “new challenges operations”: 45 610 200 EUR

## **214: Agri-environment payments**

### **214.2 Integrated farming**

In the original RDP version, the sub-measure “integrated production” was limited to rice, fruits and olive trees. With the new modification, the sub-measure is enlarged with the inclusion of a new “type of operation” under “new challenges”, consisting on the “integrated tobacco production”, with the view to cope with the environmental problems due to intensive tobacco monoculture over many years.

#### Justification

Need to shift the intensification process existing in the tobacco holdings in the North of Cáceres; this intensification has provided important environmental consequences which need to be dealt with (mainly quality of the soil and water); also, the existence of natural protected surfaces in neighbouring areas require specific actions in the agronomic practices applied in the tobacco production of the region.

This new AE programme will be based on the signature of 6 year contracts which will incorporate the following commitments (see below). These commitments will be also included in the national legislation on the integrated tobacco production.

#### Commitments

- 1) Crop rotation: requirement of a rotation programme with a maximum of 5 years the cultivation of tobacco in the same plot (commitment incorporated as an entry condition, which is not taken into account in the calculation of the aid).
- 2) Option of incorporation of an alternative crop (mainly common vetch and oat) which cannot be harvested and has to be buried in the soil.
- 3) Integrated control: Application of natural methods for pest management; manual control of weeds; use of bionematicides to control parasitic nematodes.
- 4) Fertilisation requirements: analytical controls and reduction in the fertilisation (at least by 30%); prohibition to use fresh manure.
- 5) Manual sucker control of axillary buds (reduction of the chemical method).
- 6) Keep up to date holding record's book.

#### Amount of support:

<b>Sub-measure 214.2 “Tobacco integrated production”</b>	<b>Premium EUR/ha</b>	
	<b>With cost of alternative crop</b>	<b>Without cost of alternative crop</b>
<b>Tobacco Virginia</b>	850 EUR/ha	808,98 EUR/ha
<b>Tobacco Burley</b>	775 EUR/ha	733,98 EUR/ha

According to the evolution of the market prices, the management authority might submit an update of the premiums (a new modification will have to be submitted to the European Commission).

Output indicators for the “new challenges type of operation”:

Number of agricultural holdings which benefit from the measure: 2 100

Physical area supported: 9 600 ha

EAFRD contribution for the “new challenges operations”: EUR 25 098 837

The new sub-measure also benefits from the inclusion of additional funding “non-HC”: EUR 12 672 088 (with a 63% co-financial rate)

#### **4.2. Other modifications according to article 6(1)(a)**

These modifications concern the inclusion of additional amount of 27 517 760 EUR allocated to Extremadura. This additional amount is transferred from CMO wine (18 107 900 EUR) and "modulation adjustments" (9 409 860 EUR).

The incorporation of these additional funds is complemented by financial transfers among measures and Axis.

##### **4.2.1. Description of the change**

The transfer from the Wine CMO (18 107 900 EUR) is located in the Measures 121, 123 and 214. In the case of Measure 121, the financial change is also accompanied by changes in the measure to better target this measure to the current situation of the wine sector.

The transfer from the modulation adjustments (9 409 860 EUR) is exclusively located to the Measure 214.

The RDP also includes a financial relocation of the existing financial resources. The transfer among Axis is the following:

<b>Axis</b>	<b>Financial change in EUR</b>
<b>Axis 1</b>	- 5 817 049
<b>Axis 2</b>	-112 391
<b>Axis 3</b>	+ 2 729 440
<b>Axis 4</b>	+ 3 200 000

The co-financial rates for the four Axis is not changed.

New table 6.2 (a) including the EAFRD allocation from CMO Wine, compulsory modulation and the transfers among Axis:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	584 848 959	64,35	376 350 305
Axis 2	490 214 316	63	308 835 019
Axis 3	34.412.857	75	25.809.643
Axis 4	118 503 823	80	94 803 058
Technical Assistance	2 079 573	75	1 559 680
<b>Total</b>	<b>1 230 059 528</b>	<b>65,64</b>	<b>807.357.705</b>

The new allocation of funds has a minor impact in the existing balance between Axis, and respects the requirements of Art. 17 of Regulation 1698/2005 on balance between objectives.

#### 4.2.2. Text of the RDP

The financial transfer from the Wine CMO is associated to the inclusion of technical changes in the content of the Measures 121, in order to improve the targeting of this measure towards the sectors under restructuring (see "modifications according to article 6 (1) (c)).

### 4.3. Modifications according to article 6 (1)(c)

#### 4.3.1. Description and reasons justifying the amendment

**Measure 111 "Vocational training and information actions":** increase of the financial allocation to this measure. The first year of implementation of the RDP has shown the need to increase the number of training activities for the farmers, mainly for the young and women. Also, there is a need to increase the training in the "new challenges".

EAFRD contribution: 2 125 003 EUR (1 481 503 EUR in the old RDP version)

Output indicators: Number of participants to the training activities: 14 800  
Number of training days: 4 165

**Measure 114 "Use of Advisory services":** in the first version of the RDP this measure included a specific submeasure with advisory services for the forestry holders. Because of a lack of demand of these services, this specific submeasure is eliminated. This change also involves a reduction of the financial allocation to the measure.

EAFRD contribution: 10 730 985 EUR (19 259 537 in the old RDP)

Output indicators: Number of farmers supported: 10 000

**Measure 115 "Setting-up of advisory services"**: in the first version of the RDP this measure included a specific submeasure with advisory services for the forestry holders. Because of a lack of demand of these services, this specific submeasure is eliminated. This change also involves a reduction of the financial allocation to this measure.

EAFRD contribution: 7 717 740 EUR (10 712 570 EUR in the old RDP version)

Output indicators: Number of management services: 8  
Number of advisory services: 50

**Measure 121 "Modernisation of agricultural holdings"**: This measure is financially reinforced and modified in order to fund investments addressed to reconversion of the **tobacco and wine sectors**. The Measure description is modified as follows:

Types of actions implemented:

**121.1. Improvement and modernisation of the farms:**

Promotion of technologies that improve production systems, reduce costs, lead to energy savings, reduce agricultural pollution, or improve working conditions.

This submeasure includes as a new objective the **"restructuring and support to the sectors in particular difficult situation such as tobacco and wine sectors"**.

**121.2. Modernisation of the irrigation systems in the farm:**

Support for the improvement of irrigation efficiency and introduction of irrigation systems of high efficiency.

Under this submeasure a specific "sub-action" is introduced addressed to **fund investments addressed to modernise the irrigation systems in the vineyards and tobacco holdings**. Special priority will be given to the investments which use renewable energies, introduce new technologies and substitutes the fossil fuels by electricity.

Only existing irrigation systems can be funded under this sub-measure.

In the case of the tobacco holdings, this sub-measure will only benefit the parcels which have been devoted to tobacco at least one of the last three years.

**121.3. Promotion of common use of machinery and equipment:**

Support for investments in machinery and equipment that are commonly used by producers in order to reduce production costs, reduce environmental impacts and improve working conditions. This submeasure includes 3 new types of operations:

- Promotion of the diversification of the activities of the Cooperatives and in the tobacco and wine sectors;
- Support to the wine and tobacco holdings in order to adapt to the new market challenges;
- Increase of the competitiveness in the groups of producers in the tobacco and wine sector.

Aid intensity:

- Young farmers in LFA areas: 60%
- Other farmers in LFA areas: 50%
- Young farmers in non-LFA areas: 50%
- Other cases: 40%

Beneficiaries may request the payment of an advance according to the rules set in the Art. 56 of Regulation 1974/2006.

EAFRD contribution: 70 349 334 EUR (45 545 970 EUR in old RDP version).

Output indicators:

<b>Sub-measure</b>	<b>Number of agricultural holdings receiving support</b>	<b>Total volume of investment (EUR)</b>
121.1. Improvement and modernisation of the farm	5 036	206 476 000
121.2. Modernisation of the irrigation systems in the farm	770	35 250 181
121.3. Promotion of common use of machinery and equipment		
Machinery	44	4 406 934
Wine sector	40	8 000 000
Tobacco sector	85	17 029 928
<b>Specific additional indicators on water saving</b>		
Total water saving because of improvement of the installations (2007-2013)	12 122 000 m3	
Water saving for the transformation from gravity to sprinkler irrigation	1.200 m3/ha	
Water saving for transformation from sprinkler to drip irrigation	2.500m3/ha	
Total annual saving for beneficiary:	21.429 m3/beneficiary	

**Measure 123 “Adding value to the agricultural products”:** the financial allocation to this measure is modified and it incorporates new projects on the wine sector.

Beneficiaries may request the payment of an advance according to the rules set in the Art. 56 of Regulation 1974/2006.

EAFRD contribution: 122 571 326 EUR (81 303 676 EUR in the old RDP version).

Output indicators:

Number of supported companies: 650

Total Volume of Investments: 550 000 000 EUR (200 000 000 EUR in new installations; 350 000 000 EUR in enlargements)

**Measure 125 "Infrastructure related to the development and adaptation of agriculture and forestry":** there is a decrease of the financial allocation to this measure. The decrease is the result of an examination of the uptake of the Measure which is less than the original forecasts.

No changes foreseen in the indicators of the Measure.

EAFRD contribution: 102 660 472 EUR (115 434 248 EUR in the old RDP version).

**Measure 133 "Information and promotion activities in food quality schemes":** there is a decrease of the financial allocation to this measure, because of a demand much lower than the expected at the moment of the approval of the RDP.

Output indicator: 15 quality schemes

EAFRD contribution: 2 243 157 EUR (3 851 907 EUR in the old RDP version).

**Measure 144 "Holdings undergoing restructuring due to a reform of a common market organisation":** The new measure is introduced, in order to support the farmers concerned in adapting to the changed conditions by restructuring the tobacco producing holdings.

The new Measure includes the following description:

<b>144: Holdings undergoing restructuring due to a reform of a common market organisation</b>
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Article 20(d) (iii) and 35 bis of Regulation (EC) No. 1698/2005 as modified by Regulation (EC) No. 74/2009

Aims and Targets:

This measure is addressed to facilitate the adaptation of the tobacco producers to the changes introduced in the direct aids of the Common Agricultural Policy.

Types of actions implemented:

Support to the restructuring of the holdings, by encouraging the diversification of the production. The holdings have to present a business plan which should fall under one of the following 3 categories:

**a) Diversification business plan (*phasing out*):** a triennial plan will be presented which must include the commitment to carry out at least one of the diversification activities foreseen in the RDP.

**b) Diversification business plan with continuity (*partial phasing out*):** a triennial plan will be presented which must include the commitment to carry out at least one of the diversification activities foreseen in the RDP; however, in this case the farmer will keep a part of the production; the farmer has to declare every year all the surfaces of his/her holding, as well as the precise indication of the cultivated surfaces; a minimum dimension per holding will be fixed.

**c) Business plan with continuity:** in the triennial plan, the farmer commits to declare every year all the surfaces of his/her holding, as well as the precise indication of the cultivated surfaces; a minimum dimension per holding will be fixed.

Beneficiaries:

Farmers who benefited from the aid of chapter 10 quarter of Regulation (EC) 1782/2003 during the year 2009 and presents business plan which falls under one of the 3 previous categories.

Amount of support:

The support will consist in a degressive flat-rate aid in the years 2010, 2011 and 2013. The support is limited to the maximum amount laid down in Annex I and in any event, shall not exceed 50% of the reduction of direct payments compared to 2009 in accordance to Regulation (EC) No. 1782/2003.

The maximum amount per holding will be:

4 500 EUR for 2011

3 000 EUR for 2012

1 500 EUR for 2013

Indicators: Number of agrarian holdings (2100), Number of restructured holdings (2100)

EAFRD contribution: 8 123 594 EUR

**Measure 211 "Natural handicap payments in mountain areas":** there is a modification in the financial allocations for this measure, because of the demand detected in the first year of implementation of the RDP. No change in the indicators is required.

EAFRD contribution: 6 115 431 EUR (5 274 121 EUR in the old RDP version)

**Measure 212 "Payments in other areas with handicaps":** there is a modification in the financial allocation of this measure, because of the demand detected detected in the first year of implementation of the RDP. No change in the indicators is required.

EAFRD contribution: 39 518 200 EUR (38 676 889 in the old RDP version)

**Measure 214 "Agro-environmental payments".** A part of the introduction of the new Sub-measure "integrated tobacco production" under "new challenges", the financial allocation to the Measure 214 is increased with the use of the funds coming from the CMO wine, "modulation adjustments" and a transfer from the same Axis. The new resources are addressed to the following sub-measures:

**214.2 Integrated farming (rice, fruits, olive tree and tobacco)**

EAFRD contribution: 44 388 226 EUR (22 165 536 EUR in the old RDP version)

**214.3 Organic farming**

EAFRD contribution: 37 356 667 EUR (35 183 391 EUR in the old RDP version)

**214.8 Agrarian systems of special interest for the protection of steppe birds in Natura 2000 areas.** In this sub-measure, due to the increase in the financial allocation, there is an enlargement of the list of Natura 2000 sites areas which are eligible.

EAFRD contribution: 6 300 000 EUR (1 587 600 EUR in the old RDP version)

Adjustment of the Output indicators of the Measure 214:

Sub-measure	Number of agricultural holdings receiving support	Surface receiving support
<b>Sub-measure 214.2 "Integrated production"</b>		
Rice	1 500	22 000
Pip fruit trees	1 200	10 000
Stone fruit trees	250	2 000
Olive trees	5000	5 000
Tobacco	2 100	11 929
<b>Sub-measure 214.3. "Organic farming"</b>		
Vineyards	500	3 000
Pip fruit trees	100	250
Stone fruit trees	50	200
<b>Sub-measure 214.8 "Agrarian systems of special interest for the protection of steppe birds in Natura 2000 areas"</b>	400	20 000

EAFRD contribution to the whole measure 214:

152 341 665 EUR (106 888 890 EUR in the old RDP version).

**Measure 215 "Animal welfare":** The importance of the livestock production in Extremadura, and the need to increase the animal welfare in the current holdings of pigs and poultry has led the Management Authority to propose the incorporation of the new measure 215. The measure includes the following description:

<b>Measure 215: Animal welfare payments; Articles 36(a)(v), 36 and 40 of Regulation (EC) No 1698/2005</b>
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Aims and targets: To improve the rearing conditions of animals to above the standards established in the current animal welfare legislation; also, to increase the quality of products, reduce the pollution caused by livestock waste and reduce the pathologies related to the handling and maintenance of animals during rearing.

Types of actions implemented:

Aid for animal welfare will be granted to stock farmers who voluntarily undertake to develop activities in order to reach stricter levels of animal welfare than those required by the current legislation. This aid will be in the form of annual payments the amounts of which will be based on the following criteria (based on Livestock Units):

- The additional costs incurred in carrying out the activities.
- The calculation of the loss of income resulting from the adoption of the measures.

The commitments will have to be kept for five years.

Target group/beneficiary: Farms located in Extremadura.

Commitments: All contracts will include a basic commitment focused on the reduction of animal density; furthermore, an additional commitment can be included in case of pigs relating to outside recreation areas.

**(A) Laying hens (rearing in conditioned cages)**

**Objective: to increase the surface per animal**

Mandatory requirements (Royal Decree 3/2002, Directive 1999/74)	Commitments measure 215
○ Minimum surface in the cages: 750 cm <sup>2</sup> /animal	○ Minimum surface in the cages: 825 cm <sup>2</sup> /animal

## **(B) Broilers (rearing in conventional systems)**

**Objective: to increase the surface per animal**

Mandatory requirements (Directive 2007/43)	Commitments measure 215
<ul style="list-style-type: none"><li>○ Maximum density of 33 Kg of alive weight/m<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>○ Maximum density of 30 Kg of alive weight/m<sup>2</sup></li></ul>

## **(C) Pigs**

**Objectives: to increase the surface per animal and provide access to open spaces**

Mandatory requirements (Royal Decree 1135/2002, Directive 1991/630)	Commitments measure 215
Reproductive sows in intensive holdings	
<ul style="list-style-type: none"><li>○ Minimum surface: 2,25 m<sup>2</sup>/animal</li><li>○ No requirement of open spaces</li></ul>	<ul style="list-style-type: none"><li>○ Minimum surface: 2,50 m<sup>2</sup>/animal</li><li>○ Access to recreational open spaces of at least 1,50 m<sup>2</sup>/animal (open to group of animals)</li></ul>
Young sows in intensive holdings	
<ul style="list-style-type: none"><li>○ Minimum surface: 1,64 m<sup>2</sup>/animal</li><li>○ No requirement of open spaces</li></ul>	<ul style="list-style-type: none"><li>○ Minimum surface: 1,80 m<sup>2</sup>/animal</li><li>○ Access to recreational open spaces of at least 1,50 m<sup>2</sup>/animal (open to the group of animals)</li></ul>

Amount of support:

### **(A) Laying hens (rearing in conditioned cages):**

- Commitment for decrease in density: EUR 50/LU.

### **(B) Broilers (rearing in conventional systems):**

- Commitment for decrease in density: EUR 60/LU.

### **(C) PIGS**

- Basic commitment. Increase in the area per sow: EUR 120/LU.
- Additional commitment for the access to recreational open spaces: EUR 40/LU.

EAFRD contribution: EUR 3 217 500

Output indicators:

- Number of agricultural farm holdings receiving support: 350
- Number of animal welfare contracts: 350

**Measure 216 "Non-productive investments":** reduction of the financial allocation to this measure. This reduction is based on the following justification: a part of the specific investments which had initially been foreseen will be included in a national programme of support of Natura 2000 areas; also, there is an adaptation to the real uptake, taking into account the experience of the first years of its implementation.

EAFRD contribution: 3 364 894 EUR (7 941 901 in the old RDP version).

Output indicators:

Agricultural holdings receiving support: 380

Total Volume of Investment 5 341 100 EUR

**Measure 221 "First forestation of agricultural land":** reduction of the financial allocation to this measure taking into account the updated detected.

EAFRD contribution: 72 312 308 EUR (76 010 041 in the old RDP version).

Output indicators: 2 350 holdings receiving support; 80 000 ha forested

**Measure 323: Conservation and upgrading of rural heritage:** increase of the financial allocation taking into account new needs detected in the conservation and valorisation of rural paths.

EAFRD contribution: 20 894 410 EUR (18 164 961 in the old RDP version).

Output indicators: 496 projects

**Measure 411 "Local development strategies on competitiveness":** This modification extends the Leader approach to the Axis 1 (in the original version, the Leader approach only covered Axis 3). As a result, the RDP incorporates the new Measure 411.

#### **411: Local development strategies on competitiveness**

Scope and actions:

The LAGs will be able to fund investments on the transformation and commercialisation of agricultural products. The scope of the Leader Axis will cover actions under Measure 123.

Beneficiaries: Local action groups (LAGs)

Output indicators

Number of LAGs (24), total area covered by LAGs (41,000km<sup>2</sup>), total population in these areas (1,000,000), number of projects financed by LAGs (250)

EAFRD contribution: 8 436 982 EUR

The following specific conditions will be applied in the projects to be funded by the Local Actions Groups under Measure 123:

Beneficiaries: micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC. In the forestry sector, support will be limited to micro-enterprises. Public companies or institutions are excluded.

Amount of support: 50% of the eligible investments.

All other elements in the existing Measure description of Measure 123 is extended to the investments to be funded under Leader approach.

### **Measure 413 “Local development strategies on quality of life and diversification”:**

This modification foresees a relocation of the indicative financial contribution of the different Axis 3 Measures which are implemented through the Axis Leader. This relocation aims to adjust the specific actions of the Axis 3 to the new demands of the Local Action Groups. In particular, the current economic crisis has forced many Local Actions Groups to redefine the actions foreseen.

Also, the incorporation of the new strategy to address the restructuring of the tobacco sector affects the Measure 311 (implemented under Leader).

Furthermore, a financial transfer is foreseen from Measure 413 (quality of life and diversification) to the new Measure 411 (competitiveness).

All Axis 3 Measures incorporate the possibility that the beneficiaries may request the payment of an advance according to the rules set in the Art. 56 of Regulation 1974/2006.

EAFRD contribution: 69 432 234 EUR (74 669 215 EUR in old RDP version).

The specific adjustments in each of the Axis 3 Measures implemented under Leader are the following:

#### **Measure 311: Diversification into non agricultural activities**

This Measure incorporates the “*diversification and searching of alternative activities from the tobacco sector*” as an objective of the Measure.

The Measure incorporated an amount of 4 million € which will be distributed to the Local Action Groups in the tobacco producing area on condition that they accept to use the extra-funds for giving priority to the tobacco producers under this Measure.

The uptake of these funds will be reviewed at the end of 2012 and adjustments could be made if necessary according to the result of this review.

Output indicators: Number of beneficiaries (100 – 120 applicants of which 30% are women, 70% men; 70% are younger than 40 years of age); total value of investment (11 554 500 EUR), 60 jobs created.

**Measure 312: Creation and development of micro enterprises**

Output indicators: Number of supported enterprises (264 – 300); total volume of investment (54 544 981 EUR); 294 new jobs created.

**Measure 313: Encouragement of tourism activities**

Output indicators: number of new tourist actions (30 administered by forestry administration or local government, associations; 400-420 by rural population); 212 new jobs created.

**Measure 321: Basic services for the economy and rural population**

Output indicators: Number of subsidised activities: 125; Total value of investments: 26 091 655 EUR

**Measure 322: Village renewal and development**

Output indicators: Number of jobs created: 50 jobs; Total volume of investments: 17 036 967 EUR

**Measure 331: Training and information**

Output indicators: number of participants (10 700 – of which 60% men under 40 years of age, and 6% of women under 40 years of age); number of training days (400)

**Complementarity with 1<sup>st</sup> pillar:** the inclusion of the new measures and the special attention to the tobacco sector involves an update of the complementarity between the RDP and the 1<sup>st</sup> pillar of the CMO. However, no changes are proposed on the demarcation criteria set in the RDP in the previous modification (which affected Fruits and Vegetables and Wine). The demarcation between the 1<sup>st</sup> pillar and the RDP were already corrected in first Modification of the RDP.

## 5. EXPECTED IMPACTS OF THE AMENDMENTS

### 5.1. Modifications "Health Check and Recovery Package" according to article 6 (1)(a)

The EAFRD amount available for RDP Extremadura from the "Health Check and Recovery Package" is EUR 70 709 037 that will be used in new submeasures under Measures 123 and 214.

The new “type of operation” for “Processing of agricultural/forest biomass for renewable energy” under Measure 123 is expected to contribute to the objective of reduction of the CO2 emissions in Extremadura as well as to the general strategic goals of the RDP (fight against depopulation, increase of the quality of life and conservation of the natural environment of the region). This measure will allow to replace 60% of the 1 835 existing drier cells (units of treatment of the tobacco); also, it is foreseen to fund 4 industrial plants of transformation of agrarian biomass for the production of renewal energies. In general terms, all these investments will benefit 48 enterprises and will represent a total volume of investment of 85 000 000 EUR.

The introduction of integrated tobacco production contributes to the biodiversity, generates a better efficiency in the irrigation, limits the use of phytosanitary products, increases the contents of organic material and nutrients in the soil. It foresees to support 2 100 holdings and a total surface of 9 611 ha.

### **5.2. Other modifications according to article 6(1)(a)**

Extremadura will use the new 27 517 260 EUR in the reinforcement of Measures 121, 123 and 214. For the increase of the indicators of these measures and the impacts of the new measures, see “modifications article 6 (1)(c)”.

### **5.3. Modifications according to article 6(1)(c)**

See “output indicators” for each of the Measure in the previous section.

The other proposals are of technical nature and intend to improve the implementation of the programme as well as the understanding of the measures by the beneficiaries, and to update legal references.

## **6. ASSESSMENT**

- I. Taking into account all the above, the amendments are in line with the National Strategy Plan as well as with the regional programme strategy.
- II. The changes are in conformity with the Council Regulation (EC) N° 1698/2005 and with the Commission Regulation (EC) N° 1974/2006.

## **7. FINANCING**

### **7.1. Annual Contribution from the EAFRD (in EUR)**

<b>Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Convergence region</b>	0	148 652 948	148 149 665	150 431 476	120 792 126	120 124 728	119 206 762
<b>Additional funds specified in Article 69 (5a) of Regulation (EC) 1698/2005 – convergence region</b>	0	0	4 937 612	12 279 986	13 445 585	17 739 410	22 306 444
<b>Total EAFRD</b>	0	148 652 948	153 087 277	162 711 462	134 237 711	137 864 138	141 513 206

	<b>Total 2007-2013</b>
<b>Convergence regions</b>	807 357 705
<b>Additional funds art 69 (5bis) of Reg (EC) No 1698/2005</b>	70 709 037
<b>TOTAL EAFRD</b>	<b>878 066 742</b>

## 7.2. Financial plan by axis (in EUR total period)

Convergence regions:

<b>Axis</b>	<b>Public contribution (in EUR)</b>		
	<b>Total public</b>	<b>EAFRD contribution rate (%)</b>	<b>EAFRD amount</b>
Axis 1	584 848 959	64,35	376 305 305
Axis 2	490 214 316	63	308 835 019
Axis 3	34 412 857	75	25 809 643
Axis 4	118 503 823	80	94 803 058
Technical Assistance	2 079 573	75	1 559 680
<b>Total</b>	<b>1 230 059 528</b>	<b>65,64</b>	<b>807 357 705</b>

Financing plan on the additional funds - article 69 (5) (bis) of Regulation (EC) No 1698/2005:

<b>Axis</b>	<b>Public contribution (in EUR)</b>		
	<b>Total public</b>	<b>EAFRD contribution rate (%)</b>	<b>EAFRD amount</b>
Axis 1	50 678 000	90	45 610 200
Axis 2	27 887 597	90	25 098 837
Axis 3	-	-	-
Axis 4	-	-	-
Technical Assistance	-	-	-
<b>Total</b>	<b>78 565 597</b>	<b>90</b>	<b>70 709 037</b>

## 7.3. Indicative budget related to operations referred to in Article 16a of Regulation (EC) 1698/2005 between 1 January 2009 and 31 December 2013 (article 16a (3b) up to the amounts specified in Article 69 (5a) of Regulation (EC) 1698/2005)

<b>Axis / Measure</b>	<b>EAFRD amount</b>
Axis 1	
- Measure 123	45 610 200
<b>Total Axis 2</b>	<b>-</b>

<b>Axis / Measure</b>	EAFRD amount
- Measure 214	25 098 837
Total Axis 3	-
Total Axis 4	-
Total programme	70 709 037