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## REPORT

on the mid-term review of the reform of the common organisations of the market (COMs) in the context of Agenda 2000  
(2001/2127(INI))

Committee on Agriculture and Rural Development

Rapporteur: Francesco Fiori



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## PROCEDURAL PAGE

At the sitting of 6 September 2001 the President of Parliament announced that the Committee on Agriculture and Rural Development had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on the mid-term review of the reform of the common organisations of the market (COMs) in the context of Agenda 2000.

The Committee on Agriculture and Rural Development appointed Francesco Fiori rapporteur at its meeting of 21 June 2001.

It considered the draft report at its meetings of 25 February 2002, 20 March 2002, 17 April 2002 and 13 May 2002.

At the last meeting it adopted the motion for a resolution by 15 votes to 3, with 16 abstentions.

The following were present for the vote: Joseph Daul, chairman; Friedrich-Wilhelm Graefe zu Baringdorf, Albert Jan Maat, María Rodríguez Ramos, vice-chairmen; Francesco Fiori (rapporteur); Gordon J. Adam, Ioannis Averoff (for Christos Folias), Carlos Bautista Ojeda, Niels Busk, Alejandro Cercas (for António Campos), Arlindo Cunha, Michl Ebner, Christel Fiebiger, Ilda Figueiredo (for Dimitrios Koulourianos), Jean-Claude Fruteau, Georges Garot, Lutz Goepel, Willi Görlach, María Izquierdo Rojo, Elisabeth Jeggle, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Vincenzo Lavarra, Véronique Mathieu, Xaver Mayer, Karl Erik Olsson, Neil Parish, Mikko Pesälä, Encarnación Redondo Jiménez, Giacomo Santini (for Robert William Sturdy), Agnes Schierhuber, Dominique F.C. Souchet and Herman Vermeer (for Giovanni Procacci pursuant to Rule 153(2)).

The explanatory statement will be presented orally in plenary.

The report was tabled on 15 May 2002.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## MOTION FOR A RESOLUTION

### **European Parliament resolution on the mid-term review of the reform of the common organisations of the market (COMs) in the context of Agenda 2000 (2001/2127(INI))**

*The European Parliament,*

- having regard to the opinion of the Economic and Social Committee requested pursuant to Article 262 of the EC Treaty and pursuant to Rule 52 of the Rules of Procedure,
  - having regard to Rule 163 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development (A5-0169/2002),
- A. whereas it is essential for the European Union to maintain its longest-standing and most accomplished founding policy, namely the common agricultural policy,
- B. whereas the mid-term review of the Common Agricultural Policy (CAP) agreed at the Berlin European Council does not entail a general reform of that policy, but should be restricted to three aspects of Agenda 2000,
- C. whereas the CAP must achieve its objectives and be applied uniformly throughout the European Union, and whereas the principles and the objectives which are established in the Treaties in respect of that policy must continue to be pursued,
- D. whereas the objectives initially laid down in the Treaties, inter alia in Article 33 of the Treaty establishing the European Community, which seeks ‘thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture’, are still valid today,
- E. whereas it has become essential to reorient the export section of the CAP towards developing Community agricultural production by means of a coherent food and farming policy, to ensure the level of internal supply and combat farm price dumping at world level, whilst respecting the principle of food sovereignty and a steadfast defence of food security,
- F. having regard to the serious socio-economic consequences which will result from the progress of further liberalisation of agricultural trade in the context of the WTO,
- G. whereas for strategic, economic, social and cultural reasons it is important for the European Union, like the world’s other major agricultural regions, to have a public agricultural and rural policy; whereas that policy must be supported by the whole of society in exchange for what it expects of it and obtains from it; whereas the policy must be in keeping with the domestic and foreign context; whereas it must be able to offer clear prospects for its future development and to allow sufficient time for adjustments to be made to the changes required,
- H. whereas Europe’s lack of self-sufficiency in food in the nineteen-sixties was one of the main reasons for the establishment of a production-oriented common agricultural

policy which, by enabling Europe rapidly to achieve self-sufficiency in many production sectors, made it possible for it subsequently to export to increasingly competitive world markets,

- I. whereas the reforms undertaken since 1992 have not radically changed the basic approach of the common agricultural policy, which is continuing to produce effects as regards the emergence of a genuinely sustainable European agricultural model suited to the whole of the Union's territory, based on multifunctionality and capable of meeting European society's new expectations of its agricultural policy,
- J. whereas the CAP should be recast along new, more modern lines that will ensure its continued existence. This policy must be multifunctional and capable of carrying out economic, social, environmental and land-use tasks simultaneously,
- K. whereas, therefore, the CAP must continue to ensure that production develops in a rational manner and that markets are supplied with a wide range of high-quality, healthy products within a competitive market context,
- L. whereas it must at the same time foster the development of environment-friendly agronomic practices, generate new jobs in rural areas and provide remuneration for services which farmers provide to the community but which are not remunerated by the market (environmental amenities, animal welfare, etc.).
- M. whereas the recast policy must ensure that agricultural activities are spread harmoniously throughout the territory of the Union and that public aid is shared fairly between farmers and between regions,
- N. whereas the development of agriculture throughout the Union requires rural policy to be strengthened by means both of the allocation of more resources to the second pillar of the CAP and the redeployment of resources released by means of compulsory modulation or the phased reduction of first-pillar aids,
- O. whereas market policy and rural development policy are indissociable in that they both contribute to the development of a multifunctional agricultural system based on a large number of holdings spreading throughout the Union's territory which pursues the whole range of objectives set for it,
- P. whereas the distinction between compulsory and non-compulsory expenditure should be abolished as soon as possible and the European Parliament granted full codecision rights in the agricultural and budgetary sphere,
- Q. whereas the achievement of these objectives is dependent first and foremost on maintaining prices which give producers a proper rate of return, which is the purpose of the common organisations of the market,
- R. whereas the prevailing drive towards harmonisation within the Union and the opening up of European agricultural markets imposed by the WTO are having a destabilising effect on sensitive products such as bananas, sugar and rum,

- S. whereas as a result of this process, which involves among other things the removal of barriers to international trade and the reduction of customs barriers, the common organisation of the market in certain products is being gradually dismantled,
- T. whereas the multifunctional European agricultural system will find it difficult to stand up to this process of liberalisation, which is likely also to have an adverse effect on the development and improvement of our model,
- U. whereas the CAP should satisfy both the legitimate expectations of European farmers, as well as the just demands of Union citizens, who are calling for a dynamic agriculture sector capable of ensuring an adequate rate of self-sufficiency in quality agricultural products and, among the many functions which it is called up to carry out (including those of an environmental nature), of continuing to ensure an economically viable agri-foodstuffs system,
- V. whereas the experience acquired to date as a result of Agenda 2000 has shown that a European common agricultural policy is only viable in the medium to long term if it is directed more towards
- (a) meeting the overall needs of society
  - (b) combining the requirements of production which guarantees a sufficient income for farmers and of preserving the environmental function of the countryside
  - (c) becoming a common policy for agriculture and for the structural promotion of rural areas,
- all of which presupposes that a large part of the funds set aside to support the markets will be redeployed towards rural development and the environment,
- W. whereas the prime objective of the reforms proposed (in the framework of both the 2003 mid-term review and the future 2006 reform) should be to reduce the number of jobs lost in agriculture and to safeguard farmers' incomes,
- X. whereas, in view of the repeated crises which have undermined consumer confidence in the products on offer, there is an increasingly urgent need to establish within the common agricultural policy a third pillar covering all policies aimed at ensuring food quality and safety, to complement the first pillar, which covers market management, and the second pillar, which covers rural development,
- Y. whereas further changes to the CAP after 2006 must only be proposed in the light of the results of the WTO negotiations,
- Z. whereas the CAP cannot be concerned solely with funding but must also satisfy public expectations regarding food safety, environmental conservation, land management and, in particular, the preservation of the social fabric in rural areas; whereas the markets policy is an essential means of achieving such objectives and whereas the focal point of initiatives should be the family-run farm,
- AA. whereas maintaining the Stability Pact cannot depend upon the achievement of additional agricultural savings, and whereas the practice carried out annually in the implementation of the CAP cannot provide a basis for lasting reforms,

- AB. whereas all budget margins available within the limits set in accordance with the agricultural expenditure guideline and still underused should be used to support the agricultural and rural sector,
- AC. whereas the funds allocated to the first pillar account for nearly 90% of the Union's agricultural budget,
- AD. whereas a scaling down of agricultural expenditure cannot be accepted in view of the fact that the financial perspective (which has been firmly consolidated until 2006) cannot in any way be challenged,
- AE. whereas a genuine review of Agenda 2000 is impossible in the absence of accurate data on agricultural incomes by product and by country which enable the proportion of those incomes accounted for by market earnings and that accounted for by public support to be clearly established,
- AF. whereas the Agenda 2000 mid-term review should enable CAP aid to be redirected and whereas, in this connection, the modulation of the total amount of direct aid received by farmers should be applied comprehensively and uniformly throughout the European Union,
- AG. whereas the modulation of direct aid incorporated in the last reform of the CAP fell somewhat short of what was needed in order to re-establish a balance in aid and ensure greater support for small and medium-sized holdings and family farming,
- AH. whereas a phased reduction in direct aid would help to consolidate the rural pillar,
- AI. whereas the preservation of family farms is dependent upon modulation of the penalties stemming from the use of the budget stabilisers in the various COMs,
- AJ. whereas it is necessary to develop further the system of direct payments in order to simplify the premium system, while continuing to provide additional compensation for the particular problems facing disadvantaged hill and mountain farming areas,
- AK. whereas, with the end of Agenda 2000, the granting of direct payments will have to be further decoupled from production and geared to financial compensation for the efforts made to strengthen environmental and health standards in European agriculture and to preserve the countryside,
- AL. whereas the payment of direct support should be made conditional upon compliance with common EU standards of good farming practice and area-based livestock production,
- AM. whereas direct payments will in future be of increasing importance as external costs stemming from multifunctionality cease to be factored in when prices are set and will therefore have to be paid by society,
- AN. whereas the possibility of granting payments which are not linked to production would also make it possible to simplify the management system and, above all, to adopt



support mechanisms included in the 'green box' of rules on international trade (and hence exempt from reduction) so that in future farmers' incomes are made up of market earnings, standard compensation tied to common EU-wide standards and accepted by the WTO (green box compliant) and payment for structural measures and special environmental services,

- AO. whereas implementation of this new agricultural policy will require the adjustment of existing regulatory and financial tools or the introduction of new tools in order, first and foremost, to establish a genuine incomes policy aimed which will ensure the continued existence of agricultural holdings throughout the Union and, subsequently, a food safety and security of supply policy,
- AP. whereas a degree of market guidance and regulation will therefore remain necessary in order to diminish the risk of agricultural prices becoming highly volatile which might result from excessive discrepancies between supply and demand,
- AQ. whereas the question as to whether support is compatible with WTO rules could be an issue when the 'boxes' which identify the various forms of support are redesigned, in view inter alia of the most recent decisions taken by the USA with regard to policies on income support for farmers,
- AR. whereas the efforts made by producers to take account of new societal requirements will lead to an increase in production costs which should be offset mainly by means of market prices,
- AS. whereas a possible link between direct payments of any kind and social, environmental and land-management objectives would constitute a major change in all production sectors,
- AT. whereas the experience acquired in these first two years of application as regards the *envelopes* has had positive aspects, even when adopted in a sector affected by a totally anomalous market situation caused by the BSE crisis,
- AU. whereas this instrument makes sense only in sectors in which the various Member States' production methods differ substantially since it allows an adequate degree of flexibility in the execution of the COMs, on the clear understanding that any distortion of competition between the Member States and all dangerous forms of renationalisation which would harm the consistency of the COMs in question must be avoided,
- AV. whereas Regulation (EC) No 952/97 regulated the establishment and the running of producer associations and whereas, under Agenda 2000, it was repealed in favour of a specific regulation to be applied in each COM; whereas the Commission has since refused to apply the regulation in the cotton sector and whereas the regulation performs inadequately in other sectors such as fruit and vegetables,
- AW. whereas the CAP urgently needs to restore greater transparency to the allocation of public funds from the EU budget to agriculture in order to demonstrate where, how much and with what effect funds are spent in this sector and this information must be

made available in good time to the democratically legitimate institutions at European level,

- AX. whereas, in its resolutions of 24 May 1996 and 29 May 2000 on improving agricultural statistics, Parliament called unanimously for information derived from payments under the EAGGF Guarantee Section to be used for statistical purposes; whereas Parliament's recommendations have not been followed; whereas the Commission should have submitted a feasibility study by 31 December 2001 but did not do so; whereas such information would have been very useful when Agenda 2000 was being drawn up and for the purposes of the direct-aid simplification regulation, the mid-term review and the enlargement negotiations,
- AY. whereas cereal intervention stocks have fallen to historic lows and are being exported virtually without refunds; whereas at its current value the intervention price does not guide the market but constitutes a scarcely used safety net; whereas certain efforts should be made to regulate the market in rye; whereas the supplement should be maintained in the case of durum wheat, and whereas the shortfall in vegetable protein has reached a point at which it constitutes a strategic issue which needs to be resolved,
- AZ. whereas on account of the possible effects of the Everything But Arms initiative, any repeal of regulatory instruments and any reduction in support to producers under the COM in rice would be ill-advised,
- BA. whereas, in the run-up to enlargement, deregulation in the dairy sector could give rise to serious social and economic problems, both in the existing Member States and in the applicant countries; whereas steps should be taken to prevent reforms to the COMs from causing problems which the second pillar of the CAP, with its limitations, would be unable to solve,
- BB. whereas in respect of certain sectors which are not included in Agenda 2000 (such as fruit and vegetables, olive oil and dried fruit), Parliament has put forward recommendations which have not been taken up by the Commission in its successive reports and proposals; whereas certain problems should not be allowed to become chronic and the reforms recommended by Parliament on numerous occasions should be implemented,
- BC. whereas the principle of social and economic cohesion must feature in all EU policies and whereas the CAP's cohesion deficit (in particular in market initiatives) must be made good,
- BD. whereas the common agricultural policy must gradually adjust to its new multifunctional and sustainable model without its founding principles being called into question,
- BE. whereas, for the reasons stated above, a number of proposals to adapt and improve the principal COMs need to be put forward,
- BF. whereas the adjustments to be made during the mid-term review must:

- be in keeping with the financial undertakings into which the European Union entered at the Berlin summit,
  - prefigure to a large extent the action to be taken after Agenda 2000,
- BG. whereas young farmers have an important role to play in the agriculture of the future and whereas without them, any discussion on the future of the CAP is meaningless,
- BH. whereas the number of young farmers is continually decreasing, as confirmed in the working document ‘the future of young farmers in the European Union, drawn up by the European Parliament’s Directorate-General for Research,
- BI. whereas the compulsory co-financing of the CAP may increase the resources available for new measures which are of value as regards quality and meet the needs of consumers and firms which intend to improve the level of food security,
1. Considers that a general reform of the principles and instruments adopted in connection with Agenda 2000 should not be carried out at the time of the Agenda 2000 mid-term review; nonetheless, in the light of experience it would be advisable to carry out certain adjustments, including to the COMs which are not mentioned in Agenda 2000;
  2. Opposes any change which could undermine the principles and objectives of the common agricultural policy or which would make the application of that policy in all the Member States less uniform;
  3. Considers it desirable, nevertheless, to reform the CAP in view of certain market instabilities, financing of enlargement, the WTO-negotiations, and the need for market orientation as well as sustainable production systems;
  4. Considers that the CAP should constitute the basis for the practical application of a European model for sustainable, multifunctional agriculture practised in all EU regions, and that steps should be taken to prevent this from resulting in a renationalisation of the CAP;
  5. Considers that budget discipline has recently been applied with excessive rigour and that agricultural expenditure falls well below the ceilings imposed at Berlin;
  6. Considers that any change in the assumptions made at the Berlin Council (such as an increase in the number of new Member States) should be reflected in appropriate changes to the budget ceilings, in accordance with the 1999 interinstitutional agreement;
  7. Calls for the Community preference principle to be reaffirmed and updated in the light of society’s new expectations as regards higher standards of food safety, the traceability of foodstuffs and economic and social sustainability;
  8. Calls for the CAP to take account of consumers’ concerns about quality and food safety as well as environmental requirements;

9. Calls for all the requirements which contribute to food safety and which are based on hygiene, traceability and caution rules to be enforced with equal rigour in respect of imports from third countries;
10. Hopes that particular attention will be devoted to the COM in bananas, since it is of immense importance to the social and economic balance of certain EU regions;
11. Calls for balanced development of support, divorced from the production targets;
12. Proposes that, in connection with the Agenda 2000 mid-term review, the obligatory modulation of CAP first-pillar aid, be approved,
13. Considers that environmental protection policies can only be formulated within the framework of rural development and that consideration should also be given to strengthening the eco-conditionality of market management-related direct aid;
14. Suggests that the principle of eco-conditionality that is already incorporated in some CAP areas be systematically extended to all production sectors, given that all economic sectors should be involved in protecting and improving the environment;
15. Considers that modulation of the penalties stemming from the application of the budget stabilisers in the various COMs should be studied with a view to preserving family farms as a characteristic feature of the European agricultural model;
16. Notes that the national envelopes granted to the Member States are another CAP instrument which exists within certain common organisations of the market but which should not be extended to all such organisations;
17. Calls, in the beef and veal sector, for the financial packages allocated to Member States to be maintained, although this must not have the effect of disrupting the balance between the Member States;
18. Considers that the system of national envelopes should be applicable only in sectors in which production structures differ substantially from one Member State to another– a reason for not making the system universal;
19. Hopes to see greater use made of the financial envelopes assigned to Member States in connection with the revision of the various common organisation of the markets;
20. Calls for an annual flexibility reserve to be established so that immediate measures can be taken in the event of crisis;
21. Calls on the Commission to study, in the course of the debate on the future reform of the CAP, the effects of a suitable link between the granting of direct payments and the provision of services relating to multifunctionality;
22. Calls for a policy to support producer organisations, either by means of a new universally applicable regulation or by means of the explicit inclusion of such arrangements in each COM;

23. In order to counter the steady fall in the number of young people who choose farming as an occupation, calls for existing start-up measures to be made mandatory and for each common organisation of the market to include comprehensive provisions to encourage young farmers to set up in business;
24. Calls on the Commission to give priority to young farmers in any future project, as requested in its opinion of 17 January 2001 on the situation of, and prospects for, young farmers in the European Union<sup>1</sup> and reiterated on 6 December 2001 in a joint declaration of the European Parliament, the Economic and Social Committee and the Committee of the Regions;
25. Considers it desirable to make greater use of compulsory co-financing of the CAP and support measures by the Member States, even outside the sphere of rural development;
26. Points out that European agriculture should not focus solely on products but that it also has a role to play vis-à-vis society as a whole; considers therefore that closer coordination between the CAP and the other Community policies is necessary in order to strengthen the Union's territorial cohesion; expresses the hope that full account will be taken of social, environmental and territorial factors in the coming reforms of the COMs;
27. Calls for part of the funds allocated to support of the markets to be reallocated to rural development in order to enable European agriculture to become multifunctional, which will require the provision of compensation to European farmers; considers furthermore that the Union's farmers should be ensured the long-term legal certainty they require in order to invest in qualitative and quantitative production improvements;
28. Deplores the fact that, although the reform has given direct aid a larger role to play in the support system, large agricultural holdings continue to be the main beneficiaries of the CAP, to the detriment of small and medium-sized holdings, despite the central role they play not just in the socio-economic fabric of some areas but also in land management within the European Union as a whole;
29. Calls for EU external protection for agricultural products to be subject to social and environmental conditions, to be negotiated with our trading partners, the relevant criteria should be devised in accordance with internationally binding conventions on social standards, management of natural resources and food safety (ILO, CBD, UNDP, FAO);
30. Calls for the introduction of an area-based basic premium so as to reduce the preference given to certain market crops and to make pasture land and fodder crops eligible for greater support;
31. Calls for the European Union to make major efforts to lessen its dependency on imports of vegetable proteins by introducing an eco-conditionality measure which rewards producers who introduce oilseed crops as break crops in their rotation systems, since

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<sup>1</sup> OJ C 232, 17 August 2001, p. 7.

over recent years there has been a tendency to practise single-crop farming, which is detrimental to the structure, biological integrity and fertility of soil and to efforts to combat parasites and plant diseases;

32. Reaffirms the need to restore the differential in the per-hectare payment for oil crops (colza, sunflower and soya), not least in order to make allowance for the increased demand for vegetable proteins following the ban on bonemeal;
33. Considers that there should be no further reduction in the cereals intervention price on account of the fact that cereal intervention stocks have fallen to historic lows and that at its current value the intervention price does not guide the market but, rather, has the effect of deploying a scarcely used safety net;
34. Calls for the payments for durum wheat and other products for which market instabilities have arisen to be evaluated and adjusted when necessary, in order to avoid seriously jeopardising the profitability of crops in traditional growing areas, which should, however, not be extended to new regions;
35. Calls for a review of the cereal yields used to calculate payments, since they are often unrealistic, thus making a technical adjustment of average national yields necessary;
36. Calls for the introduction of specific aid for land used to grow grass crops for non-food purposes, distinct from the opportunities offered hitherto for set-aside areas;
37. Recognises the need to promote area-based livestock farming in particular, for example by introducing a pasture premium on relinquishment of the silo maize premium; and the system for granting of premiums should be reformed in the livestock farming sector in particular and any resources saved should be used primarily to promote extensive farming and rural areas as a whole;
38. Calls for the introduction of a per-hectare grass premium to support the continued existence of production sectors that can promote natural feedingstuffs, the environment, local products and quality products;
39. Considers that changes should be made to the common organisation of the market in beef and veal, so as to ensure that the aid system takes appropriate account of the individual Member States' specific characteristics;
40. Recommends that hasty decisions should not be taken in the dairy sector and that all options for reform of the common organisation of the milk market should be thoroughly examined before a decision on fundamental changes is proposed;
41. Considers that the effects of the 'Everything But Arms' initiative should be carefully assessed before proposals are put forward for a reform of the COMs, particularly those in sugar and rice;

42. With reference to fruit and vegetables, recalls its resolutions of 26 October 2000<sup>1</sup> and 5 July 2001; in particular, takes the view that, since COMs are based on producer organisations, the grouping level is worryingly low, and since this reduces the effectiveness of a COM it should be remedied as a matter of urgency;
43. Considers that certain products in the fruit and vegetable sector require intervention at certain stages in the economic cycle; in particular calls for a simplification of the procedures for supervising and administering support for processed fruit and vegetables and especially for additional incentives to be introduced in order to encourage membership of producers' organisations;
44. Calls on the Commission to submit a proposal for the creation of a permanent system of aid for nuts;
45. Notes that the COM in olive oil will remain in force until a reliable statistical basis is available, for which reason it would be premature to launch a debate on the next reform; points out, however, that, after the last reform, the problem of small producers arose and no solution was found to low-yield olive groves, and that agri-environmental aid has not been provided in such areas;
46. Calls, as regards the implementing rules for the COM in olive oil, for a strengthening of the concept of safeguarding the origin of oils, making the principle launched by Regulation No 2152/2001 compulsory, by virtue of which the origin of the olives and the oil, if different, must be indicated on the label, and the ban on mixing olive oil with other vegetable oils should be definitively sanctioned;
47. Instructs its President to forward this resolution to the Council, the Commission and the governments of the Member States.

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<sup>1</sup> OJ C 197, 12 July 2001, p. 217.