

WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE

MEMBER STATE: Spain

REGION: Castilla y León

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 Castilla y León 2007-2013 adopted by the Commission Decision C(2008) 722 of the 15th/2/2008 (CCI 2007 ES 06 RPO 008).

2. LEGAL BASIS OF THE MODIFICATION:

This modification proposal was sent via SFC to the Commission on the 14 July 2009, following its approval by the Monitoring Committee of RDP Castilla y León on the 7th July.

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.

Quota (Kg)	Number of holdings	% of holdings/Total
1 - 50.000	303	13,00
50.001 - 100.000	371	15,92
100.001 - 200.000	509	21,84
200.001 - 300.000	363	15,57
300.001 - 500.000	339	14,54
500.001 - 1.000.000	313	13,43
1.000.001 - 2.000.000	108	4,63
>2.000.000	25	1,07
Total	2.331	100

3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN

➤ Health Check and Recovery Package:

Analysis

The new Chapter 3 of the RDP Castilla y León enlarges and updates the analysis of the situation

of the region as regards the "new challenges": "Climate change", "Renewable energies", "Water management" and "Biodiversity" had already been examined in the previous version of the RDP, and played an important role in the previous strategy. However, the "restructuring of the dairy sector" is included as a new strategic objective of the RDP. For this reason, the modification includes a complete new analysis of the dairy sector in Castilla y León, including a new SWOT analysis.

Dairy sector in Castilla y León

In the last years the dairy sector of Castilla y León has experienced a dramatic process of restructuring: from 4 951 holdings and a quota of 831 854 tones in the year 2002/2003 to 2 331 holdings with 774 554 tones in the year 2008/2009. This restructuring process has involved the abandoning of the less competitive holdings and the enlargement and modernisation of the rest. As a result, there has been an increase in the average production/holding, the average quota/holding as well as an increase in the milk production/cow. The most recent figures are the following:

- Number of cows/holding: 53 (similar to the national average)
- Working Units/holding: 1,73 (no variations detected, similar to the national average)
- Production/cow: 9 215 l/cow (the highest rate in Spain, and much higher than the national average of 8 137 l/cow).
- Costs of the animal feed: 19,98 EUR/100 liters of milk (the highest costs in Spain, with an average of 16,78 EUR/100 litres of milk)

The dairy production in Castilla y León is concentrated mainly in León (35% of the holdings), Ávila and Palencia (27% of the holdings). The dairy holdings in Castilla y León are localised in areas with irrigation (which correspond to the areas with the presence of fodder and animal feed) and proximity to the dairy industries.

The current structure of the sector is the following (2008/2009):

All indicators show the need to promote measures address to avoid the acceleration of the disappearance of the small holdings. Up to now the dairy activity played an important role in fixing population in certain rural areas where there are no economic alternatives. The specific SWOT analysis of the dairy sector included in the RDP modification can be summarised as follows:

WEAKNESSES	THREATS
Low elasticity: since the sector is determined by the growing cycles of the animals, it is difficult to adapt in a fast way to the evolution of the market	Emerging milk producers with very competitive process like China, India and Australia
Low level of control of the producer over the prices of the production inputs, mainly the costs of the animal feeding and the energy.	Increase of the production costs
Quota production located to Spain is 30% inferior to the internal demand.	Important effects of the economic crisis: lack of credit and liquidity in the holdings.
Very high debt level in many holdings because of the restructuring process	Separation of the producer and consumer, with important effects in the transportation costs
Insufficient development of recognised contracts between producers and the industry	Lack of refrigeration infrastructure
Important investments carried out to cope with the new legislation on: hygiene, animal health, environment and animal welfare.	Lack of qualified labour
Low level of milk consumption at a national level: 237 Kg/year/inhabit (in the EU the average is 305 Kg/year/inhabit).	
Consumption is focused in liquid milk (mainly UHT), which has a much lower adding value than other products	
Lack of appropriate chain of distribution of the products (in cold), mainly of the liquid pasteurised milk.	
Not many quality trade-marks	

STRENGTHS	OPPORTUNITIES
Very professionalised sector	Professionalization of the sector
General adaptation to the new requirements in	Research of new opportunities in the market:

the domain of environment, animal health and animal welfare.	Promotion of the pasteurised milk and development of new quality products with higher adding value
The average of the holdings is the appropriate to adapt to the market	Specific trainings for producers and workers
Important efforts done in the genetic selection, with important improvements in the level of production per cow	Possibilities to develop general recognised contracts between the producer and the industry
Existence of a high number of holdings	
Conditions to produce high quality milk	

As a result, the dairy sector in Castilla y León is conditioned in the short and medium term for a new scenario characterised by:

- Higher liberalisation of the world and European market
- End of the quota system
- Increase of the production in the emergent countries (China, India and Australia).

Strategic approach related to new challenges

The strategic approach of the RDP Castilla y León is adapted to the changes in the Community Strategic Guidelines and the Spanish NSP.

The new strategic approach incorporates the "new challenges" as follows:

Climate change and renewable energies: the RDP incorporates the objectives of the "*Regional Strategy against Climate change in Castilla y León 2009-2012-2020*". This regional strategy aims to "reduce the emissions in the agricultural sector without reducing the productivity levels" and "promote the use of the agricultural and animal by-products as well as the energy crops as a source to develop bio-energy in the region". In order to achieve these objectives, the RDP incorporates two types of operations which already existed in the RDP:

Measure 121 "Modernisation of agricultural holdings": actions addressed to improve the energy efficiency (under "climate change").

Measure 123 "Adding value to agriculture/forestry products": actions addressed to processing of agricultural/forestry biomass for renewable energy (under "renewable energy").

Water management: The new strategy as regards "water management" foresees two areas which require intervention:

On the one hand, there is a need to promote investments in the waste water treatment in the agro-food industries.

Also, there is a need to accelerate the process of modernisation of the existing irrigation systems. Currently, the irrigation systems of the region still have a very deficient distribution and storage infrastructures.

Thus, the proposal decides to allocate a part of the new funds to two "types of operations" which already existed in the RDP:

Measure 123 "Adding value to agriculture/forestry products": actions addressed to fund installations for waste water treatment on processing industries.

Measure 125 "Improving and developing infrastructure": actions addressed to modernise the existing irrigation systems with the incorporation of water saving technologies.

Biodiversity: The new strategy foresees to promote agricultural practices addressed to the conservation of the genetic diversity as well as species-rich vegetation types. To do so, the RDP modification will strengthen the current existing AE measures:

"Organic farming"; "Organic livestock"; "Extensive agro-ecosystems in non irrigated conditions"; "Beekeeping for the improvement of biodiversity"; "Rearing local breeds indigenous to the area in danger of being lost"; "Sustainable management of fodder areas used for pasture and support for traditional transhumant pasturing systems"; "Cultivation of the lucerne ecotype "Tierra de Campos" in non irrigated conditions".

The RDP also foresees the incorporation of a new AE sub-measure addressed to "extensive use of fodder areas with sheep and goats".

Restructuring of the dairy sector: According to the new information provided in the analysis, the RDP includes as an objective the development of a competitive dairy sector which should be adapted to the internal and external demands and will contribute to the development of the rural areas. In order to achieve this objective, the RDP includes as a new "challenge" the "measures accompanying restructuring of the dairy sector", which will be implemented through a set of existing "types of operations" of the Measure 121 "Modernisation of the agricultural holdings", and Measure 123 "Adding value to the agricultural and forestry products".

Broadband: The modification does not include new types of operations addressed to broadband, since these actions will be funded in another specific programme to be implemented at national level.

The indicators provided by the MS on the broadband coverage are the following:

Population with broadband in rural areas: 92,3 %

Population with broadband in urban areas: 98,7 %

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

Modulation adjustments:

Castilla y León has decided to allocate the additional EAFRD amount of 15 403 510 EUR from the "modulation *adjustments*" according to the Regulation (EC) 1782/2003 to the Measures 121 "Modernisation of agricultural holdings", Measure 321 "Basic services" and the 3 Measures of the Leader Axis (413, 421 and 431).

Wine Common Market Organisation

As regards the additional EAFRD amount of 4 399 000 EUR from the Wine Common Market Organisation, Castilla y León has decided to allocate the new allocation to the Measure 121 “Modernisations of the agricultural holdings”.

➤ **Other changes**

The other changes have the following justification:

- Interest by MS to make use of the changes of the Regulation (EC) No 1698/2005: Increase of the aid intensity, threshold in Measure 112.

- They have been requested by the Commission services in the Annual Examination Meeting and the observations sent on the 20/3/2009 according to Art. 83 of Council Regulation (EC) 1698/2005 as well as other communications: elimination of the residence criteria in Measures 112 and 121, improvement of the list of fertiliser and phytosanitary products.

➤ **Coherence with the National Strategy Plan and the Spanish National Framework**

All proposed amendments are in line with the proposed version of the **Spanish National Strategy**.

In particular, the proposal to focus the new HC/RP financial allocation into the new challenge "climate change", "renewable energies", "water management", "biodiversity" and "restructuring of dairy sector" (Art. 16a (1) of Council Regulation (EC) No 1698/2005) is perfectly coherent with the text of the National Strategy Plan, which has integrated all these "new challenges" as a strategic priority to promote at national level.

Furthermore, the new analysis integrated in the RDP on the "restructuring of the dairy sector" also fits the strategic priorities fixed at national level.

The RDP Castilla y León is also fully coherent with the last approved text of the Spanish **National Framework**.

The actions and operations in the National Framework are structured in two categories: i) **Horizontal measures** to be compulsorily applied by all regional RDPs and ii) **common elements**, for which regions are entitled to decide which one is applied if any. All Horizontal measures are included in the RDP of Castilla y León.

The current version of the Spanish National Framework also includes a new "horizontal" (compulsory to all Spanish regional RDP) agro-environmental measure (code 214) under the coverage of the new challenge on **biodiversity** (Art. 16a (1d) of Council Regulation (EC) No 1698/2005). Actions covered under this measure must fall under at least one of the following areas: i) Organic production; ii) Preservation of genetic resources and iii) Extensification and local restoration of marginal habitats.

The existing AE measures included in the RDP of Castilla y León complies with the new horizontal measure under the National Framework. That is also the case of the new proposed AE action.

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 Castilla y León from the "Health Check and Recovery Package" is 98 724 626 EUR .

Table 5.3.6 organised measure by measure.

Measure 121 "Modernisation of agricultural holdings".

Measure	Priority: Climate Change				
	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
121	Improvement of energy efficiency (e.g. use of construction materials which reduce heat loss)	Reduction of the CO2 emissions	E	Measure 121 "modernisation of agricultural holdings"	Number of operations supported: 75
					Total volume of investment ('000 EUR): 2 000
Measure	Priority: Restructuring of the dairy sector				
121	Investment support related to dairy production	Improvement of the competitiveness of the dairy sector	E	Measure 121 "modernisation of agricultural holdings"	Number of operations: 200
					Total volume of investment ('000 EUR): 24 000

Measure 123 "Adding value to agricultural and forestry products"

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	E	Measure 123 “adding value to agricultural and forestry products”	Number of operations supported: 10
					Total volume of investment ('000 EUR): 3 750
Measure	Priority: Water management				
123	Installations for waste water treatment on farms and in processing and marketing	Improvement of the capacity for a higher efficiency use of water	E	Measure 123 “adding value to agricultural and forestry products”	Number of operations: 30
					Total volume of investment ('000 EUR): 3 750
Measure	Priority: Restructuring of the dairy sector				
123	Improvements in processing and marketing related to dairy	Improvement of the competitiveness of the dairy sector	E	Measure 123 “adding value to agricultural and forestry products”	Number of operations: 30
					Total volume of investment ('000 EUR): 43 000

Measure 125 "Improving and developing infrastructure

Axis / Measure	Priority: Water management				
125	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
	Water savings technologies (e.g. efficient irrigation systems)	Improvement of the capacity to use water with higher efficiency	E	Submeasure 125.1 “Modernisation of irrigation systems”	Number of operations supported: 5
					Total volume of investment ('000 EUR): 92 000

	Conservation of genetic diversity	Conservation of genetic diversity	E	"Cultivation of the lucerne ecotype Tierra de Campos in non-irrigated land"	730	6 980	6 980	730
	Extensive forms of livestock management	Conservation of the types of vegetation rich in species, protection and maintenance of grasslands	E	"Sustainable management of fodder areas used for pasture and support for traditional transhumant pasturing systems"	3 550	144 360	144 360	3 550
	Extensive forms of livestock management	Conservation of the types of vegetation rich in species, protection and maintenance of grasslands	N	"Extensive shepherding with sheep and goats"	6 030	205 800	205 800	6 030
	Maintenance of Autochthonous breeds in danger of being lost	Conservation of genetic diversity	E	"Rearing local breeds indigenous to the area in danger of being lost"	830	4 550	4 550	830

4.1.2. Text of the RDP

Measure 121: Modernisation of agricultural holdings

Aims and targets: The justification of the Measure is adapted to include the "new challenges". Special attention is given to the need of support the restructuring of the dairy sector.

Target group/beneficiary: Inclusion of the "new challenges" and dairy sector within the scope of beneficiaries. In the case of legal persons, they should have agriculture (or complementary to agriculture) as the only economic activity and should have the social and tax residence in Castilla y León.

Because of the recent increase in the designation of Nitrates Vulnerable Zones in the region, the Measure will also be able to fund manure storage investments in the newly designated areas.

Amount of support: The RDP modification includes the increasing of 10% of the aid intensity.

The maximum aid expressed as a percentage of the eligible investment will be:

- Up to 70% of the amount of the eligible investments if they are carried out by young farmers in the areas mentioned in Article 36(a)(i), (ii) and (iii) of Regulation (EC) No 1698/2005.
- Up to 60% of the amount of the eligible investments if they are carried out by other farmers in the areas mentioned in Article 36(a)(i), (ii) and (iii) of Regulation (EC) No 1698/2005.
- Up to 60% of the amount of the eligible investments if they are carried out by young farmers in other areas.
- Up to 50% of the amount of the eligible investments in all other cases.

Types of operations under "new challenges":

- Improvement of energy efficiency (e.g. use of construction materials which reduce heat loss): investments addressed to improve energetic efficiency, energy saving and emissions reductions. For example, the replacement of electric generators which use fossil energy by other systems which use other energies.

EAFRD contribution: EUR 750 000

- Investment support related to dairy production: livestock housing and the related installations; storages; specific machine...etc.

EAFRD contribution: EUR 9 122 463

Additional national financing (top-up): EUR 171 000 000 (no changes are proposed in the current national additional funding).

Measure 123. Increasing the value added of agricultural and forestry products

Scope of actions:

The modification adds the "transformation of by-products of the agro-food industry" within the scope of actions of this Measure.

According to the proposal modification, the Measure is addressed to "improve the processing and marketing of products of the primary and forestry sector through investments aimed at improving efficiency, promoting the use of renewable energies, by-products from agro-food industry and new technologies and new market opportunities".

Target group/beneficiary:

- Group Objective 1: enterprises devoted to the processing and/or marketing of agricultural products listed in Annex I of the Treaty, which may belong to one of the following groups: (a) micro-enterprises and small and medium-sized businesses according to Commission Recommendation 2003/361/EC (they can have the maximum level of aid); (b) those other businesses with less than 750 employees or a turnover below EUR 200 million per year (they can receive up to half of the maximum level of aid).
- Group Objective 2: micro-enterprises devoted to the first transformation of forestry products can benefit from the maximum level of aid.

Amount of support: Aid intensity expressed as a percentage of eligible expenditure will be limited to the following maximum percentages:

- Group Objective 1(a) and Group Objective 2: 40%
- Group Objective 1(b): 20%

The modification includes an adaptation of the Aid intensity in the case of "new challenges" types of operations:

"In the case of the actions under "new challenges" foreseen in the art. 16 bis of the Regulation (EC) N. 1698/2005 in the Measure 123, the aid approved in this measure, together with other possible aids to the same purpose, can not go beyond the following thresholds:

- Group Objective 1(a) and Group Objective 2: 50%
- Group Objective 1(b): 30%

Accumulation of aids to the same purpose excludes any aid funded by the EU, regardless of its amount.

Types of operations under "new challenges":

- Processing of agricultural/forest biomass for renewable energy: support to investments which contribute to the energetic valorisation of products from agrarian or livestock origin as well as waste from agro-food sector.

EAFRD contribution: EUR 712 500

- Installations for waste water treatment in processing and marketing: support to investments addressed to the improvement, building or enlargement of waste water treatment (mainly water purification plants).

EAFRD contribution: EUR 712 500

- Improvements in processing and marketing related to dairy: investments addressed to the transformation and/or commercialisation of the cow dairy products.

- EAFRD contribution: EUR 8 447 463

Additional national financing (top-ups): EUR 76 750 000 (no changes proposed).

<p>Measure 125: Infrastructure related to the development and adaptation of agriculture and forestry</p>

Sub-measure 125.1: Management of water resources

This submeasure is included under "new challenges". No changes foreseen in the content of the submeasure.

As it has been established in the Spanish National Framework, as well as in the approved version of the RDP, all the operations under submeasure 125.1 will be addressed to modernise existing irrigation systems in existing irrigated land. Specific indicators on water saving targets are provided.

<p>Measure 214: Agri-environment payments</p>
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This modification includes a new Agro-environmental submeasure addressed to support "Extensive shepherding with sheep and goats". This new measure is included under "new challenges".

Objective:

This new sub-measure aims to support the regulated traditional shepherding of sheep and goats in pastures and stubble. The measure is addressed to manage the common areas devoted to pastures and stubble by avoiding practices of overgrazing and subgrazing. These areas are also associated to traditional rural landscapes with high environmental value under risk of marginalisation.

The environmental benefits of this AE measure are:

- Fire prevention: the traditional shepherding has important effects on the vegetation mass both at horizontal level (since it controls the brushwood) and vertical level (because of the clearing of the vegetation in the lower parts of the wood mass). The management commitments introduced in this measure contribute to stop the process of abandoning and marginalisation which currently affect certain surfaces of the commonly managed areas.
- Biodiversity conservation: the areas covered have an instable flora composition which requires extensive shepherding to be preserved; also, these practices help to preserve certain weak habitats with important endangered fauna population (mainly in steppes, meadows and agro-forestry systems). The commonly managed surfaces included under this measure are mainly located in Natura 2000 sites (80% of the surface).
- Landscape: concentration of flocks in certain areas encourages landscape homogenisation and threatens the traditional landscapes which characterise certain habitats.

Commitments:

- Keep up to date holding record's book (according to the MLRs, this requirement is compulsory only in the vulnerable areas).
- Introduction of traditional shepherding of sheep and goats in the complete surface which is assigned to the farmer (including both pastures and stubbles).
- Extensify the agrarian practices: the breeding females of sheep and goat should respect the livestock density between 0,15 LU/ha and 0,30 LU/ha (1 o 2 animals per hectare). The applicable GAEC only fixes a minimum of 0,1 LU/ha.
- Respect the periods of prohibitions of grazing activity as well as the entry dates in the stubbles after the harvest.
- Minimum eligible surface: 30 ha

Amount of support

Premium: 22,00 EUR/ha

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

Castilla y León has decided to allocate the additional EAFRD amount of 15 403 510 EUR from the “modulation *adjustments*” according to the Regulation (EC) 1782/2003 to the Measures 121 “Modernisation of agricultural holdings”, Measure 321 “Basic services” and the 3 Measures of the Leader Axis (413, 421 and 431).

As regards the additional EAFRD amount of 4 399 900 EUR from the Wine Common Market Organisation, Castilla y León has decided to allocate the new allocation to the Measure 121 “Modernisations of the agricultural holdings”.

A part of the incorporation of this transfer, the proposal includes the following changes (strictly related to these financial transfers):

1) On the one hand, there is a transfer of 1 600 000 EUR from Measure 125 to Measure 211. For this reason, the overall Axis 2 EAFRD contribution (non-HC/RP) is increased by this amount.

2) On the other hand, the co-financial rates of each of the Axis are increased so that the total national contribution to the RDP is not changed.

4.2.1. Description of the change

The changes in the financial allocation of Measures 121, 321 and the Leader Axis do not involve changes in the text of the Measures.

These changes only affect the financial table 6.2. and 6.3.

The new table 6.2. (non-Health Check and Recovery Package) will stay as follows:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	846 733 339	41,99%	355 543 329
Axis 2	726 326 082	40,91%	297 140 000
Axis 3	31 280 112	35,70%	11 167 000
Axis 4	217 167 291	35,70%	77 528 723
Technical Assistance	3 400 000	40,00%	1 360 000
Total	1 824 906 824	40,70%	742 739 052

The new allocation of funds and the minor adjustments between Axis do not involve a real impact on the balance between priorities. The new equilibrium between Axis respects the requirements of Art. 17 of Regulation 1698/2005 on balance between objectives:

	% EAFRD contribution RPD ORIGINAL VERSION	% EAFRD contribution RDP PROPOSAL (non-new challenges)	% EAFRD contribution RDP PROPOSAL (including "new challenges" HC/RP allocation)
Axis 1	47,03%	47,87%	48,12%
Axis 2	40,88%	40%	41,18%
Axis 3	11,89%	11,94%	10,54%
Technical assistance	0,19%	0,18%	0,16%
TOTAL	100,00%	100,00%	100,00%

4.2.2. Text of the RDP

This change only affects the financial tables of the Measures 121, 321 and the Leader Axis.

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

4.3.1. Description and reasons justifying the amendment

- **Measure 112 "Setting-up of young farmers"**. The following changes are proposed:
 - The maximum premium is increased from 55 000 EUR to 70 000 EUR (according to the new thresholds introduced by the Council Regulation (EC) 74/2009).
 - The residence criteria is removed from the measure.
- **Measure 121 "Modernisation of agricultural holdings"**. The following change is proposed:
 - The residence criteria is removed from the measure.
- **Measure 123 "Adding value to agriculture/forestry products"**. The following change is proposed:

Target group/beneficiary: The original version of the RDP limited the Measure to the products listed in Annex I of the Treaty. With the current modification the scope of action of the Measure is enlarged to "products mentioned in Art. 28.1. b) of the Council Regulation (EC) 1698/2005".

This change is accompanied with the corresponding notification of the State Aid.

- **Measure 124 "Cooperation for the development of new products, processes and technologies"**. The following change is proposed:

Actions: The original version of the RDP limited the Measure to the products listed in Annex I of the Treaty. With the current modification, this limitation is removed.

- **Measure 211 "Natural handicap payments in mountain areas"**: There is a modification in the financial allocation for this measure.

EAFRD contribution: 30 600 000 EUR (Measure 211)

- **Chapter 9.2 "State Aid not included in Art. 36 of the Treaty"**. In line with point 9.B of Annex II to Regulation (EC) 1974/2006, the RDP includes the following information:

Measure code	Name of the aid scheme	Indication of lawfulness of the scheme	Duration of aid scheme
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115	Setting-up of advisory services	Any aid granted under this measure will be in conformity with the <i>de minimis</i> Regulation (EC) No 1998/2006.	2007-2013
123	Adding value to agricultural/forestry products	Exempted according to Commission Regulation (EC) No 800/2008. The exemption reference number is XR 235/2009 .	2009-2013
124	Cooperation for the development of new products, processes and technologies	State number N218/2008, resulting from the Community Framework on state aid on research, development and innovation (2006/C 323/01)	2009-2013
226	Restoring forestry potential and introducing prevention actions	Any aid granted under this measure will be in conformity with the <i>de minimis</i> Regulation (EC) No 1998/2006.	2009-2013
413	Implementation of local development strategies through the LEADER Axis, with a view to achieving the aims of Axis 3	The measures applied by the LAGs are exempted according to Commission Regulation (EC) No 1628/2006. The exemption reference number is XR 76/2007.	2007-2013

- **Complementarity and demarcation with 1st pillar of the CAP:** Demarcation with the 1st pillar of the CAP was already adjusted in the modification that was approved by the European Commission on the 12/09/2009. The modification proposal only adjusts the demarcation in the case of Wine and Measure 121:

Measure	Demarcation
121 Modernisation of Agricultural holdings	<u>Wine</u> No aid under Measure 121 will be given to the types of operations for "restructuring and reconversion" that can be financed in the Art. 11 of the Regulation 479/2008.

- **Demarcation with article 68:** The managing authority has been asked to provide a demarcation with article 68, which would be included in the RDP at the time when Article 68 measures enter into force, given that some measures of the RDP could finance similar actions to those included in the Spanish program implementing article 68 of Regulation (EC) No 73/2009. The Commission reminded that provisions of art. 2.2 of Reg. 1974/2006: "Where support under Regulation (EC) No 1698/2005 may exceptionally be granted in accordance with Article 5(6) of that Regulation, for measures falling within the scope of the support schemes listed in Annex I to this Regulation, Member States shall ensure that a beneficiary may receive support for a given operation only under one scheme. To that end, Member States, when including measures containing such exceptions in their rural development programmes, shall describe in those programmes the criteria and administrative rules they will apply for the support schemes concerned".

- **Complementarity and demarcation with other Community Funds:** No changes are proposed in this chapter.
- **Indicators update:** following the requests by DG AGRI in the last annual review meeting for the improvement of indicators, the RDP includes the new tables with the baseline indicators adjusted to 2006 as well as the target indicators adjusted to the comments sent by the Commission services.
- **Other minor modifications:** The RDP modification also proposes a set of modifications addressed to incorporate into the text of the RDP all the changes introduced in the National Spanish Framework as well as in the Community legislation since the approval of the RDP. In particular, there is a need to introduce changes to adapt the measures to the requirements of the Council Regulation (EC) 73/2009. These changes affect:
 - Measures 114, 115: update to the National Framework and introduction of "new challenges".
 - Statutory Management Requirements, GAECs and Minimum Requirements for the use of Fertilisers and Phytosanitary Products: improvement of the existing list by including a complete explanation (as requested by the Commission), and list update to the requirements of the Council Regulation (EC) 73/2009.
 - Measure 226: Adjustments in the transitional payments.
 - Following the Commission's recommendations in the last annual review meeting, all legal references to regulations recently changed (organic farming, Wine CMO, Regulation 73/2009, etc.) have been updated.

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 Castilla y León from the "Health Check and Recovery Package" is 98 724 626 EUR. As it has been indicated, it will be used in Measures 121, 123, 125 and 214.

The specific indicators for the HC/RP "types of operations" are included in the table 5.3.6.

The new output indicators for the modified measures are the following:

Measure 121:

- Number of farm holdings that received investment support: 5 000
- Total volume of investments: 380 986 866

Measure 123:

- Number of enterprises supported: 475
- Total volume of investments: 686 709 176 EUR

Measure 125:

- Number of operations supported: 16
- Total volume of investments: 296 121 250 EUR
- The RDP also includes specific result indicators to verify the water savings.

Measure 214:

- Number of holdings receiving support: 21 990
- Total area under agri-environmental support: 909.340 ha
- Total Number of contracts: 21.990
- Number of actions related to genetic resources: 1

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

Castilla y León will use the in the “modulation adjustment” and the transfer from the Wine CMO to reinforce Measures 121, 321 and the Leader Axis. The new output indicators for the modified measures are the following:

Measure 121:

- Number of farm holdings that received investment support: 5 000
- Total volume of investments: 380 986 866

Measure 321:

- Number of supported actions: 60
- Total volume of investments: 31 380 000 EUR

Leader Axis: No changes foreseen in the indicators. The additional allocations to this Axis should facilitate the achievement of the existing indicators.

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

- The rest of minor changes proposed 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 the measures to the new legal requirements.

The modifications carried out following the recommendations provided by the Commission in the last annual review will ensure compliance of the program with Reg. 1698/2005 and Reg. 1974/2006.

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)

	2007	2008	2009	2010	2011	2012	2013
Non-convergence regions	101 462 315	103 308 673	104 016 120	105 109 047	110 242 766	109 674 822	108 925 309
Additional funds art 69 (5bis) of Reg (EC) No 1698/2005	0		4 577 324	15 809 766	19 520 175	25 968 435	32 848 926
TOTAL EAFRD	101 462 315	103 308 673	108 593 444	120 918 813	129 762 941	135 643 257	141 774 235

	Total 2007-2013
Non-Convergence regions	742 739 052
Additional funds art 69 (5bis) of Reg (EC) No 1698/2005	98 724 626
TOTAL EAFRD	841 463 678

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

Non-convergence regions:

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	846 733 339	41,99%	355 543 329
Axis 2	726 326 082	40,91%	297 140 000
Axis 3	31 280 112	35,70%	11 167 000
Axis 4	217 167 291	35,70%	77 528 723
Technical Assistance	3 400 000	40,00%	1 360 000
Total	1 824 906 824	40,70%	742 739 052

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

Axis	Public contribution (in EUR)		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	65 816 417	75 %	49 362 313
Axis 2	65 816 417	75 %	49 362 313
Axis 3			
Axis 4			
Technical Assistance			
Total	131 632 834	75 %	98 724 626

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)

Axis / Measure	EAFRD amount
- Measure 121	9 872 463
- Measure 123	9 872 463
- Measure 125.1	29 617 387
Total Axis 1	49 362 313
- Measure 214	49 362 313
Total Axis 2	49 362 313
Total Axis 3	-
Total Axis 4	-
Total programme	98 724 626