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REPORT

on multifunctional agriculture and the reform of the CAP
(2003/2048(INI))

Committee on Agriculture and Rural Development

Rapporteur: María Rodríguez Ramos

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PROCEDURAL PAGE

At the sitting of 15 May 2003 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 multifunctional agriculture and the reform of the CAP.

The Committee on Agriculture and Rural Development had appointed María Rodríguez Ramos rapporteur at its meeting of 27 November 2002.

At its meeting of 10 March 2003 the committee decided to include the following motion for a resolution in its report:

- B5-0019/2003, by Jorge Salvador Hernández Mollar, on the protection of Andalusian farmhouses, referred on 10 March 2003 to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Regional Policy, Transport and Tourism and the Committee on Culture, Youth, Education, the Media and Sport for their opinions.

The committee considered the draft report at its meetings of 25 March, 29 April and 20 May 2003.

At the last meeting it adopted the motion for a resolution by 33 votes to 0, with 3 abstentions.

The following were present for the vote: Joseph Daul (chairman); Friedrich-Wilhelm Graefe zu Baringdorf (vice-chairman); Albert Jan Maat (vice-chairmen); María Rodríguez Ramos (vice-chairman and rapporteur); Gordon J. Adam, Danielle Auroi, Alexandros Baltas (for María Izquierdo Rojo), Carlos Bautista Ojeda, Niels Busk, Giorgio Celli, Arlindo Cunha, Michl Ebner, Christel Fiebiger, Francesco Fiori, Christos Folias, Jean-Claude Fruteau, Georges Garot, Lutz Goepel, María Esther Herranz García (for Encarnación Redondo Jiménez), Liam Hyland, Elisabeth Jeggle, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Dimitrios Koulourianos, Wolfgang Kreissl-Dörfler (for Willi Görlach), Vincenzo Lavarra, Jean-Claude Martinez, Véronique Mathieu, Xaver Mayer, Jan Mulder (for Giovanni Procacci), Karl Erik Olsson, Neil Parish, Mikko Pesälä, Christa Prets (for António Campos), Dominique F.C. Souchet and Robert William Sturdy.

The Committee on Regional Policy, Transport and Tourism decided on 21 May 2003 not to deliver an opinion. The Committee on Culture, Youth, Education, the Media and Sport decided on 18 March 2003 not to deliver an opinion.

The report was tabled on 22 May 2003.

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on multifunctional agriculture and the reform of the CAP (2003/2048(INI))

The European Parliament,

- having regard to the motion for a resolution by:
 - Jorge Salvador Hernández Mollar on the protection of Andalusian farmhouses (B5-0019/2003),
- having regard to its resolutions of 30 May 2002 on rural development in the framework of Agenda 2000¹ and its resolution of 7 November 2002 on the mid-term review of the CAP,²
- having regard to the Commission communication of 10 July 2002 (COM(2002) 394) and the legislative proposals of 21 January 2003 (COM(2003) 23) on the long-term political prospects for sustainable agriculture,
- having regard to Rule 163 of its Rules of Procedure,
- having regard to the report of the Committee on Agriculture and Rural Development (A5-0189/2003),
- A. having regard to the declarations of the Luxembourg European Council of 1997 and the Berlin European Council of 1999 in support of multifunctional agriculture throughout the European Union,
- B. having regard to the numerous resolutions of Parliament emphasising and endorsing the multifunctional character of European agriculture,
- C. whereas Article 159 of the EC Treaty states that the Community must take account of the objective of economic and social cohesion in the formulation and implementation of its policies; whereas Article 16 has introduced the concept of territorial cohesion,
- D. whereas the avoidance of rural depopulation, the creation of jobs and of a wide variety of economic activities in disadvantaged areas and the contribution which this makes to regional planning, the preservation of the environment, the landscape and the cultural heritage are public goods which agriculture ensures for society as a whole and for which it should be repaid by society,
- E. whereas the generation of public goods or positive externalities derived from conventional agricultural activity must be protected by means of appropriate public support which is well distributed in order to ensure maximum effectiveness,
- F. whereas the EU includes a large number of small and medium-sized holdings, especially in less-favoured rural areas, whose importance lies primarily in their contribution to job

¹ P5_TA(2002)0274 and P5_TA(2002)0275.

² P5_TA(2002)0532.

preservation, rural population levels and natural and cultural resources,

1. Believes that the Community institutions' formal declarations in favour of agriculture, economic and social cohesion and sustainable development must go beyond the 'declaration of intent' stage and be translated into concrete measures relating to the CAP as a whole, rather than being limited to the field of rural development alone;
2. Regrets the fact that the multifunctional nature of agriculture is not rewarded in any way in the Commission's legislative proposals for the reform of the CAP;
3. Rejects the proposal for the total uncoupling of direct aid based on the past production levels of individual farms, since such a measure would perpetuate the existing imbalances and prompt the abandonment of production in the most marginal areas;
4. Welcomes, in principle, the proposals on conditionality of direct aid, as an instrument that may serve to consolidate both the joint production aspect of agricultural activity and the social legitimacy of the CAP; however, the Commission's proposals need to be thoroughly revised with a view to ensuring their practical and uniform implementation throughout the EU to avoid distortions of competition; furthermore, permanent compensation is required to offset the resulting cost disadvantages for European agriculture;
5. Emphasises the need for the European Union to introduce compensatory measures in order to prevent conditionality from making Community production less competitive;
6. Considers, furthermore, that rural-development policy agri-environmental measures must be promoted in order to minimise the 'punitive' nature of conditionality;
7. Considers that the cross-compliance requirements on which support payments are to be made conditional must not increase the amount of bureaucracy involved in administering support or delay its payment; takes the view that control should be standardised between the Member States without linking it to the IACS system;
8. Rejects the budget cuts introduced on a regressive basis whose main purpose is to finance future sectoral reforms, the cost, objectives, nature and practicalities of which are not yet known;
9. Calls for the CAP and policies for rural areas to be strengthened and geared more to a sustainable improvement in general economic, regional and social conditions; a varied and viable agricultural structure based on the objectives of the European agricultural model requires performance-related compensation for the socially desirable functions that are part of the multifunctional regime; the modulation of direct payments should be geared to bringing down operating costs, in line with the objectives of direct payments, and developed in the light of the need to maintain a viable agricultural structure adapted to local needs;
10. Considers that markets policy and rural-development policy should be made complementary by means of measures designed to redirect production towards sustainable, high-quality development; believes, therefore, that most second-pillar measures (food-safety policy, quality policy, environmentally sound agricultural practices,

young farmers, etc.) should be incorporated into the markets policy, so that a common agricultural and rural policy can be devised;

11. Insists that the Commission must establish a new classification of rural areas on the basis of objective socio-economic, environmental, pedological and climatological criteria, so as to permit the identification within those areas of farms that, by reason of their economical size and the characteristics of the rural area in which they are located, generate a high level of positive externalities and establish benchmarks for supporting such farms;
12. Regards as a priority objective the need for agricultural production to continue in those rural parts in which it is essential to the preservation of nature areas; maintains, therefore, that the greater costs associated with environmentally sound cultivation techniques would justify the provision of appropriate environmental compensation;
13. Calls for modulation to incorporate the granting of various exemptions, so as to ensure that cuts in aid do not threaten the viability of many farms; calls for the conditionality criteria to include the 'territorial' (as opposed to the strictly 'commercial') character of a given farm, and for such 'territorial' farms to be exempted from modulation and regressivity;
14. Points out that, under the CAP reform, special priority should be attached to measures designed to assist young farmers who are already set up in business and calls upon the Commission to deal specifically with the problem of the handover from one farming generation to the next;
15. Calls on Parliament to commission a study setting out the technical aspects of the present resolution, with a view to ensuring medium-term viability in the context of the impending CAP reform measures and, in particular, the run-up to the 2006 financial debate;
16. Calls on the Commission to commit itself to the firm defence of all aspects of a multifunctional agriculture based on the European agricultural model, above all with the aim of achieving equivalent general conditions and avoiding distortions of competition and to ensure the inclusion of those aspects in the final document on the details of the negotiations in the WTO relating to the agricultural chapter;
17. Calls upon the Commission to provide extra funding for the Community's Leader + programme, which has produced significant results in terms of the multifunctional development of Community farms by successfully integrating them into other sectors such as tourism, the agri-food business, traditional crafts and biodiversity protection;
18. Calls on the Convention on the future of Europe to back the multifunctional nature of agricultural activity by proposing to the forthcoming IGC the modification of the current Article 33 of the Treaty in which the objectives of the CAP are set out and to propose application of the codecision procedure to all legislative acts in the field of agriculture, with a view to improving the EU's democratic legitimacy and its decision-making procedure;
19. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENT

In December 1997, first the Council of Agriculture Ministers and then the European Council, meeting in Luxembourg, expressed their support for *the practice of a European model of multifunctional agriculture throughout the territory of the Union*. On this basis, the Commission submitted, in March 1998, a set of legislative proposals, in the context of 'Agenda 2000', which were officially presented as being intended *to give a concrete content to the 'European agricultural model' in the shape envisaged for it for the coming years*.

Reflection of the institutional declarations favouring multifunctionality in the legislative texts

The numerous resolutions of Parliament on the subject serve to prove that the EP is the sole institution to have given serious attention to the concept of multifunctionality of the CAP since it was formulated by the Council. One cannot say the same of either the Commission or, indeed, the Council: effectively, neither has seen fit to mention the term, be it either in their proposals for change or their definition of objectives at the level of the multilateral negotiations in the WTO, or in their proposals for reform.

1) Multifunctionality in the mid-term reform of the CAP

The conclusions of the Berlin European Council of March 1999, embodying policy on the 'Agenda 2000' package, stated that the reform of the CAP must 'ensure that agriculture is multifunctional, sustainable, competitive and spread throughout Europe, including regions with specific problems, that it is capable of maintaining the countryside, conserving nature and making a key contribution to the vitality of rural life, and that it responds to consumer concerns and demands as regards food quality and safety, environmental protection and the safeguarding of animal welfare'. Despite this, the legislative texts that have been adopted take account of multifunctionality in a mere two measures: the introduction of *eco-conditionality* as an aid criterion (Regulation (EC) No 1259/99 institutes eco-conditionality for aid in the context of a set of general requirements relating to 'sound agricultural practices'); and the institution of modulation on an optional basis with a view to boosting rural development, henceforth considered to be the 'second pillar' of the CAP.

The most recent statement by the European Council, made at the October 2002 Brussels summit, did not go beyond setting out the financial framework for markets policy for 2007-2013. The final text contains only the following general remarks: 'The needs of producers living in the disadvantaged regions of the present European Union should be safeguarded; multifunctional agriculture will be maintained in all areas of Europe, in accordance with the conclusions of the 1997 Luxembourg European Council and the 1999 Berlin European Council.'

The Commission, for its part, appears also to have changed its position in the course of the lengthy decision-making process on the reform of the CAP. One need only point out that its communication submitted in July 2002 (COM (2002) 394) on the mid-term review of 'Agenda 2000' does not mention the word 'multifunctionality' even once. Furthermore, in the

Commission's legislative proposals of January 2003 (COM(2003) 23) all explicit reference to the concept has been dropped. Multifunctionality is now evoked only in the context of conditionality for first-pillar aids, and there seems no longer to be any intention of reforming the support mechanisms in a way that might encourage 'joint production'. In other words, we are still at the stage where the multifunctional character of agriculture is taken into account only for second-pillar matters. This lack of political will is also evident in the reduction to 6% of the total of the modulated funds for the second pillar, despite the inclusion of new measures in the proposal for a regulation on rural development.

2) *Multifunctionality in the WTO negotiations*

The concept of multifunctional agriculture has never obtained support on the WTO's Agriculture Committee, and the EU's efforts to introduce it into the Agriculture Agreement have raised suspicions among third countries, who have tended to perceive it more as a bargaining counter than a genuine commitment to reforming and reorienting our agricultural policy.

They have not lacked reasons for believing this. In fact, most of the documents produced by the EU relating to multifunctional agriculture have in the past been aimed at introducing the subject into the WTO agricultural negotiations, at the same time as it was being dropped from the proposals and decisions relating to the internal reform of the CAP ('Agenda 2000'). As things stand, it may now be concluded that the Commission has totally abandoned multifunctionality in the multilateral context. The EU's proposal on the details of the agricultural negotiations mentions *multifunctional considerations* in the context of market access for the least developed countries. As far as agriculture in the Union is concerned, nothing can be considered a reference to multifunctionality except the invocation of a number of multifunctional objectives and instruments considered to be *social objectives* (animal welfare, food safety and environmental protection).

The reaction of the chairman of the WTO's Agriculture Committee to this proposal has not been encouraging. The drafts in which it has so far been expressed do not, to date, include any undertaking to take 'non-trade considerations' on board. It has to be concluded that multifunctionality is not at present on the agenda for the upcoming multilateral negotiations.

Multifunctionality as a new guiding principle for the reform of the CAP

The CAP in its present form suffers from serious inconsistencies. It exhibits a severe mismatch between a largely production-oriented first pillar and a second pillar oriented on rural development. Things are being made worse by the current policy of transferring resources from the first pillar to the second while not simultaneously questioning the dominant market support model. This model is based in most cases on amounts produced, and is still far from reflecting the Union's formal declarations in favour of multifunctional agriculture, food safety, economic and social cohesion and sustainable development.

It is surprising to note that the Commission, despite overtly basing the mid-term review on the objective of moving away from a purely production-oriented model for the first pillar, together with the total uncoupling of aid from production, should now be totally neglecting the concept of multifunctionality upon which, as we have seen, it had earlier based the European agricultural model. If we are to create a new legitimacy for the CAP, multifunctionality needs to become the guiding principle for new policy measures, enabling us to build on public support for the positive externalities (where they exist) of agricultural activity.

The Commission also insists in its proposal on the two-pillar approach, despite being fully aware of two factors: firstly, modulation is no longer exclusively a formula for strengthening the second pillar, but is being turned into a means of cutting budgetary costs with a view to financing future sectoral reforms; and, secondly, in the wake of the agreement of October 2002 on stabilising agricultural expenditure, the second pillar is now condemned to under-funding despite not having (by contrast with heading 1b) managed to consolidate its allocation. Despite all this, the Commission continues to insist that this pillar should cover additional aspects of agriculture, such as food safety - for which, as we know, no funds will be forthcoming from the budget.

There is every reason to believe that the two-pillar approach has been unsuccessful in generating support for the functions related to agricultural activity. Agricultural policy rewards only the economic effects of agricultural production: its social, environmental and territorial effects do not receive their financial due. The present system has proved incapable of finding solutions for a territorially-oriented agriculture whose continuation is crucial to the survival of many of the Union's rural areas.

Conclusions

There is no point in waiting for future reforms before we devise a new support model for multifunctional agriculture in the EU. Equally, multifunctionality must not be reduced to a limited set of measures under the rural development pillar. Rather, in line with Parliament's resolution of 7 November 2002 (P5_TA-PROV (2002) 0532), application of the principle of agricultural multifunctionality must become an essential part of the main reforms proposed by the Commission under the mid-term review, namely uncoupling, modulation, conditionality and boosting rural development.

Multifunctionality must be integrated into the present reform proposal, on the basis of the following principles:

- the increase in the size of holdings in view of the expected reduction in support prices and the need to compete in a liberalised market must be compatible with the presence of a sufficient number of farmers to ensure proper countryside management;
- in the context of the joint-production aspect of agriculture and the presence of non-productive functions within agricultural activity, multifunctional agriculture cannot be successfully achieved without assurances regarding the continuation of agricultural activity over large rural areas of the EU;

- the principle of multifunctional agriculture must be applied in a form that ensures that the partial uncoupling of aid from production results in aid being linked to those producers whose agricultural activity is essentially characterised by the provision of irreplaceable multifunctional services in numerous rural areas.

[13 February 2003]

MOTION FOR A RESOLUTION B5-0019/2003

pursuant to Rule 48 of the Rules of Procedure

by Jorge Salvador Hernández Mollar

on the protection of Andalusian farmhouses

([2003/2048] (INI))

The European Parliament,

- A. whereas traditional Andalusian farmhouses (*cortijos*) are a distinguishing feature of the region's countryside,
- B. whereas society must be made aware of the value of the Andalusian farmhouses and the need to preserve the region's own heritage,
- C. whereas the regulations protecting the farmhouses should be included in the amendments to the rules governing municipal grants,
- D. whereas the various demonstrations taking place in Andalusia aim to draw attention to the state of repair of the architectural heritage of the Andalusian countryside,
 - 1. Calls for the farmhouses in Andalusia to be protected as a means of preserving Andalusian agriculture's own native heritage;
 - 2. Calls for an inventory to be made of the main farmhouses in Andalusia in order to guarantee their survival;
 - 3. Recommends that the EU assist the protection of Andalusian farmhouses through a Community conservation programme for a heritage that is of vital importance for the rural areas of an essentially and historically agricultural region.