Health check on the CAP

2007/2195(INI) - 12/03/2008 - Text adopted by Parliament, single reading

The European Parliament adopted, by 510 votes to 88 with 81 abstentions, a resolution on the CAP' Health Check', in response to the Commission's Communication on this subject.

The own-initiative report had been tabled for consideration in plenary by Lutz **GOEPEL** (EPP-ED, DE) on behalf of the Committee on Agriculture and Rural Development.

Parliament considers the scrapping of all form of regulation within the CMOs to be **politically undesirable** since, as the current situation shows, European and global reserves stand at dramatically low levels. This is having negative repercussions on consumer purchasing power and farmers' incomes, while at the same time encouraging speculation. Besides this, instruments are needed to combat a potential economic downturn and the risks posed by health incidents and increasingly frequent natural disasters arising from the unsettled climate.

Parliament feels that the challenge for the EU as regards the **WTO negotiations** is to match any future constraints in a way that maximises domestic welfare. The condition for any WTO agreement on agriculture is to reach an agreement on intellectual property covering geographical indications and recognition of the Non-Trade Concerns as import criteria. The Commission must take account of the specific characteristics of agricultural production as a food production sector and a structuring element for territorial balance, preservation of the environment and the safeguarding of adequate levels of food safety.

Members **reject a reduction in the total budget of the first pillar** for the period up to 2013. They also reject any discrimination according to farm size and legal form in the direct payments but acknowledge that all redistribution of aid in the first pillar must be based on a holistic assessment of its effects on social and regional cohesion, employment, environment, competitiveness and innovation.

Direct payments: Members consider that direct payments will remain vitally necessary in the future as a basic income guarantee, not only in the event of market failure but also for the provision of public goods by farmers and as compensation for Europe's high environmental, food safety, animal welfare and social standards. The Commission is asked to clarify whether a faster transition to an area-based regional or national single premium of decoupled payments is feasible, where possible by 2013, in the light of positive experiences in Member States. MEPs call for a study of the repercussions which a premium justified by area could have, particularly concerning farms with a high density of livestock, on comparatively small farms. Parliament also calls on the Commission to push through the decoupling policy at a faster pace, unless in so doing this would result in significant socio-economic or environmental drawbacks in poorer regions. All future decoupling should only occur following an in-depth examination of its potential effects, notably concerning the balance between different agricultural sectors, the increased danger of monocultures, and the threat to labour-intensive agricultural sectors. Direct payments will also be required after 2013, but these need to be based on new objective criteria, notably on direct employment generated by farms, or developed more clearly in the direction of a reward for farmers for land stewardship.

MEPs are also aware of the key role played by livestock farming in European agriculture, especially in certain countries and regions with large-scale animal husbandry and consider that it would be reasonable to partially maintain coupled animal premiums for the time being.

Revision of Article 69 for new support systems: Parliament states however, that maintaining coupled animal premiums in itself will not be enough. The current mechanism of Article 69 of Regulation (EC) N°

1782/2003, which allows Member States to withhold and reassign up to 10% of direct aid to farmers in the framework of the first pillar (supporting agricultural markets) will be reviewed. Parliament calls for appropriations under Article 69 to be allocated primarily for: (i) measures aimed at preventing agricultural production, and especially livestock farming, from being abandoned, in mountainous regions, wetlands, areas affected by drought or other impoverished areas; (ii) measures designed to restructure and boost key agricultural sectors (e.g. the dairy sector, for milk and beef production, and sheep sector); (iii) area-based environmental measures (e.g. organic farming); and (iv) risk management.

The budget for the revised Article 69 could, subject to the results of an impact assessment and on a voluntary basis, cover up to 12% of direct payments per Member State . The Commission is called upon to present a report before 30 June 2010, in which it will explain how Community production of vegetables and livestock farming in Europe can be safeguarded in the long term.

Set aside and cross-compliance: Parliament supports the immediate abolition of the set-aside obligation and the conversion of set-aside entitlements into normal entitlements. However, MEPs reject any widening of the scope of cross-compliance, as long as Member States and the Commission fail to make substantial progress in harmonising monitoring rules, and the Commission does not present an overview of the costs connected with cross-compliance to farmers. Members call for cross-compliance to be more efficient in relation to the objectives that it pursues, and to be applied more homogeneously across different Member States. They also call for an end to disproportionate burdens placed on livestock farming by cross-compliance.

Safety net: in view of the anticipated increase in environmental dangers and considerable price fluctuations, Parliament considers additional risk prevention to be of vital importance as a safety net. It supports the Commission's proposal to lower the intervention thresholds for market crops to '0', maintaining an intervention threshold, reduced if necessary, only in the case of wheat. In addition, private or mixed sector insurance schemes, such as multi-hazard insurance, must be developed as a matter of urgency. However, the introduction of these schemes must not endanger the level playing field between Member States. The Commission should consider supporting a Community-wide reinsurance system. Risk prevention measures should be partially funded under the first pillar on the basis of Article 69, since they fall within the scope of market policy.

Modulation and degressivity: Parliament rejects the Commission's proposal on degressivity (with a reduction of up to 45%) in its present form, as there is no clear link between the size and wealth of farms. It emphasises that the Commission's proposal would unfairly disadvantage large farms and would lead to a reduction in the workforce and the destruction of well-developed, competitive structures.

Parliament supports, however, the efforts of the Commission to secure appropriate financing for a sustainable policy for rural areas under the second pillar of the CAP, although that objective must not be attained at the expense of the first pillar. In view of the already drastic nature of individual reductions, a further reduction in direct payments of 8% cannot, in the absence of an impact assessment, be accepted.

However, MEPs consider that a progressive modulation could be envisaged, on the basis of an impact assessment, taking into account the farm structure, the agricultural workforce and/or its cost, and the specific production types in the different direct payment schemes. The funds from the progressive modulation are to be distributed according to the prevailing rules governing modulation funds and to remain in the regions or Member State in which they accrue. This progressive modulation, applicable over the period 2009-2013, will consist of a 1% reduction of the direct aid totalling between EUR 10 000 and EUR 100 000, 2% between EUR 100 000 and EUR 200 000, 3% between EUR 200 000 and EUR 300 000, and 4% for aid exceeding EUR 300 000. Parliament also calls for voluntary modulation to be replaced by compulsory modulation.

Milk market organisation: since the current system of milk quotas is unlikely to be continued after 2015, MEPs call on the Commission to present a convincing plan for the milk sector that guarantees the continuation of milk production in Europe. All parties should use the time up until 2015 in order to strengthen their market positions and assure a ‘soft landing’ for the dairy industry, preferably by means of structural quota increases. Quotas should be increased by 2% in the milk year 2008/2009 on a voluntary basis for each Member State .

European Mark: Parliament calls on the Commission introduce a 'European mark' to identify the quality of EU agricultural and food production on the European market as well as the international markets, and identifying the strict standards, in relation to the environment, animal welfare and food safety under which production takes place.