



Brussels, 16.11.2017  
COM(2017) 189 final/2

## CORRIGENDUM

The present document corrects document COM(2017) 189 final of 24.4.2017. The changes concern all language versions. The reason for the corrigendum is that revised data for Sweden has been received. The figures in the tables on Page 12 have been updated accordingly. These corrections do not affect the conclusions of the document COM(2017) 189 final of 24.4.2017.

The corrected text shall read as follows:

### **REPORT FROM THE COMMISSION TO THE COUNCIL**

**2011-2015 report on the implementation of the long-term national aid scheme for agriculture in the northern regions of Finland and Sweden pursuant to Commission Decisions 2009/3067 and 2010/6050**

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## **1. INTRODUCTION**

Pursuant to Article 142 of the Act of Accession to the European Union of Austria, Finland and Sweden<sup>1</sup>, the Commission has authorised Finland and Sweden to grant long-term national aid to agriculture in the northern regions, in order to maintain agricultural activity. This aid is referred to as the Nordic aid ("the Aid").

The present report is submitted to the Council in compliance with the reporting requirement of Article 143 of the Act of Accession, where it is laid down that the Commission shall submit to the Council one year after accession and subsequently every five years a report on the authorisations granted and the results of the aid granted under such authorisations. Previous reports were made in 1996, 2002<sup>2</sup>, 2007<sup>3</sup> and 2012<sup>4</sup>.

## **2. GENERAL PRINCIPLES OF THE NORDIC AID**

### **2.1. Objectives of the Aid**

The Aid is granted in particular to maintain traditional primary production and processing naturally suited to the climatic conditions of the regions concerned, to improve structures for the production, marketing and processing of agricultural products, to facilitate the disposal of such products, and to ensure that the environment is protected and the countryside preserved.

### **2.2. Commission authorisations**

The Aid is authorised by separate Commission Decisions<sup>5</sup> for Finland and Sweden respectively. The maximum annual payment for Finland is currently EUR 382 million. For Sweden, the maximum annual payment authorised amounts to SEK 318.67 million (approximately EUR 35 million)<sup>6</sup>.

The basic conditions are fixed in Article 142 of the Act of Accession; the total amount of the aid granted should be sufficient to maintain agricultural activity in the northern areas but may not lead to overall support exceeding the level of support during a pre-accession reference period, defined in the authorisations. Also, aid may not be linked to future production or bring about an increase in production, in relation to reference levels, as determined by the Commission.

### **2.3. Regions covered by aid**

The regions covered by the Aid scheme are defined in the respective Decisions and are situated north of the 62<sup>nd</sup> parallel and some adjacent areas south of the parallel affected by comparable climatic conditions rendering agricultural activity particularly difficult. The factors taken into consideration when determining the areas are low population density (max

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<sup>1</sup> OJ C 241 of 29.08.1994

<sup>2</sup> Finland COM(2002) 102 of 25.02.2002, Sweden COM(2002) 105 of 01.03.2002

<sup>3</sup> Finland COM(2007) 459 of 31.7.2007, Sweden COM(2007) 416 of 31.7.2007

<sup>4</sup> COM (2012) 358 final of 29.6.2012

<sup>5</sup> The first Decision concerning Finland was adopted in 1995 (95/196/EC), recast by Decision 2002/404/EC, and by Decision C(2009)3067. This Decision was lastly amended by Decision C(2015)2790. The first Decision concerning Sweden was adopted in 1996 (96/228/EC) and recast by Decision C(2010)6050 which was amended last time in 2015 by Decision C(2015)6592. This latter decision entered into force on 1 January 2016 and its changes do therefore not impact on the five year-period reported on in this Communication.

<sup>6</sup> The exchange rate used in this report is 9.0 SEK/EUR.

10 inhabitants/km<sup>2</sup>), Utilised Agricultural Area (UAA) as a proportion of the total area (<10%), agricultural area used for the cultivation of crops intended for human consumption as a proportion of UAA ( $\leq 20\%$ ), and municipalities surrounded by others within before mentioned areas (even where they do not satisfy the same requirements).

In Finland, the Aid area reported on in this Communication covers 1 417 140 hectares (ha) of UAA (55.5% of total UAA) and in Sweden 335 881 ha of UAA (11 % of total UAA).

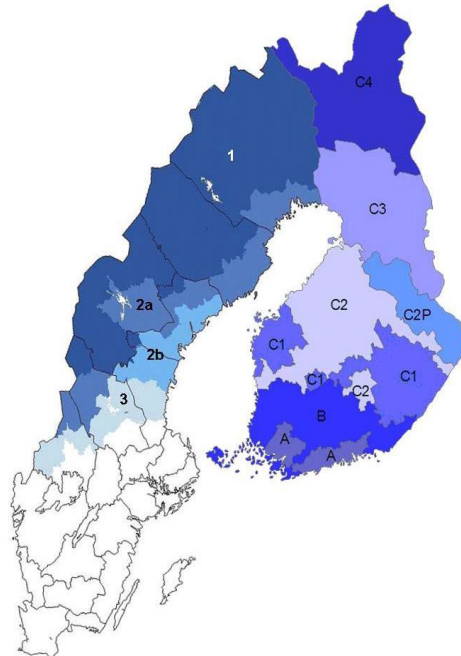


Figure 1: Finnish (C1-C4) and Swedish (1-3) support areas

#### 2.4. Relation with the production

The Aid is limited to specific agricultural sectors, as defined for each Member State in the respective Decision.

The Aid is granted on the basis of production units, either livestock units (LU) or ha, with the exception of support to and transport of milk, where the quantities delivered and transported are supported. The Finnish aid to reindeer is on a per animal basis.

As stated above, aid may not be linked to future production or bring about an increase in production in relation to a reference period. Reference periods are stipulated in the respective Decision for each Member State per sector. The reference quantity for milk production in Finland has been aligned several times with developments of the Common Agricultural Policy (CAP) as regards the milk sector. However, the 2009-2010 review of the Finnish Aid scheme removed the link between the individual CAP milk quotas and the aid payments. Instead, it introduced a restriction, applied until the end of the milk quota system, not to pay such aid for any quantity of milk in the region subject to surplus levy.

### 3. REFORM OF THE NORDIC AID SCHEME

Following an evaluation of the Aid scheme finalised in 2007 a review was conducted, which aimed at simplifying the schemes and aligning the authorisations with the objectives of the Act of Accession. As regards simplification, the recasts finalised in 2009 and 2010 regrouped

different production sectors and specified the maximum average aid rates for the entire Finnish and Swedish aid areas, respectively.

In relation to aligning the authorisations with the objectives set in the Act of Accession, the review of production and payment authorisations led to a reduction of the maximum annual payment authorisation for Finland from EUR 448.59 million to 358 million. Also, aid to the pig and poultry sectors was decoupled from the type of production. In 2009 a compensation for predator damage was introduced. This compensation was abolished in 2015.

Concerning the Swedish Aid area, the review revealed that production levels had in the preceding years been decreasing. On proposal by the Swedish authorities, the revision of the Decision finalised in 2010 allows for concentrating the aid on the remaining production to stop this decline. In 2013 an additional amendment was introduced, which incorporated the previous state aid to potato growers into the Nordic Aid, while respecting the overall ceiling.

#### 4. NORDIC AID IN FINLAND 2011-2015

##### 4.1. Authorisations granted

Decision C(2009)3067 authorised a maximum annual aid amounting to EUR 358 million from 1 January 2009 to 31 December 2014. Decision C(2015)2790 applies from 1 January 2015 and authorises a maximum amount of EUR 382 million, aid as shown in Table 1. The maximum annual total aid was increased since the EUR 24 million available under Article 182(7) of Regulation (EC) No 1234/2007 ("Health Check") were exhausted in February 2014. In that Decision the maximum unit aid and total aid allowed for ruminants were also increased in order to provide an incentive against declining production.

**Table 1: Annual aid authorised according to Decision C(2015)2790**

|                            |    | Maximum average aid allowed / unit <sup>1)</sup> | Unit     | Maximum aid allowed (EUR mill) <sup>2)</sup> | Maximum number of eligible production factors |
|----------------------------|----|--|----------|--|---|
|                            |    |  |          |  |   |
| <b>1. MILK</b>             |    | 10.9   | cents/kg | 193.7  | 1 776 765 t. <sup>3)</sup>                    |
|                            |    |  |          |  |   |
| <b>2. RUMINANTS</b>        |    |  |          | 97.7   |   |
| Bovines                    | 4) | 546  | EUR/LU   |  | 181 000 LU                                    |
| Ewes and she-goats         |    | 584  | EUR/LU   |  |   |
| Horses                     |    | 252  | EUR/LU   |  |   |
|                            |    |  |          |  |   |
| <b>3. PIGS AND POULTRY</b> | 5) | 266  | EUR/LU   | 37.0   |   |
|                            |    |  |          |  |   |

|  |     |           |                    |      |                 |
|--|-----|-----------|--------------------|------|-----------------|
| <b>4. HORTICULTURE</b>                         |     |           |                    | 25.4 |                 |
| Greenhouses                                    | 6)  | 11.3      | EUR/m <sup>2</sup> |      | 202.9 ha        |
| Storage of horticultural products              | 7)  | 18.5      | EUR/m <sup>3</sup> |      |                 |
|  |     |           |                    |      |                 |
| <b>5. CROP PRODUCTION</b>                      |     |           |                    | 58.3 |                 |
| General hectare-based aid                      | 8)  | 37        | EUR/ha             |      | 881 825 ha      |
| Aid for certain crops                          | 9)  | 145       | EUR/ha             |      | 62 475 ha       |
| Aid for young farmers                          | 10) | 36        | EUR/ha             |      |                 |
|  |     |           |                    |      |                 |
| <b>6. OTHER AID</b>                            |     |           |                    | 14.9 |                 |
| Reindeer                                       | 11) | 36        | EUR/animal         |      | 171 100 animals |
| Aid for transport of milk and meat             | 12) |           |                    |      |                 |
| Safeguarding services for livestock production | 13) |           |                    |      |                 |
| Aid for storage of wild berries and mushrooms  | 14) | 0.10–0.42 | EUR/kg             |      |                 |
| Other aid                                      | 15) |           |                    |      |                 |

- <sup>1)</sup> Aid per unit may be differentiated by region within the limits of the maximum average.
- <sup>2)</sup> Maximum aid allowed EUR 382 million per year.
- <sup>3)</sup> Maximum eligible per calendar year and for the quota year 2014/2015.
- <sup>4)</sup> Suckler cows, suckler cow heifers, male bovines > 6 months and slaughtered heifers as well as slaughtered bulls and steers in support regions C3 and C4.
- <sup>5)</sup> Decoupled aid. Reference quantity not exceeding 139 200 LU's
- <sup>6)</sup> Aid for greenhouse production may be differentiated according to the length of the growing period.
- <sup>7)</sup> Aid may be differentiated according to the technical standard of the storage facility.
- <sup>8)</sup> General hectare-based aid for utilised agricultural area (UAA) in support regions C2–C4.
- <sup>9)</sup> On the basis of the cultivation area of cereals (except for barley, oats and mixed cereals) and other crops (oilseed and other oil crops, protein and fibre crops), sugar beets, starch potatoes and apples in support regions C1, C2 and C2north. The aid for vegetables grown in the open can be paid in support regions C1–C4.
- <sup>10)</sup> Aid for young farmers for utilised agricultural area (UAA) in support regions C1–C4.
- <sup>11)</sup> In support regions C3 and C4.
- <sup>12)</sup> Milk: Kainuu and Province of Lapland and Koillismaa (North-East Finland). Meat: Province of Lapland.

<sup>13)</sup> Aid may be paid for services that maintain the operating conditions for livestock production in areas, where distances are longer than the average.

<sup>14)</sup> Maximum amount of aid: Aid is granted for quantities in storage at the end of June up to the following maximums 0.34 EUR/kg for wild cloudberries, 0.10 EUR/kg for other wild berries and 0.42 EUR/kg for wild mushrooms.

<sup>15)</sup> Skolts, natural livelihoods and reindeer husbandry. "

## 4.2. Aid disbursed

### *Nordic aid*

During the years 2011-2015 the total annual aid paid out was between EUR 336.1 and 310.1 million (Table 2).

**Table 2: Nordic aid disbursed in Finland (mEUR)**

| <b>Sector supported</b> | <b>2011</b>  | <b>2012</b> | <b>2013</b>  | <b>2014</b>  | <b>2015</b>  |
|-------------------------|--------------|-------------|--------------|--------------|--------------|
| Milk                    | 161.1        | 161.1       | 161.1        | 167.5        | 170          |
| Ruminants               | 71.1         | 70          | 69.7         | 70.3         | 70.1         |
| Pig, poultry            | 30.84        | 26.41       | 20.85        | 20.26        | 18.5         |
| Horticulture            | 21.3         | 19.5        | 18.0         | 18.9         | 17.5         |
| Crop production         | 41.11        | 39.94       | 38.93        | 36.64        | 19.2         |
| Other aid               | 10.7         | 12          | 14.1         | 15.5         | 14.7         |
| <b>Total</b>            | <b>336.1</b> | <b>329</b>  | <b>322.8</b> | <b>329.1</b> | <b>310.1</b> |

Apart from an excess payment of EUR 0.6 million in 2014 in the category "other aid", the annual Nordic aid granted in Finland respected the maximum levels set in the Decisions. It should be noted, that for those sectors where total production exceeded the authorised number of eligible production factors, a pro-rata reduction of aid per unit of production factor was applied in order to respect the financial ceiling authorised by the Decision. As for the excess payment in the category "other aid", an unforeseen increase in compensations for the damage done by predators from EUR 6.83 Million (2013) to EUR 8 Million (2014) has been identified as the cause. In 2015 such compensations were removed from the scope of the Nordic aid decision.

### *Total support in the Nordic aid area*

Agriculture in the support areas in the Aid scheme benefits also from instruments financed by the EU, notably the two pillars under the CAP. Of the second pillar measures, support for less-favoured areas (LFA, since 2014 ANC) and agri-environmental (AE) measures are of particular importance for the agricultural sector in the support areas. Decision C 2000/405<sup>7</sup> fixed the maximum ceiling of total annual support in the Aid area at EUR 1118.9 million

<sup>7</sup> OJ L 154, 27.6.2000, p.23

(1993 level). Table 3 shows that aid disbursed in the Aid area in the years 2011-2015 according to the legal basis used, respected the maximum ceiling set in the Decision.



**Table 3: Summary of the total annual aid disbursed in Finland, including EU aid (mEUR)**

| Year | Direct aid, fully EU financed | LFA (ANC), including national aid under State aid rules | AE-support | Nordic aid | Total  |
|------|-------------------------------|---|------------|------------|--------|
| 2011 | 274.2                         | 311.5   | 177.3      | 336.1      | 1099.1 |
| 2012 | 272.3                         | 312.3   | 203.8      | 329.0      | 1117.4 |
| 2013 | 258.9                         | 311.3   | 193.2      | 322.8      | 1086.2 |
| 2014 | 253.5                         | 309.9   | 174.4      | 329.1      | 1066.9 |
| 2015 | 212.7                         | 276.5   | 146.7      | 310.1      | 946.0  |

### 4.3. Production volumes in the Nordic aid area

#### *Milk sector*

Almost 80% of the Finnish milk is produced in the Aid area (2014 data). The production is concentrated in the C2 area.

During the five-year period, the milk production grew 4% in the Nordic aid area. In other areas of Finland the production declined 1.5%. The production was highest in the 2014/2015 and lowest in the 2012/2013 marketing year (1 874.2 vs. 1 774.5 thousand tonnes). Production exceeded the set reference level in all marketing years except 2012/2013. The excess in 2014/2015 was in the order of 5.5%.

#### *Ruminants*

The revised Decision of 2009 authorising the aid grouped together the production factors for bovines, ewes, she-goats, and horses.

Beef production decreased in 2012 and 2013 in all Nordic aid areas and the decline continued in the northernmost areas in 2014, while it increased slightly in areas C1 and C2 in 2014 and in all areas in 2015. The 2015 level was higher than in 2011 level in all parts of the country. Of the national beef production of 85.8 million kg (2015) 68.5 million kg was in the Aid area, in particular in the area C2 due to the close relationship between milk and beef production. The overall ruminant production stayed below the maximum eligible number of production factors (livestock units) throughout the reporting period.

#### *Pigs and poultry*

Pig production decreased from 93.6 to 87.7 million kg between 2011 and 2014 and was under the 2005 levels. In the rest of the country the drop in production was somewhat bigger. About 70% of the pork meat production takes place in cereal producing areas in the most southern Aid sub-regions (C1), where also the poultry production is concentrated. The production of poultry meat has grown constantly, from 34.9 to 43.9 million kg from 2011- 2014. The growth rate has been higher than outside the Aid area. The Aid to this group was decoupled

from production as of 2009 at reference quantity of 139 200 LU. This level was not exceeded in the 2011-2015 period.

#### *Horticulture*

The Aid for horticulture is granted towards glasshouse production and storage of horticultural products. The production is concentrated in the C1 area (ca 74% of the total production). It declined from ca 202 ha to 194 ha in the 2011-2015 period. Outside the Aid area the production declined somewhat more. The annual reference level for horticulture production in the Aid area was not exceeded.

#### *Crop production*

The Aid for crop production comprises "general hectare based aid", "young farmers' aid", and "aid for certain crops", as defined in the Decision. As regards "general hectare based aid", the UAA supported in the Aid region has remained stable during this five-year period (630 000-640 000 ha), although the reduction in UAA compared with pre-accession reference level has been substantial (30%). For "young farmers' aid" there is no maximum level of eligible production factors set in the Decision and no comparison can be made. The area of "certain crops" exceeded the maximum number of eligible hectares by between ca 15% and 45% throughout the 2011-2015 period. The excess production was mostly due to changes in the market situation, in particular increased demand for protein crops, as well as to the exceptionally good wheat crops in 2011, 2014 and 2015.

#### *Other aid*

Reindeer production was ca 156 000 animals in 2011 and almost 157 000 animals in 2015 after significant drops in the number of animals in 2013 and 2014. The maximum number of eligible production factors set in the Decision was not exceeded. The remaining part of the other aids is not directly linked to production.

#### *Conclusions related to production volumes*

In conclusion, the total production of the supported sectors increased in the Aid area during the reporting period, exceeding the maximum number of eligible production factors for milk, and "certain crops". This production overrun was not significant nor systematic for milk, but substantial and persistent for "certain crops" throughout the reporting period. Finland took measures to reduce the incentive for the cultivation of certain crops by reducing the supported area from 58 575 ha in 2011 to ca 45 641 ha in 2013.

#### **4.4. Development of the agricultural economy in the Nordic aid region**

There were 52 775 farms in Finland in 2014 of which 57% in the Aid area; a drop of 11% from 2010 nationwide. The UAA remained more or less the same, while the number of ha/farm increased, indicating a structural adjustment. The structural development has been similar in all parts of the country, but in the northernmost areas the number of farms has decreased proportionally less than in other areas.

The number of horticultural farms has decreased proportionally the most (-35%) in Finland in the 2010-2014 period, followed by pigmeat farms (-31%) and milk farms (ca -25% in all areas except Nordic aid subregions C2 and C4, where the decrease was -18%). The number of beef producing farms and cereal farms was rather stable in particular in the Nordic aid region and the number of poultry farms has risen by 13%, in particular in the C-area.

The data on production and farm numbers appear to indicate that the production is preserved in the Nordic aid area, including the northernmost areas. An econometric analysis of milk production by the PTT research centre (Finland) has concluded that Nordic aid has been successful in maintaining milk production in the Nordic aid region.

The importance of Nordic aid of the total farm revenue varies among the sectors of production, being the highest in milk production (from 13% to 28%) and the lowest in cereal production (from 3% to 7%). The importance of the aid increases towards the north in all sectors.

The economic context has been very challenging throughout the country. The employment in agriculture has decreased in agriculture by 7.7% but less than the number of farms (-11%). Agricultural employment is proportionately much more important in the Nordic aid area than in the rest of Finland. For example in the C2 area the share of agriculture of the total employment is 10.2% whereas outside the Nordic aid area the corresponding figure is between 1.1 and 2.8%. The number of jobs in the food industry has increased in the Nordic aid area.

Continuation of agricultural production in the Aid area has maintained many environmental services and the open agricultural landscape, which is a scarcity in the region. This development contributes significantly to reducing erosion and the nutrient leach and has a positive effect on biodiversity. While total the grassland area has decreased in the Nordic aid area, the area used as grassland for more than five successive years has increased by 20%. This is in contrast with Southern Finland where such area has decreased by 40% during the same period.

## 5. NORDIC AID IN SWEDEN 2011-2015

### 5.1. Authorisations granted

As followed the previous five-year period Sweden was authorised to pay SEK 318.67 million/year (EUR 35.41 million). From the 1 July 2010, Decision C(2010)6050 authorises Sweden to pay aid as shown in Table 4 below.

**Table 4: Aid authorised/year in accordance with Decision C(2010)6050 and max during 2011-2015 period**

|                                   |    | Maximum average aid allowed/unit 1) |                      | Unit     | Maximum aid allowed 2) (SEK million/year) |                      | Maximum number of eligible production factors |                      |
|-----------------------------------|----|-------------------------------------|----------------------|----------|---|----------------------|---|----------------------|
|                                   |    |                                     | <i>Max 2011-2015</i> |          |   | <i>Max 2011-2015</i> |   | <i>Max 2011-2015</i> |
| 1. Milk sector                    |    |                                     |                      |          | 293.00                                    | 288.87               | 450 000 tonnes                                | 394 464 tonnes       |
| -Dairy cow milk                   |    | 0.73                                | <i>0.70</i>          | SEK/kg   |   |                      |   |                      |
| -She goats                        | 3) | 500                                 | <i>466</i>           | SEK/head |   |                      |   |                      |
| -Transport aid for dairy cow milk | 4) | 0.039                               | <i>0.038</i>         | SEK/kg   |   |                      |   |                      |
| 2. Pigs and poultry               | 5) | 1 350                               | <i>1 347</i>         | SEK/LU   | 17.94                                     | <i>15.91</i>         | 16 532 LU                                     | <i>11 982 LU</i>     |
| -Pigs for slaughter               |    |                                     |                      |          |   |                      |   |                      |
| -Sows                             |    |                                     |                      |          |   |                      |   |                      |
| -Laying hens                      |    |                                     |                      |          |   |                      |   |                      |
| 3. Soft fruit and vegetables      | 6) | 2 800                               | <i>2 761</i>         | SEK/ha   | 2.03                                      | <i>1.03</i>          | 750 ha  | <i>374 ha</i>        |
| 4. Potatoes                       |    | 2 500                               | <i>2 216</i>         | SEK/ha   | 5.7                                       | <i>4.23</i>          | 2 910 ha                                      | <i>1 908 ha</i>      |

- 1) Aid per unit may be differentiated by region within the limits of the maximum average.
- 2) Maximum aid allowed: 318.67 million SEK.
- 3) Only goats used for milk production. The estimated milk production is 800 kg of milk per goat annually.
- 4) Between the farm and the collection centre or first processing centre.
- 5) Where 1 laying hen is 0.01 LU, sow is 0.33 LU and 1 pig for slaughter is 0.10 LU.
- 6) Excluding potatoes.

## 5.2. Aid disbursed

### *Nordic aid*

The total annual amounts paid as Aid varied between SEK 298.08–305.45 million (EUR 33.12–33.94 million) during the period (Table 5). The aid disbursed thus remained very balanced throughout the period with small variations between years.

**Table 5: Nordic aid by sector, MSEK**

| Sector supported                         | 2011          | 2012          | 2013          | 2014          | 2015          |
|--|---------------|---------------|---------------|---------------|---------------|
| Milk <sup>1</sup>                        | 281.14        | 286.03        | 285.77        | 288.87        | 287.12        |
| Pigs, poultry                            | 15.91         | 13.75         | 12.31         | 12.13         | 12.60         |
| Soft fruit, vegetables<br>incl. potatoes | 1.03          | 1.03          | 4.80          | 4.45          | 4.18          |
| <b>Total</b>                             | <b>298.08</b> | <b>300.81</b> | <b>302.88</b> | <b>305.45</b> | <b>303.90</b> |

<sup>1</sup> Including goat's milk and transport support.

From this it can be concluded that the annual Aid granted in Sweden respected the maximum aid allowed by the Decisions.

### *Total support in the Nordic aid area*

Agriculture in the Aid scheme areas may also benefit from instruments financed by the EU, notably the two pillars under the CAP (Table 6). Of the second pillar measures, support for less-favoured areas (LFA) and agri-environmental (AE) measures are of particular importance. A ceiling of total support to the Aid region is not fixed in the Decision C(2010)6050. Under the Rural Development Programme 2014-2020, support for ley farming can only be applied for outside areas of natural constraints (former LFA). Payments for environmental support to ley farming in areas of natural constraints will therefore decrease towards disappearing in 2018. Follow-up of the level of the EU aid is carried out *ex post* since 2003.

**Table 6: Summary of aid disbursed in Sweden, including Community Aid, MSEK**

| Type of aid                | 2011          | 2012          | 2013          | 2014          | 2015          |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Compensatory payment (LFA) | 307.01        | 312.83        | 301.95        | 299.36        | 617*          |
| AE support (ley farming)   | 295.44        | 297.13        | 293.62        | 287.65        | 32.46*        |
| Nordic aid <sup>8</sup>    | <b>298.08</b> | <b>300.81</b> | <b>302.88</b> | <b>305.45</b> | 303.90        |
| <b>Total</b>               | <b>900.53</b> | <b>910.77</b> | <b>898.45</b> | <b>892.46</b> | <b>953.36</b> |

\* Prognosis based on partial payments finalised.

The total combined support varies from year to year but does not follow a consistent trend and has remained within the same range since 1997.

<sup>8</sup> Reference level: 318.67 mSEK



### **5.3. Production volumes in the Aid area**

#### *Milk sector*

During 2011-2015, the average amount paid to the production of cow milk was 267 MSEK per year. Milk production in the support area corresponds to 13% of total production in Sweden. There were fewer milk farms in the area in 2015 (795) than in 2011 (999), however the number of cows has stayed stable with just minor variations over the five years.

Milk is the only production section covered by the Nordic Aid that has seen an increase with 2.7% in production during the five year period. Production increased until 2014, after its lowest level in 2011, to decrease again in 2015. Transport support was paid to between 7 and 9 dairies for an average of 386 202 tonnes per year.

#### *Pig and poultry*

The pig production remained stable and well below the maximum number of eligible production factors. Between 2011 and 2013 there was a sharp decline in the number of pigs for slaughter, but since 2013 the number has been growing but still without reaching the 2011 quantities. One difficult factor for the pig producers in northern Sweden is the low number of slaughterhouses. This implies long distances from farm to slaughterhouse and decreases the possibilities for the farmers to choose where to deliver their animals and to negotiate the slaughter prices. As regards sows for piglet production, the number of farms and sows are decreasing, although the numbers did increase in 2015. The sum of payments shows small variations over the five year period and stayed below the maximum levels allowed.

As regards egg production, seen over the five year period, there is a decreasing trend in the number of farms and hens supported as well as in the amounts paid over the years.

#### *Soft fruit and vegetables*

Between 94 and 103 farms producing soft fruit and vegetables were supported on a yearly basis, covering an average area of 360 ha. The area has fluctuated around these levels during the last five years, and is at around half of the maximum number of eligible production factors.

#### *Conclusions related to production volumes*

As regards milk, the production volumes have slightly increased during the five-year period. The other sectors also remain fairly stable even though the production varies from year to year. All sectors are far below the maximum number of eligible production factors.

### **5.4. Development of the agricultural economy in the Aid region**

The Swedish Aid area has a low and decreasing population density, limitations in the potential for economic developments and poor conditions for agriculture. The farm structure is characterized by smaller, more scattered and irregular fields than the average situation in Sweden. This makes costs higher, also for transport within farms due to the distances between fields. For the northern most counties' covered by the Nordic Aid scheme, the share of the national production (in GRP) shows a decreasing trend since 1995.

The key agricultural product in the area is milk which counts for 13% of Sweden's total milk production. The number of producers declined from 2011 until 2015, while the number of cows remained stable however with an unequal development inside the support area. Milk is the only production sector covered by the support scheme that has shown an increase. In

2015 milk production was 10 000 tonnes higher compared to 2011. Farm income of milk farmers declined in this period.

In the Aid area, which is dominated by forests, the land in agricultural production contributes to keep the landscape open which favours biodiversity. The agricultural practices in the support areas are characterised by less intensive production as the main cultivation is grassland and pastures. These normally rely on a low level use of pesticides and fertilisers. Therefore the environmental impact is less than from agricultural activities in other parts of the country.

Since 1990 the support region's population development has been negative with a 3% decrease, compared to an increased population in the rest of Sweden (18%).

## **6. CONCLUSIONS**

This report gives an account of the Nordic aid authorisations granted to Finland and Sweden in the period 2011-2015 and the results achieved. The report was compiled on the basis of data supplied by the Member State authorities in compliance with Article 143(2) of the Act of Accession.

### **6.1. Finland**

As regards the implementation of the Finnish Nordic aid scheme, the Commission notes that:

1. *Compliance with the maximum aid allowed by the Commission authorisations:* the total amounts of aid paid out, and total support in the Nordic aid area during the period 2011-2015, respected the maximum allowable aid authorised in the Decision C(2009)3067, as amended, with one minor and unforeseen exception in 2014.
2. *Conformity with the maximum number of eligible production factors:* total production in the Aid area exceeded the maximum number of eligible production factors for milk, and "certain crops". To avoid exceeding the respective total amounts of authorised payments, Finland applied a *pro-rata* reduction of the payment per unit of production factor and, in the case of aid to "certain crops" reduced the eligible area. This system ensured that the obligation of the country concerning the maximum total amounts of paid-out aid was always respected, but the *pro-rata* reductions did not prevent extending the aid, even though at a reduced level, to all eligible production.
3. *Achievement of the objectives of the aid scheme:* generally speaking, the Aid in Finland has contributed to maintaining the production levels in the area and contributed to maintaining agricultural employment. Despite less favourable production conditions, some sectors of production have developed better than outside the Aid area in Finland. However, a shift of production southward within the Aid area has continued, although the number of milk and beef farms decreased proportionately less in the northernmost areas. The implementation of the scheme and the criteria applied to differentiate the Aid should be closely monitored during the next reporting period in order to consider adjusting the support.

### **6.2. Sweden**

As regards the implementation of the Swedish Nordic aid scheme, the Commission notes that:



1. *Compliance with the maximum aid allowed by the Commission authorisations:* the total amounts of Nordic aid paid out during the period 2011-2015 have respected the ceiling set for the maximum allowable aid authorised in the Decisions 96/228/EC and C(2010)6050.
2. *Conformity with the maximum number of eligible production factors:* the maximum number of eligible production factors receiving aid was respected in all sectors receiving Nordic aid.
3. *Achievement of the objectives of the aid scheme:* after the review of the scheme in 2010, the Aid disbursed in Sweden has for the main sector, milk, allowed to maintain the production level during the 2011-2015 period. For the other sectors supported, production has either remained stable or slightly decreased. The revised Decision C(2010)6050 has provided more flexibility for the implementation of the aid scheme, which has contributed to better fulfil its objectives, although the support can only partially alleviate the constraints facing agricultural production in the support area.

For both countries, the continuation of agricultural production contributes to maintain an open, well-managed agricultural landscape in the forest dominated Nordic aid area. Keeping the landscape open is positive for biodiversity and the attractiveness of the landscape. On the basis of the information provided by the national authorities, the Commission considers that the authorities have applied Decision 2002/404/EC and Decision C(2009)3067, concerning Finland, and Decision 96/228/EC and C(2010)6050, concerning Sweden, on aid to northern regions in a satisfactory manner.