CAP tools to reduce price volatility in agricultural markets

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The Committee on Agriculture and Rural Development adopted the own-initiative report by Angélique DELAHAYE (EPP, FR) on CAP tools to reduce price volatility in agricultural markets.

The report recalled that instability and price volatility have always characterised agricultural markets. Price volatility is damaging to farming and the agri-food sectors, which is detrimental to investment, growth and employment.

Current situation and objectives: the European Union does not currently have a genuine safety net to curb market volatility. Noting that farmers will be increasingly exposed to price volatility, Members deemed it necessary to adopt a **more incisive and coherent policy**, with targeted instruments at EU and national level.

In this regard, they recommended that **current second-pillar measures be reinforced** in order to enhance the competitiveness of European agriculture and to involve producers' organisations closely in the implementation process.

The Commission is called upon to:

- conduct an **in-depth analysis** of the reasons for both the weak uptake of the tools available under the second pillar of the CAP and the sub-optimal implementation of the single CMO, with the purpose of reviewing the relevant provisions accordingly;
- take urgent action to support the agricultural sector of the outermost, mountainous and less favoured regions.

Members underlined the importance of **maintaining decoupled direct aids under the current CAP together with the single area payment scheme**, which constitute compensation for public services and a vital component in securing the income of farmers and providing them with a degree of financial stability.

Sectoral organisation and contractual systems: Members considered that primary producers are the weakest link in the food supply chain and must be permitted to come together in bodies such as cooperatives, producers' organisations, or their own associations or inter-branch organisations.

Members called on the Commission to facilitate the introduction of contractual systems by **adjusting EU competition policy to the specific needs of the agricultural sector**, with uniform rules and implementation in all Member States.

The **negotiating power of producers must be strengthened** through collectively negotiated contracts, in order to place farmers in a position to counter unfair trading practices, improve their income stability, generate added value and invest in innovation.

The Commission is called upon to:

- encourage EU-level inter-branch organisations to jointly defend the interests of producers;

- foster the exchange of best practices between Member States and to develop new tools in order to prevent and manage the risks associated with price volatility and thus to lay the foundations for discussion of the future reforms of the CAP;
- set up sectorial managed mutual funds, while guaranteeing that any future risk management scheme must comply with, and where necessary complete, insurance systems adopted at national level by Member States.

Moreover, Members considered that price volatility can also be managed at national level, and invited the Member States to take into account market volatility in their tax rules by allowing farmers to **create individual provision mechanisms that could be tax-free**.

Agricultural market and price observatories: the report stressed that agricultural markets must be transparent, which can principally be achieved by making the publication of existing information on prices and costs more timely, easily accessible and useful to all stakeholders in the supply chain, from production to distribution, thus limiting price speculation and price volatility.

Members also:

- encouraged the creation of a **European map** with real-time information on the availability of agricultural products;
- recommended the establishment of **European agricultural price observatories**, covering the entire chain, from the producer price to the final selling price;

Crisis prevention and management tools: Members stated that the traditional CAP crisis management tools (public intervention and private storage) are **not sufficiently effective** in a globalised economy. Therefore, they called on the Commission to:

- develop combinable and/or complementary **public- and private-sector tools**, together with a tailored, binding early warning mechanism in order to ensure the proper functioning of markets and counteract market crises;
- use all the tools already at its disposal in the single CMO to fight crises;
- conduct a study on how to develop mechanisms to prevent and combat crises due to price volatility using countercyclical aids, and to provide for greater flexibility in the annual budgets in order to take account of these aids.

Lastly, the report regretted the **low use of the crisis reserve** and to the discretion that the Commission enjoys when it comes to releasing funds from the reserve. Therefore, it called for the crisis reserve to be constituted outside the EU budget and for it to serve as source of funding for crisis management tools.