AECM request for a limited prolongation of the State aid Temporary Crisis and Transition Framework (TCTF) after 31 December 2024 to further support the agricultural sector

Introduction

The Temporary Crisis and Transition Framework, which is applicable to undertakings active in the primary production of agricultural products, fishery, and aquaculture sectors, is currently scheduled to expire on 31 December 2024.

However, the Russian aggression against Ukraine continues to cast a destabilising effect on the European economy, impacting Member States' industries and, notably, the agricultural sector. The sector of agriculture, integral to both, national economies and food security, has borne the brunt of escalating input prices and volatile markets. Moreover, the compounded effects of recent climatic events, including droughts and devastating floods across Eastern Europe and Spain, have only intensified the instability, particularly affecting farmers, and small and medium-sized enterprises (SMEs) reliant on seasonal cycles and sensitive to input cost fluctuations.

Considering the ongoing strains, AECM and its members kindly ask the European Commission to prolong Section 2.1 of the Temporary Crisis and Transition Framework by an additional six months until 30 June 2025 to prevent a collapse in agricultural productivity and to maintain economic and social stability within the EU farming sector.

Remarks

I. The continued impact of Russian aggression on agricultural production

Since the onset of Russian aggression, the agricultural sectors across Member States have faced persistent disruptions in their supply chains and production costs, severely impacting their resilience. These economic pressures are especially evident in the primary production of agricultural products, where specific subsectors, such as grain and oilseeds, have been particularly strained due to increased import costs and market volatility. The persistent nature of these disruptions has hindered the ability of farmers and producers to operate sustainably, affecting the entire agricultural value chain, including downstream markets.

Moreover, the nature of agricultural production – bound by growth seasons and harvesting cycles – means that quick recovery is unfeasible. Essential inputs like seeds, fertilisers, and fuel have become significantly more expensive, placing a strain on producers who must secure these inputs ahead of time while selling their output at currently depressed market prices. These sector-specific challenges require additional time to allow the necessary adjustments to stabilise and strengthen the industry.

II. Amplifying factors exacerbating the crisis

In addition to the ongoing consequences of the conflict, other critical incidents, including droughts and severe floods in Eastern Europe and Spain, have exacerbated the fragility of the agricultural sector. These natural disasters have caused extensive damage to crops, infrastructure, and storage facilities, further undermining producers' ability to recover and adapt. This increase in unpredictability has disproportionately impacted agricultural producers who are not only contending with the direct consequences of the war but now also face the aftermath of climate-induced catastrophes that further disrupt production.

Given that these events have amplified the sector's vulnerability, immediate relief remains imperative. An extension of the TCTF after 31 December 2024 is necessary to ensure these producers receive continued support while managing both, the repercussions of geopolitical tensions and climate-related disruptions.

III. Sector-specific adjustment needs

While the economic disturbances from the war have affected all Member States, the primary production sector of agriculture, with its high proportion of micro and small undertakings, faces particularly severe challenges in adapting. The majority of these enterprises lack the resources to withstand prolonged periods of instability and are especially sensitive to input cost volatility. An abrupt cessation of support would risk further destabilising the sector, prolonging the recovery, and jeopardising the livelihoods of those involved in food production.

IV. EU farmers and smaller suppliers operating within the agricultural and food supply chain, face unfair trading practices

Farmers and small suppliers in the EU face severe challenges from unfair trading practices, as large retailers and multinational companies dominate the supply chain, often forcing these smaller players into unfavorable, unsustainable terms. Additionally, the EU's network of free-trade agreements compounds these challenges by allowing imports of lower-cost products that don't meet EU environmental standards, creating tough competition. As the EU pushes for more sustainable (and often costlier) practices, these trade deals make it increasingly difficult for local producers to remain viable.

V. Broad State aid and sector-specific adjustment needs

On 7 June 2024, the European Commission proposed a draft regulation amending Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the agricultural sector, known as the "agricultural *de minimis* Regulation".

While we are grateful for the Commission's proposal, which includes important amendments, we would like to point out that the matter of the ceilings requires further review. In its proposal, the Commission suggests increasing the *de minimis* ceiling per company over three years from EUR 20 000 to EUR 37 000, while raising the national caps to 1.5% of the average of the three highest annual agricultural production values during the 2012-2023 period. These increases at individual and national level do not go far enough in view of the difficulties faced by European farmers, namely:

- the return of inflation leading to a lasting increase in production costs, imbalances along the supply chain, and changes in consumer behaviour;

-additional costs due to the climate crises and the increase in events such as droughts, floods, frosts, storms, etc.

- animal diseases or plant pests, including damage caused by the ban on certain plant protection products.

Given the multifaceted and increasing nature of these challenges, it is imperative to further elevate the *de minimis* aid ceiling. AECM advocates for raising the *de minimis* ceiling per company over three years to EUR 50 000. This increase is crucial to provide European farmers with the necessary financial support to navigate the ongoing economic turmoil and to ensure the sustainability and resilience of the agricultural sector.

In the event that the proposed amendments to the Agricultural *de minimis* Regulation are not adopted by the end of the year, we urge the extension of Section 2.1 of the Temporary Crisis and Transition Framework (TCTF) by an additional six months to remedy the remaining serious disturbance in the economy and in particular the remaining challenges faced by the agricultural sector.

Conclusion

In light of the unique and enduring challenges facing the agricultural sector, the extension of the Temporary Crisis and Transitional Framework is essential. The sustained disruptions arising from the Russian aggression against Ukraine, compounded by recent natural disasters, have left the sector in a precarious position. Extending the TCTF will not only protect small undertakings critical to our food systems but also provide them with the time and support needed to adjust to ongoing market and environmental volatility. This measure is vital to securing a resilient future for the agricultural sector and, by extension, the broader economy across Member States.

AECM and its members kindly request the Commission for a prolongation of Section 2.1 of the Temporary Crisis and Transitional Framework by an additional six months, to provide continued support to the agricultural sector, acknowledging its unique vulnerabilities and its critical role in the European economy.

Brussels, November 2024

About us

The 47 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 countries in Europe[1]. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance.

Currently, 19 AECM members support Agri-SMEs and 5 of them are exclusively agriculture-oriented guarantee institutions.

Furthermore, AECM has 6 partners, who are partly active in the field of agriculture, too[2].

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[1] https://aecm.eu/members/our-members/
[2] https://aecm.eu/international-partners/our-partners/