Basic information

2005/2053(INI) INI - Own-initiative procedure	Procedure completed
Commom agricultural policy CAP: risk and crisis management **Subject** 3.10.01 Agricultural structures and holdings, farmers	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	GRAEFE ZU BARINGDORF Friedrich-Wilhelm (Verts/ALE)	16/03/2005

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	2750	2006-09-18
Agriculture and Fisheries	2662	2005-05-30
Agriculture and Fisheries	2677	2005-09-19

Key events

Date	Event	Reference	Summary
09/03/2005	Non-legislative basic document published	COM(2005)0074	Summary
12/05/2005	Committee referral announced in Parliament		
30/05/2005	Debate in Council		Summary
19/09/2005	Debate in Council		Summary
26/01/2006	Vote in committee		Summary
30/01/2006	Committee report tabled for plenary	A6-0014/2006	
15/02/2006	Debate in Parliament		
16/02/2006	Decision by Parliament	T6-0067/2006	Summary
16/02/2006	Results of vote in Parliament		
16/02/2006	End of procedure in Parliament		
18/09/2006	Debate in Council		

Technical information	
Procedure reference	2005/2053(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/6/27213

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Amendments tabled in committee		PE364.974	01/12/2005	
Committee report tabled for plenary, single reading		A6-0014/2006	30/01/2006	
Text adopted by Parliament, single reading		T6-0067/2006	16/02/2006	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2005)0074	09/03/2005	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES1245/2005 OJ C 028 03.02.2006, p. 0018-0024	26/10/2005	

Commom agricultural policy CAP: risk and crisis management

2005/2053(INI) - 09/03/2005 - Non-legislative basic document

PURPOSE: To launch a debate on risks and crisis management in agriculture.

CONTENT: This document has been presented by the Commission in the wake of a far reaching overhaul in the Common Agricultural Policy. For many years the objective of CAP has been to secure farm incomes through a series of market and price stabilisation measures. Successive reforms, however, have gradually switched support from market and price management to direct payments, which from 2005 will be largely decoupled. Breaking the link between direct payments and the type and volume of production will allow farmers to better adjust their production decisions in line with economic and agronomic criteria. In other words, farmers will be able to act in a more market-orientated manner, while benefiting from an enhanced, targeted income support scheme. At the same time, however, the reforms imply that farmers will have to take responsibility for managing the kind of risks that were formerly absorbed by market and price support policies.

Nevertheless, as in the past, farming will remain vulnerable to specific risks and crises which are often beyond the farmer's control. Thus, whilst calculated risk-taking may bring positive results, it is appropriate to offer farmers protection from events such as natural disasters and other unpredictable occurrences. The purpose of this Communication, therefore, is to examine what additional measures CAP could introduce to support farmers from risk and to offer farmers crisis management support. In launching this debate, the Commission is responding to the conclusions of the December 2003 Agricultural Council, in which the Commission was invited to present a number of options re: the risks associated with CAP reform and how to offer crisis management support. Having examined the risks the Commission proposes three options. They are:

Option 1: Insurance against natural disasters – Financial participation in farmers' premium payments:

Insurance provides an alternative to public ex-post compensation payments for losses caused by natural disasters at EU and national or regional level. A new measure, eligible under the rural development Regulation, could therefore provide a financial contribution towards the premiums paid by farmers for insurance against income loss as a result of natural disaster or disease. As an alternative to supporting insurance premiums, the encouragement of national reinsurance schemes could also be examined.

Option 2: Supporting mutual funds:

Mutual funds represent a way of sharing risk among groups of producers who want to take their own responsibility for risk management. The fund's capital can be called on by members in the event of sever income losses to be specified by predefined rules. With this in mind the Community could envisage providing support for the development of mutual funds in the agricultural sector. Under this option, temporary and digressive support for the administrative operation could be granted per farmer participating in funds formally recognised by the Member State's competent authority.

Option 3: Providing basic coverage against income crises:

Under this heading, the Commission is proposing a more generalised approach to income crises rather than any sector-specific approach. A more general coverage against crises that result in sever income losses would allow existing safety net provisions to be further simplified and improve the balance between different agricultural sectors. This measure would require agreement on a precise, accounting definition of income and for Member States to establish a system of reference income at farm level.

Finally, the Communication is accompanied by a Staff Working Paper which describes the risk and crisis management tools already available to EU agriculture. Further, the Commission points out that none of the options proposed would entail any additional expenditure.

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2005/2053(INI) - 19/09/2005

The Italian delegation, supported by the French, Greek, Spanish, Polish, Portuguese, Hungarian and Cypriot delegations, drew the attention of the Commission and the Council to the crisis in the sectors of wine and fruit and vegetables, in particular concerning tomatoes and peaches and eating grapes, after several demonstrations had taken place in Italy recently. Increasing production, growing imports from third countries and a reduction in consumption of fruit and vegetables had led to low prices in this sector. The Italian delegation also asked for further authorisation for crisis distillation measures in the wine sector to be adopted. The Italian delegation asked for presentation of the draft Regulation on crisis management in agriculture – different options had been discussed under the Luxembourg Presidency- as soon as possible. The measures envisaged by this delegation would include, among others, withdrawal from the market of the excess production and promotional campaigns.

Commissioner Fischer-Boel recalled that she had already presented a communication from the Commission on risk and crisis management in agriculture on which the Council had held an exchange of views as a first step towards launching a comprehensive debate within the Council. She underlined that extending the safety nets in the common market organisations (CMOs) in the event of market crises such as the one existing in the beef sector was not envisaged. She stressed the need for a case-by-case approach in each sector. She also stated that, with regard to the extremely varied positions expressed by delegations in the Council, no legislative proposal had yet been submitted. She also indicated that the Commission had launched a management instrument for risk and crisis management, as requested by the European Parliament, and was awaiting a report from the European Parliament and other European bodies on this issue.

Concerning the reform of the CMO on fruit and vegetables (Regulations 2200/1996/EC and 2201/1996/EC), she mentioned that, in order to have a coherent and complete overview of the sector, legislative proposals for both of the Regulations on fresh and processed fruits and vegetables would be presented to the Council in the second half of 2006. She also insisted on a more market-oriented sector. Finally, as regards the Italian request on wine, she indicated that the management committee on wine agreed on 6 September 2005 on a Commission Regulation opening crisis distillation for table wines in Italy for a volume of 2 million hectolitres.

On this particular issue, she also pointed out that under the current Regulation 1493/1999/EC on the CMO in wine, producing Member States also enjoyed the possibility of a specific scheme for the permanent grubbing-up of vineyards. She finally hinted that under the future draft legislation amending the current CMO in the wine sector, further incentive would be given to this specific scheme.

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2005/2053(INI) - 30/05/2005

The Council held an exchange of views on the communication from the Commission on risk and crisis management in agriculture. Delegations expressed their view in particular on the safety nets in the common market organisations (CMOs) in the event of market crises, possible public financing of risk-management measures and the three new options proposed by the Commission as management tools for crisis and risk-management measures.

Finally, the Presidency noted a broad consensus with regard to the conditions essential to the implementation of any new instruments:

- the introduction of new tools, and the related financing rules, must not undermine the often excellent operation of the instruments already existing now at national level, e.g. as regards insurance against disasters;

- the new measures must fully comply with the "green box" criteria as defined by the World Trade Organisation (WTO);

- although public financing may be essential, especially for the establishment and smooth start-up of new tools, joint responsibility and therefore financial assistance from agricultural producers is also essential.

The Presidency concluded that the Council's consideration of the matter had provided the Commission with sufficient indications to guide it in its consideration and its future proceedings in such a way that they could be taken into account in the proposals to be submitted to the Council in the near future.

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.