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

**2016-2020 report on the implementation of the long-term national aid scheme for agriculture in the northern regions of Finland and Sweden pursuant to Decision C(2009) 3067, as amended by Decision C(2009) 9122, Decision C(2013) 2809 and Decision C(2015) 2790, and Decision (EU) 2018/672 concerning Finland and to Decision C(2010) 6050 and Decision (EU) 2018/479 concerning Sweden**

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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(2) 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 submitted in 1996, 2002<sup>2</sup>, 2007<sup>3</sup>, 2012<sup>4</sup> and 2017<sup>5</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 Decision C(2009) 3067, as amended by Decision C(2009) 9122, Decision C(2013) 2809 and Decision C(2015) 2790, and subsequently by Decision (EU) 2018/672, notified under document C(2016) 8419, for Finland and by Decision C(2010) 6050 and Decision (EU) 2018/479, notified under document C(2018) 1622, for Sweden. Prolongation of the scheme for Finland for 2022-2027 was done by Commission Decision (EU) 2021/2312, notified under document C(2021) 8773, which does not fall under the reporting obligation of this 5-year report.

The basic conditions are fixed in Article 142(3) 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 (Figure 1) are defined in the respective Decisions, are situated north of the 62nd parallel and include 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

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<sup>1</sup> OJ C 241, 29.8.1994, p. 9.

<sup>2</sup> Finland COM(2002) 102 of 25.2.2002, Sweden COM(2002) 105 of 1.3.2002.

<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> COM (2017) 189 final of 24.4.2017.

density (max 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 (≤ 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 report 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).

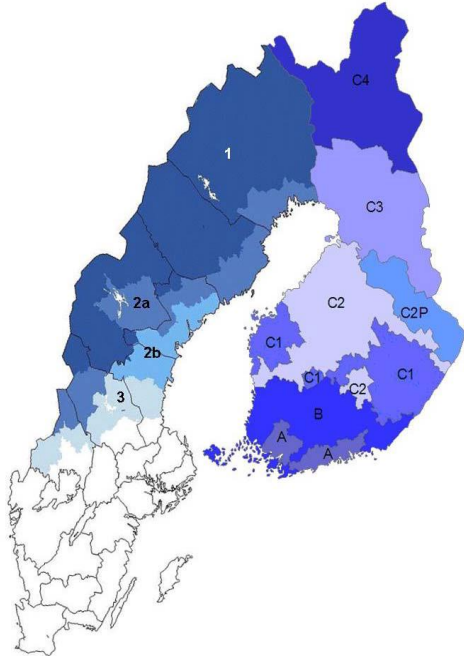


Figure 1: Finnish (C1-C4) and Swedish (1-3) support areas

**2.4. Relation with 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.

The 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.

**3. NORDIC AID IN FINLAND 2016-2020**

**3.1. Authorisations granted**

During the reporting period, the reporting requirements for the authorisations granted were changed to simplify the Aid system. Information for authorisations granted for the years in the reporting period has been provided in line with the respective Decisions and is presented in Tables 1 and 2 below.

**Table 1: Aid authorised during 2016 in accordance with Decision C(2015) 2790**

		Maximum average aid allowed / unit <sup>6</sup>	Unit	Maximum aid allowed per category (mEUR) <sup>7</sup>	Maximum number of eligible production factors
<b>1. MILK</b>		10.9	cents/kg	193.7	1 776 765 t <sup>8</sup>
<b>2. RUMINANTS</b>				97.7	
Bovines	<sup>9</sup>	546	EUR/LU		181 000 LU
Ewes and she-goats		584	EUR/LU		
Horses		252	EUR/LU		
<b>3. PIGS AND POULTRY</b>	<sup>10</sup>	266	EUR/LU	37.0	
<b>4. HORTICULTURE</b>				25.4	
Greenhouses	<sup>11</sup>	11.3	EUR/m <sup>2</sup>		202.9 ha
Storage of horticultural products	<sup>12</sup>	18.5	EUR/m <sup>3</sup>		
<b>5. CROP PRODUCTION</b>				58.3	
General hectare-based aid	<sup>13</sup>	37	EUR/ha		881 825 ha
Aid for certain crops	<sup>14</sup>	145	EUR/ha		62 475 ha
Aid for young farmers	<sup>15</sup>	36	EUR/ha		
<b>6. OTHER AID</b>				14.9	
Reindeer	<sup>16</sup>	36	EUR/animal		171 100 animals
Aid for transport of milk and meat	<sup>17</sup>				
Safeguarding services for livestock production	<sup>18</sup>				
Aid for storage of wild berries	<sup>19</sup>	0.10–0.42	EUR/kg		

<sup>6</sup> Aid per unit may be differentiated by region within the limits of the maximum average.

<sup>7</sup> Maximum total aid paid cannot exceed EUR 382 million per year.

<sup>8</sup> Maximum eligible per calendar year and for the quota year 2014/2015.

<sup>9</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>10</sup> Decoupled aid. Reference quantity not exceeding 139 200 LUs.

<sup>11</sup> Aid for greenhouse production may be differentiated according to the length of the growing period.

<sup>12</sup> Aid may be differentiated according to the technical standard of the storage facility.

<sup>13</sup> General hectare-based aid for utilised agricultural area (UAA) in support regions C2–C4.

<sup>14</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>15</sup> Aid for young farmers for utilised agricultural area (UAA) in support regions C1–C4.

<sup>16</sup> In support regions C3 and C4.

<sup>17</sup> Milk: Kainuu and Province of Lapland and Koillismaa (North-East Finland). Meat: Province of Lapland.

<sup>18</sup> Aid may be paid for services that maintain the operating conditions for livestock production in areas, where distances are longer than the average.

and mushrooms					
Other aid	20				

**Table 2: Aid authorised during 2017–2020 in accordance with Decision (EU) 2018/672, notified under document C(2016) 8419**

Aid category	Production sectors	Maximum average annual aid in the period 1 January 2017-31 December 2021 (mEUR) <sup>21</sup>	Maximum yearly number of eligible production factors
1. Animal husbandry	Cow's milk, bovines, ewes and she-goats, horses, pigs and poultry animals	433.7 of which cow's milk 216.9	227 200 dairy cows 181 000 other LU 139 200 LU pigs and poultry
2. Plant production	Field and greenhouse production, storage of horticultural products	110.5	944 300 ha for field production of which 481 200 ha grassland; 203 ha greenhouse production
3. Other aid	Reindeer, transport of milk and meat, indispensable services for livestock production, storage of wild berries and mushrooms	19.7	171 100 reindeers
<b>TOTAL AID</b>		563.9	

### 3.2. Aid disbursed

#### *Nordic aid*

In the reporting period, the annual Nordic aid disbursed in Finland respected the maximum levels set in the Decisions. The total amounts of Aid disbursed remained fairly constant throughout the reporting period. The categories for reporting on the Aid were simplified during the reporting period, and the formats of the tables below correspond to the respective requirements.

<sup>19</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>20</sup> Skolts, natural livelihoods and reindeer husbandry.

<sup>21</sup> The reference quantity for decoupled aid for pigs and poultry.

**Table 3: Nordic aid disbursed in Finland in 2016 (mEUR)**

<b>Sector supported</b>	<b>2016</b>
Milk	161.10
Ruminants	72.66
Pigs and poultry	17.41
Horticulture	16.80
Crop production	9.99
Other aid	14.30
<b>Total</b>	<b>292.26</b>

**Table 4: Nordic aid disbursed in Finland in 2017–2020 (mEUR)**

<b>Sector supported</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Animal husbandry	258.51	259.49	255.15	253.31
Plant production	34.06	33.31	33.27	32.66
Other aid	7.60	7.00	6.90	6.98
<b>Total</b>	<b>300.17</b>	<b>299.80</b>	<b>295.32</b>	<b>292.95</b>

*Total support in the Nordic aid area*

Agriculture in the support areas in the Aid scheme benefits also from instruments financed by the EU. Support for less-favoured areas (Areas of Natural Constraints – ANC) and agri-environmental-climate measures (AEEM) are of particular importance for the agricultural sector in the support areas. Decision (EU) 2018/672, notified under document C(2016) 8419, fixed the maximum level of overall support in the Aid area at EUR 1 118.9 million (1993 level). Table 3 shows that aid disbursed in the Aid area in the years 2016-2020 respected the maximum ceiling set in the Decision.

**Table 5: Summary of the total annual aid disbursed in the Aid area in Finland, including EU aid (mEUR)**

Year	Direct aid, fully EU financed	ANC, including national aid under State aid rules	AE-support	Nordic aid	Total
2016	288.70	314.10	169.00	292.26	1 064.06
2017	239.90	311.60	155.80	300.17	1 007.47
2018	239.90	311.60	155.20	299.80	1 006.50
2019	236.30	309.80	155.30	295.32	996.72
2020	236.50	307.90	155.60	292.95	992.95

### **3.3. Production volumes in the Nordic aid area**

#### *Milk sector*

Milk production is the most significant sector supported from the Nordic Aid scheme in Finland. During the reporting period, about 80% of Finnish milk was produced in the Aid area, and the share of total national production remained fairly constant throughout the reporting period. The production is concentrated in the C2 area (see Figure 1).

During the reporting period, the volume of milk production in the Aid area remained constant. Outside of the Nordic aid area, production declined by 6%. In this context, the stability of production levels in the Aid area shows that the Aid scheme effectively fulfilled its purpose of maintaining agricultural activity in northern regions as set out in the Decisions.

#### *Ruminants*

During the reporting period, about 81% of the Finnish beef production took place in the Nordic aid area. Production remained constant throughout the reporting period, only experiencing fluctuation within a margin of 2%. The area C2 (see Figure 1) had the highest production volumes amounting to about 60% of beef production in the Nordic Aid area. The stability of production levels shows that the Aid has here fulfilled its purpose of maintaining agricultural activity in the Aid area as set out in the Decisions.

#### *Pigs and poultry*

Nationally, about half of pork meat production takes place in the Nordic Aid area. Production decreased by about 6% between 2016 and 2020 in the Aid area. However, in the rest of the country the drop in production was slightly bigger. This contrast illustrates the role of Nordic Aid in maintaining agricultural production. Pork meat production is concentrated in the southernmost Aid region (C1, see Figure 1), with a little over 70% of all production in the Aid area taking place in this region.

The production of poultry meat (including broiler and turkey) remained fairly constant over the reporting period. Poultry production is concentrated in the Aid region C1 (see Figure 1).



### *Horticulture*

During the reporting period, horticultural production remained fairly constant, as total production fluctuated within a margin of only about 3%.

In reporting for horticulture, data for areas under short-term (2-7 months) and long-term glasshouse production (7+ months) is differentiated. Analysis of data distinguished on this level shows more significant changes.

Short-term horticultural production declined by 7% in the Aid area during the reporting period. Nationally, about half of short-term horticultural production took place in the Aid area, with production being concentrated in the Aid region C1 (see Figure 1).

Long-term horticultural production increased by about 5% in the Aid area during the reporting period. About 59% of the national long-term production took place in the Aid area, with production being concentrated in the Aid region C1 (see Figure 1).

The developments in horticultural production show that the Aid scheme fulfilled its purpose of maintaining agricultural production, as the total glasshouse production remained fairly constant, despite some changes that can only be distinguished on a more refined level of analysis.

### *Crop production*

Production of cereal crops and sugar beet is mainly concentrated in the regions A and B (see Figure 1), outside of the Aid area. Data for levels of crop production is not available differentiated by support region. However, it can be determined that, due to the climate and geographical conditions, crop production levels are considerably lower in the Aid area in comparison to the southern part of the country.

Contrastingly, the cultivation of grass is concentrated in the northern regions, as grass is often cultivated in cattle farms. In comparison to crop production, grass cultivation is relatively cheaper in the Aid area. Nationally, over half of crops for animal feed is produced in the Aid area, and most of starch potato is grown in the Aid regions C1 and C2 (see Figure 1).

### *Other aid*

The Nordic Aid scheme in Finland includes support to reindeer per animal basis. The maximum number of eligible production factors set in the Decisions was respected in the reporting period. The remaining part of the other aids is not directly linked to production.

### *Conclusions related to production volumes*

In conclusion, Nordic Aid helps maintain stable production levels in the Aid area in Finland. The total production of the supported sectors remained relatively constant in the Aid area during the reporting period. The maximum number of eligible production factors in the different production categories was effectively respected during the reporting period.

## **3.4. Development of the agricultural economy in the Nordic aid regions**

In the reporting period, there were about 47 000 farms in Finland, of which 58% in the Aid area. This figure represents a drop of 8% from a 2015 baseline. In the reporting period, the number of farms declined across sectors and Aid regions. The development was slightly faster in the southernmost Aid regions C1 and C2P (see Figure 1) than in the rest of the Aid area.

The number of milk farms decreased more rapidly than the national rate of decline in the number of farms. Even with Aid received, the rate of decline in the number of milk farms in the Aid area and in the rest of the country was roughly equal: about every fourth milk farm ceased production over the reporting period. In the Aid region C4 (see Figure 1) about every third milk farm closed down. The adverse development of the agricultural economy in the milk sector effectively illustrates the economic context in which Nordic Aid is applied, as well as its impact: despite the declining number of farms, production was maintained to a constant level.

The change in beef farms has been slower than the change in milk farms. The rates of change in the Aid area vary between Aid regions. In the region C2P (see Figure 1), over a fifth of all beef farms closed, but in the region C1 (see Figure 1), only 2% of beef farms closed operations over the reporting period. Contrastingly, nationally the number of farms producing beef declined by over 8%. This difference illustrates the role of Nordic Aid in maintaining production.

The number of poultry farms in the Aid area remained fairly constant over the reporting period, again showing the impact of the Aid in maintaining agricultural production in the northern regions.

Despite the Aid scheme, some sectors in the Aid area experienced significant exits, which partly illustrates the dire economic conditions of farmers and low profitability of agriculture in Finland. The number of crop farms decreased significantly over the reporting period (e.g. -45% in region C2P and -35% in C3, see Figure 1) but the relative rate of decline can partly be attributed to the small absolute amount of crop farms in the Aid area in the first place. In the areas outside of the Aid area, the number of crop farms declined by 11%. Additionally, the number of horticultural farms declined as well (-19% nationally, -23% in region C3, see Figure 1).

Additionally, the number of pig farms declined significantly. The northern regions C2P and C3 have only a few pig farms and the northernmost region C4 has none (see Figure 1 for the areas).

The significance of national aid to total farm profit varied among sectors of production and Aid regions. The significance increases toward the north in all sectors. In the years 2016-2019, the significance was the highest in milk production (10.4% of profit in region C1, 11.5% in C2, 12% in C2P, 19.2% in C3) and cattle farms (10% in C1, 11.3% in C2, 16.2% in C3). These are also the sectors where the number of farms remained fairly constant over the reporting period, illustrating the role of Nordic Aid in the maintenance of agricultural production in the north. The significance to total farm profit was the lowest in horticulture (1.1% in C1, 1.2% in C2).

According to the economic research institute Pellervo Economic Research, it is challenging to determine the direct impact of Nordic Aid to the overall economic situation in the Aid area, as determinants such as other aid, policy and societal factors play a role in shaping that as well. However, in light of data on employment and number of enterprises, it can be established that the northern C-regions (see Figure 1) are in disadvantage in comparison to the southernmost agricultural region A (see Figure 1). Agricultural employment is proportionately more significant in the Aid area (e.g. about 8% of total employment in region C2) than in the rest of the country (e.g. 0.8% in region A). The high share of agricultural employment of total employment in the Nordic Aid area highlights the importance of national support to the sector in the north.

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 dominated by forest. This development contributes significantly to reducing erosion and the nutrient leach and has a positive effect on biodiversity. It should be noted that without the Nordic Aid, it is possible that agricultural production would be even more concentrated in the southern part of the country, which would intensify the transfer of nutrients to waterways.

#### 4. NORDIC AID IN SWEDEN 2016-2020

##### 4.1. Authorisations granted

During the reporting period, the reporting requirements for the authorisations granted were changed to simplify the Aid system. Information for authorisations granted for the years in the reporting period has been provided in line with the respective Decisions and is presented in Tables 6 and 7 below. Decision C(2010) 6050 authorised Sweden to pay SEK 318.67 million/year (approximately EUR 33.37 million/year<sup>22</sup>) in 2016 and 2017 as shown in table 6 below. From 1 January 2018, Commission Decision (EU) 2018/479, notified under document C(2018) 1622, authorises Sweden to pay SEK 422.92 million/year (approximately EUR 40.51 million<sup>23</sup>). The yearly maximum amounts shall be considered as annual averages of the aid granted in the period of 5 calendar years covered by Decision (EU) 2018/479.

**Table 6: Aid authorised during 2016-2017 period in accordance with Decision C(2010) 6050, as amended by C(2015) 6592**

		Maximum average aid allowed/unit <sup>24</sup>	Unit	Maximum aid allowed (SEK million/year) <sup>25</sup>	Maximum number of eligible production factors
1. Milk sector				299.87	450 000 tonnes
-Dairy cow milk		0.73	SEK/kg		
-She goats	<sup>26</sup>	500	SEK/head		
-Transport aid for dairy cow milk	<sup>27</sup>	0.039	SEK/kg		
2. Pigs and poultry	<sup>28</sup>	1 350	SEK/LU	13.60	16 532 LU
-Pigs for slaughter					
-Sows					
-Laying hens					
3. Soft fruit and vegetables	<sup>29</sup>	2 800	SEK/ha	1.00	750 ha
4. Potatoes		2 500	SEK/ha	4.20	2 910 ha

<sup>22</sup> Exchange rate EUR 1 = SEK 9.55 derived from European Central Bank data for the average exchange rate from 4 January 2016 to 29 December 2017.

<sup>23</sup> This conversion uses the rate EUR 1 = SEK 10.44 based on the 2018-2020 average conversion rate as recorded by the ECB.

<sup>24</sup> Aid per unit may be differentiated by region within the limits of the maximum average.

<sup>25</sup> Maximum aid allowed: 318.67 million SEK.

<sup>26</sup> Only goats used for milk production. The estimated milk production is 800 kg of milk per goat annually.

<sup>27</sup> Between the farm and the collection centre or first processing centre.

<sup>28</sup> Where 1 laying hen is 0.01 LU, sow is 0.33 LU and 1 pig for slaughter is 0.10 LU.

<sup>29</sup> Excluding potatoes.

**Table 7: Aid authorised in accordance with Decision (EU) 2018/479, notified under document C(2018) 1622, during 2018-2022 period**

	Maximum average yearly aid for a 5-year period from 1 January 2018 until 31 December 2022 (million SEK)	Maximum yearly number of eligible production factors or amounts <sup>30</sup>
Cow's milk and transport aid for cow's milk		<b>450 000 000 kg</b>
She goats, pigs for slaughter, sows, laying hens		<b>17 000 LU</b>
Soft fruit, vegetables and potatoes		<b>3 660 hectares</b>
<b>TOTAL AID</b>	<b>422.92<sup>31</sup></b>	

## 4.2. Aid disbursed

### *Nordic aid*

In the reporting period, the annual Nordic aid disbursed in Sweden respected the maximum levels set in the Decisions. The Aid disbursed increased by one third in 2018 (in line with the increased authorised levels according to Decision (EU) 2018/479 with marginal increases in the following years. The categories for reporting on the Aid were simplified during the reporting period, and the formats of the tables below correspond to the respective requirements.

**Table 8: Nordic aid for Sweden by sector, MSEK**

For 2016-2017, the maximum aid allowed was 318.67 million SEK<sup>32</sup>. For 2018-2020, the maximum allowed was 422.92 million SEK<sup>33</sup>. The below table shows that the maximums were respected.

Sector supported	2016	2017	2018	2019	2020
Milk <sup>34</sup>	291.79	283.43	374.92	378.72	383.18
Pigs, poultry, goats	13.51	13.44	23.39	22.23	23.68
Soft fruit, vegetables incl. potatoes	4.77	4.7	6.11	5.94	5.81
<b>Total</b>	<b>310.07</b>	<b>301.57</b>	<b>404.42</b>	<b>406.89</b>	<b>412.67</b>

<sup>30</sup> Conversion rates into livestock units (LU): a she goat is 0.15 LU, a pig for slaughter 0.10 LU, a sow 0.33 LU, and a laying hen 0.01 LU.

<sup>31</sup> Of which a maximum support of SEK 395,9 million may be granted towards the category cow's milk and transport aid for cow's milk.

<sup>32</sup> Decision C(2010) 6050, as amended by C(2015) 6592.

<sup>33</sup> Decision (EU) 2018/479, notified under document C(2018) 1622.

<sup>34</sup> Including transport support.

### *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 9). Of the second pillar measures, support for Areas of Natural Constraints (ANC) and agri-environmental-climate measures (AECM) have been of particular importance. A ceiling of total support to the Aid region is not fixed in the Decision C(2010) 6050 nor in the Decision (EU) 2018/479. Under the Rural Development Programme 2014-2022, support for ley farming could only be applied for outside areas of natural constraints. Environmental support for ley farming in areas of natural constraints (for commitments from the programming period 2007-2013) was therefore gradually decreased until it was ended in 2018. Follow-up of the level of the EU aid is carried out *ex post* since 2003.

**Table 9: Summary of aid disbursed in Sweden, including Community Aid, million SEK**

Type of aid	2016	2017	2018	2019	2020
Compensatory payment (ANC)	587.22	593.73	591.12	597.81	599.25
Agri-environmental support (ley farming)	36.60	21.69	-	-	-
Nordic aid	310.07 <sup>35</sup>	301.57 <sup>36</sup>	404.42 <sup>37</sup>	406.89 <sup>38</sup>	412.67 <sup>39</sup>
<b>Total</b>	<b>933.89</b>	<b>916.99</b>	<b>995.54</b>	<b>1 004.70</b>	<b>1 011.92</b>

The total combined support has, with some variation, slightly increased over the past five years, but consistently remained under the reference level and within the same range since 1997.

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

#### *Milk sector*

Milk is the most important agriculture product in the area, with a share of approximately 13% of the total Swedish milk production. The share has largely remained the same during the 5-year period, but has decreased from a baseline of 15% in the reference year 1991. During the reporting period, the average amount paid to the production of cow milk was SEK 342 million per year (compared to an average of SEK 267 million in 2011-2015), in line with the increased authorised levels according to Decision (EU) 2018/479.

In the reporting period, milk production decreased by about 3.9% in the Aid area (3.1% decrease nationally). The decrease was relatively steady throughout the reporting period. Transport support was paid for an average of 362 778 tonnes per year (compared to an average 386 202 tonnes/year in the previous 5-year period). The fact that production in the Aid area experienced only a decline similar to that in the rest of the country highlights the impact of the Aid in maintaining production in the more challenging northern conditions.

<sup>35</sup> Reference level: SEK 318.67 million.

<sup>36</sup> Reference level: SEK 318.67 million.

<sup>37</sup> Reference level: SEK 422.92 million.

<sup>38</sup> Reference level: SEK 422.92 million.

<sup>39</sup> Reference level: SEK 422.92 million.

### *Pig and poultry*

The pig production has slightly increased in the area during the 5-year period. 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 showed small variations over the period, in line with the developments in the payments. The yearly production (in average 11 436 LU) remains far below the total allowed production factor (17 000 LU).

Egg production showed variations between the years in the reporting period. The yearly fluctuations may depend on the point of time when the hens are being replaced by new ones. Egg production in northern parts of Sweden is highly dependent on the cereal based fodder as the conditions for cultivating cereal are less productive than in the southern parts of Sweden.

### *Soft fruit and vegetables*

Farms producing soft fruit and vegetables were supported on a yearly basis, covering an average area of 341 ha, representing a 5% decrease since the previous 5-year period. The area has fluctuated, as has the production during the last five years, and is less than half of the maximum number of eligible production factors.

### *Conclusions related to production volumes*

As regards milk, the production volumes remained fairly constant, discounting a minor increase in 2020 in line with the national trend. The other sectors also remain fairly stable, even though the production varies from year to year. All sectors effectively respect the maximum number of eligible production factors.

## **4.4. 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 characterised 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 northernmost counties covered by the Nordic Aid scheme, the share of the national production (in gross regional product – GRP) shows a decreasing trend with slight yearly variations, since 1995 until 2015 and from then on, a flattened share (the GRP for the counties concerned being around 13% expressed as a share of national total GDP).

The key agricultural product in the area is milk, which counts for around 13% of Sweden's total milk production (compared to 15% in 1991). The number of producers declined by 20% in the area as well as in the whole country from 2016 until 2020, while the number of cows declined by 10% in the area compared to 8% nationally. The milk production declined at a slower pace (-3,9%), but faster than in the country overall (-3,1%). In the Aid area, milk production was 15 000 tonnes less in 2020 than in 2016. In spite of the Nordic Aid and other aid granted, the economic viability of farms in the Aid area was considerably lower in comparison to the southern and middle parts of the country. In the Aid area, which is dominated by forests, the land in agricultural production contributes to keeping 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.

Even though the area concerned had a slight population growth during 2016-2020, it was much lower than the population surge in the rest of the country, so the population gap between the northern areas and the country as a whole increased. 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%).

## **5. CONCLUSIONS**

This report gives an account of the Nordic aid authorisations granted to Finland and Sweden in the period 2016-2020 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.

### **5.1. 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 2016-2020 respected the maximum allowable aid authorised in Decision C(2009) 3067, as amended by Decisions C(2009) 9122, C(2013) 2809 and C(2015) 2790, and subsequently in Decision (EU) 2018/672, notified under document C(2016) 8419.
2. *Conformity with the maximum number of eligible production factors:* the total production of the supported sectors remained fairly constant in the Aid area during the reporting period. The maximum number of eligible production factors was respected during the reporting period.
3. *Achievement of the objectives of the aid scheme:* generally speaking, the Aid in Finland has contributed to maintaining agricultural production in the Aid area and played a role in supporting employment in the area. The Aid is especially important to milk and beef production, the majority of which takes place in the Aid area.

### **5.2. 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 2016-2020 have respected the ceiling set for the maximum allowable aid authorised in Decision C(2010) 6050 and subsequently Decision (EU) 2018/479, notified under document C(2018) 1622.
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 milk production in the Aid area remained stable over the first four years of the reporting period, and experienced a slight increase in 2019-2020. Other production categories maintained a fairly constant volume.

For both countries, the continuation of agricultural production contributes to maintaining 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. Keeping the agricultural production has also a positive impact on the vitality of the remote rural areas.

On the basis of the information provided by the national authorities, the Commission considers that the authorities have applied Decision C(2009) 3067, as amended by Decisions C(2009) 9122, C(2013) 2809 and C(2015) 2790, and subsequently Decision (EU) 2018/672, notified under document C(2016) 8419, concerning Finland, and Decision C(2010) 6050 and subsequently Decision (EU) 2018/479, notified under document C(2018) 1622, concerning Sweden, on aid to northern regions in a satisfactory manner.