Commom agricultural policy CAP: risk and crisis management

2005/2053(INI) - 16/02/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drawn up by Friedrich Wilhelm **GRAEFE ZU BARINGDORF** (Greens/EFA, DE) in response to the Commission's paper on risk and crisis management in agriculture. (Please see the summary of 26/01/2006.) Parliament stated that the priority of risk management in agriculture should be to serve the general interest, guaranteeing the supply of healthy foodstuffs and agricultural raw materials to the population and safeguarding the environment against damage. It felt that the three risk and crisis management options being considered by the Commission (insurance against natural disasters, mutual funds and basic income guarantees) are not, in fact, preventive measures for reducing risks or damage, but financing models for providing compensation in the event of damage. The Commission is proposing that the measures be financed from 1 % of funds from modulation, or more precisely from national rural development programmes, which, according to expert opinion, will probably cover nowhere near the resources required for the measures proposed. The Commission should examine alternative sources of funding for these measures. Parliament stated that the new Member States are excluded from the modulation mechanism until 2013, and direct payments in these countries are subject to a gradual increase to the full amount (phasing-in), and it should therefore be ensured that they have access to other CAP funding,

General: Parliamentquestioned the one-sided approach, based on compensation and indemnification, underpinning the proposals. The Commission must pay greater attention to preventive measures to reduce risks and avert crisessuch as the use of vaccination and better surveillance for illegal imports. Furthermore, the Commission’s proposals did not take sufficient account of the risks and the possibility of crises which the liberalisation of agricultural markets within the framework of WTO negotiations entails. Parliament called on the Commission to carry out a more detailed assessment of measures that could deal effectively with collapses in prices, market crises, farmers’ income losses and all obstacles standing in the way of their continuing to farm. The Commission proposal should take into account the market crises, which greatly affect Community producers, resulting from the restrictions on exports of agricultural products from the Community introduced by third countries.

Parliament continued that it was emphatically against surrendering Community preference. In particularly vulnerable areas, such as fruit and vegetable production, measures under common market organisations (COMs) continue to be justified and it was necessary to maintain them in the forthcoming revision of the COM in fruit and vegetables. Safety net provisions must be introduced in the event of a crisis not only in the COM in beef and veal but also for other sectors, such as fruit and vegetables, wine, pigmeat and poultry.

In the face of the far-reaching removal of duties on agricultural products agreed within the framework of the WTO, Parliament was in favour of defining the conditions for market access, as a preventive measure, to prevent economic, ecological and social dumping. Levies on agricultural imports remained justified where products are produced under conditions which breach human rights and international agreements and European legislationon protection of the environment and protection of animals.

The policy of insuring against crises in agriculture should be based on flexibility and a pluralist approach since opting for a single model of dealing with crises is not feasible owing to the complexity of the insurance schemes and national differences.

Option 1: Financial contribution for private insurance against natural disasters: Parliament stated that the role of insurance is important because it is the most tried and tested tool on the market, institutionally the most integrated and the most well-known and applied, and insurance premium subsidy is clearly an accepted form of aid within the WTO. This option required substantially greater funding from the Community and national budgets than the intended 1% modulation. Parliament also called on the Commission to set up a public insurance scheme financed by the EU for individual production areas and production methods, with a view to creating a better policy framework for risk management and crisis prevention.

Option 2: Mutual funds: The Commission's suggestion that support could be provided for mutual funds for sharing producer risk was welcomed by Parliament, which pointed to the importance of producer organisations, which are able to provide more effective insurance cover. Accompanying national and EU measures in the area of tax relief and credit facilities, designed to encourage private investment and contributions, were needed in order to make it easier for producers to contribute to the proposed mutual funds. Parliament also called on the Commission to explore the possibilities of protecting farmers against the risk of collapses in prices by means of commodity futures transactions and hedging and against the risk of volume losses by means of private insurance.

The Commission should examine options 1 and 2 with regard to making a possible distinction between social and private risk management and, if necessary, differentiating support, taking account of the size of holding and of any crisis prevention measures taken.

Option 3: Providing basic coverage against income crises: Parliamentconsidered that this question should be discussed in the context of the future revision of the CAP. There are difficulties, already being experienced at national level, in determining for damage and income losses. The administrative demands of such a system would be enormous and would lead to high costs. The Commission should not to develop coverage provided by the state against crises in competition with private insurance models, but rather should ensure that private insurance schemes are reliable thanks to proper accountability and monitoring systems.