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REPORT

on agriculture in areas with natural handicaps: a special health check
(2009/2156(INI))

Committee on Agriculture and Rural Development

Rapporteur: Herbert Dorfmann

INHALT

	Seite
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	3
EXPLANATORY STATEMENT	8
OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT.....	12
RESULT OF FINAL VOTE IN COMMITTEE.....	15

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on agriculture in areas with natural handicaps: a special health check (2009/2156(INI))

The European Parliament,

- having regard to Article 39 of the Treaty on the Functioning of the European Union,
 - having regard to the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Towards a better targeting of the aid to farmers in areas with natural handicaps' (COM(2009)0161),
 - having regard to the opinion of the European Economic and Social Committee on the Communication from the Commission, delivered on 17 December 2009,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on Regional Development (A7-0056/2010),
- A. whereas, at 54%, more than half of the utilised agricultural area in the EU is classed as less-favoured areas,
- B. whereas each Member State has designated less-favoured areas, although to a differing extent,
- C. whereas mountain areas (including arctic regions north of the 62nd parallel which are also regarded as mountain areas) account for around 16% of the utilised agricultural area, whilst over 35% of the utilised agricultural area is classed as 'intermediate LFAs',
- D. whereas these 'intermediate LFAs' are classified by the Member States on the basis of a large number of different criteria, which, in the view of the European Court of Auditors¹, can lead to disparities in treatment,
- E. whereas only a small proportion of farms in these areas receive compensatory payments and the level of these payments varies significantly between the Member States²,
- F. whereas for mountain areas and areas with specific handicaps, which are defined in Article 50(2) and Article 50(3)(b) respectively of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), there are clear and uncontested criteria, so that the classification of these areas has neither been criticised by the European Court of Auditors nor is affected by the current Commission communication,

¹ European Court of Auditors: Special Report No 4/2003, OJ C 151, 27.6.2003

² from 16 EUR/ha in Spain to 250 EUR/ha in Malta

- G. whereas the particular situation in the outermost regions requires the implementation of specific procedures to deal with them,
- H. whereas support for less favoured areas is an essential component of the second pillar of the Common Agricultural Policy, namely rural development policy, and consequently neither regional policy objectives nor the issue of the redistribution of EAFRD funding should be at the heart of the debate,
- I. whereas, as a result of the reform of legislation on support for less-favoured areas and the adoption of Regulation (EC) No 1698/2005, the previous category of 'intermediate LFAs' has been abolished and eligible areas are defined as areas 'affected by significant natural handicaps',
- J. whereas the socio-economic criteria used prior to the 2005 reform by some Member States may no longer be used to delimit areas with 'natural handicaps', but may continue to be used to define areas with 'specific handicaps', which are supported pursuant to Article 50(3)(b) of Regulation (EC) No 1698/2005,
- K. whereas, in formulating their national and regional programmes for rural development, Member States have significant room for manoeuvre in order to present a balanced set of measures adapted to their specific regional situation, and whereas it falls to the Member States to present suitable measures for their less favoured areas within their programmes,
- L. whereas the proposed eight biophysical criteria might not prove to be sufficient and the proposed threshold value of 66% of the area might not be found suitable in all cases for determining the actual handicap in a manner respectful of the great diversity of EU rural areas; whereas the crop grown, the combination of soil types, soil moisture and climate are, among others, also factors relevant for the purpose of determining the actual handicap in a given area,
1. Stresses the importance of an appropriate compensatory payment for less-favoured areas as an indispensable tool to secure the provision of high-value public goods such as maintaining the management of the land and the cultivated landscape in these regions; emphasises that less-favoured areas, in particular, are often of high value in terms of the cultivated landscape, biodiversity preservation and environmental benefits, as well as rural employment and the vitality of rural communities;
 2. Recognises that because of their unique position less-favoured areas have an important role to play in delivering environmental benefits and in maintaining the landscape and stresses that payments under this measure should seek to achieve these goals;
 3. Stresses that Article 158 of the TEC on the cohesion policy, as reformed in Lisbon, pays particular attention to regions with natural handicaps; urges the Commission to devise a comprehensive strategy to eliminate the disparities between Member States in dealing with these areas and promote an integrated strategy that takes account of specific national and regional characteristics;
 4. Emphasises that support for areas with natural handicaps is aimed in particular at ensuring that an efficient and multifunctional form of agriculture is widely and permanently

preserved, thereby maintaining the countryside as a vital economic area and place to live in;

5. Stresses the need to manage these less favoured areas not only with a view to producing nutritious foodstuffs, but also as a contribution to overall economic development, increased quality of life and demographic and social stability in these areas;
6. In this sense, calls on the Commission to take into account also the social implications of the new classification for areas with natural handicaps;
7. Points out that, in contrast to agri-environmental measures, compensatory payments for less-favoured areas must not be subject to additional specific conditions regarding the method of land management which would go beyond cross-compliance requirements; recalls that the LFA scheme must in principle offer compensation to farmers who are also land managers operating with significant natural handicaps which the market does not compensate for as such;
8. Emphasises, however, that LFA payments must be linked to active farming of the land, i.e. the production of food or activities intimately related to the production of food;
9. Takes the view that the eight biophysical criteria proposed by the Commission could, in principle, be suitable for delimiting areas with natural handicaps to a degree; stresses, however, that the criteria may not be used in all cases for objectively delimiting areas with natural handicaps;
10. Recognises, however, that strict and purely biophysical criteria may not be suitable for all areas of Europe, and may lead to unintended consequences in terms of areas which qualify; therefore recommends that the case for socio-economic criteria such as distance from markets, lack of services and depopulation be re-examined, on a purely objective basis;
11. Urges the Commission to take into account all the standpoints expressed during the consultation with the Member States, regional and local authorities and farming organisations, regarding the definition of areas with natural handicaps;
12. Considers, in particular, that the inclusion of a geographical criterion referred to as 'isolation' would address the specific natural handicap stemming from distance from the market, remoteness and limited access to services;
13. Considers it necessary to review the definition of the criterion of 'soil moisture balance' so as take account of the different agro-climatic conditions which exist in the various Member States of the Union;
14. Notes that, to acknowledge the limitations of wet unworkable soils, the inclusion of a 'field capacity days' criterion would allow the interaction between soil types and climate to be taken into account (for instance to adequately reflect maritime climate difficulties);
15. Asks the Commission, therefore, to pursue its research efforts and analysis with a view to including potential additional criteria in the new LFA scheme in order to further adapt its

proposals to practical difficulties farmers are facing and build a robust set of criteria which will remain suitable in the long term;

16. Stresses, however, that in order to apply these criteria and establish realistic threshold values in practice, it is essential that the necessary biophysical data are available to the Member States and regions with a sufficient degree of accuracy in relation to the natural environment; supports, therefore, the test of practical application of the proposed criteria introduced by the Commission; calls for the detailed maps that are to be submitted by the Member States to be used if necessary to adapt the limit values of the criteria, defining areas with natural handicaps, and the proposed threshold value of 66% at Member State or regional level (to the reality in terms of the natural environment);
17. Stresses, in particular, that in order to address the interactions between many influencing factors in a practical manner, the cumulative use of the adopted criteria might prove necessary: it could enable those disadvantaged areas which accumulate two or more small to medium-scale natural handicaps to be classified as LFAs even when individual criteria would not trigger that classification;
18. Emphasises that a final opinion on the basic territorial unit chosen, the criteria and the threshold values proposed by the Commission can only be given when the detailed maps drawn up by the Member States are available; stresses that, in the absence of such simulation results, the proposed 66% threshold as well as the thresholds defining the criteria themselves must be viewed with considerable caution and can only be objectively and appropriately adjusted once the national maps are made available; calls on the Commission therefore promptly to examine the results of the mapping exercise and, on this basis, to draw up as soon as possible a detailed communication to the European Parliament and the Council on the delimitation of areas with natural handicaps;
19. Stresses that when the final map of intermediate disadvantaged areas is drawn up, objective national criteria should also be taken into account in order to make possible the adaptation of the definition of the areas to the different specific conditions in each country; considers that this adaptation should be performed in a transparent manner;
20. Considers a degree of voluntary, national fine-tuning of the criteria for support for areas with natural handicaps to be necessary in order to be able to respond appropriately to particular geographical situations where natural handicaps have been offset by human intervention; emphasises however that where land quality has been improved, the burden of ongoing associated maintenance costs such as drainage and irrigation must be taken into consideration; proposes that farm data (such as farm income and land productivity) be used inter alia for this purpose; emphasises, however, that the decision on the criteria to be used for fine-tuning must lie with the Member States since many Member States have already developed an appropriate and suitable system of differentiation which should be maintained;
21. Considers that the new criteria might exclude certain areas with natural handicaps that are currently eligible; points out that an adequate phasing-out period should be defined, in order to allow for the regions concerned to adapt to the new situation;
22. Underlines that the areas which have overcome the natural disadvantages of the land

through farming techniques should not be definitively removed, especially if they still have low agricultural income or very few production alternatives, and calls on the Commission to ensure a smooth transition for these areas;

23. Calls for technical procedures intended to offset natural handicaps not only to take account of short-term advantages but also to be subject to a Sustainability Impact Assessment;
24. Emphasises the responsibility of the Member States in connection with the objective designation of areas with natural handicaps and the formulation of balanced programmes for rural development; underlines the need for partnership with regional and local authorities in this process; stresses at the same time the need for notification and approval of these national or regional decisions by the Commission;
25. Emphasises that the reform concerning areas with natural handicaps forms an essential part of the future development of the European Union's common agricultural policy;
26. Calls on the Commission within one year to draw up a separate legislative text on agriculture in areas with natural handicaps;
27. Calls for the review of the Less Favoured Area Scheme to take place in concert with discussions of CAP reform as a whole, to ensure coherence in design of the new support systems for farmers, especially in relation to the new Single Farm Payment;
28. Is aware of the implications that the exercise to re-define intermediate disadvantaged areas could have for the future design of CAP aid, so calls on the Commission to take account of all the standpoints expressed during the public consultation by Member States and by regional and local authorities and the farming groups concerned;
29. Demands the protection of the European budget for rural development, and urges Member States to make full use of co-financing opportunities for LFAs, as one of the most effective and important rural development schemes;
30. Instructs its President to forward this resolution to the Council, the Commission, the European Economic and Social Committee and the Committee of the Regions.

EXPLANATORY STATEMENT

1. Background

Support for less-favoured rural areas is an essential component of the second pillar of the Common Agricultural Policy, rural development policy. Over half of the utilised agricultural area has been classed by the Member States as less-favoured areas. Mountain areas (including arctic regions north of the 62nd parallel which are also regarded as mountain areas on account of their climatic conditions) account for around 16% of the area. The biggest share, however, at 35%, is accounted for by regions with other, mostly natural handicaps.

This distinction is based on legislative framework provisions: Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) permits the Member States, under axis 2 (improving the environment and the countryside), to make 'natural handicap payments in mountain areas and payments in other areas with handicaps'. These should 'contribute, through continued use of agricultural land, to maintaining the countryside, as well as to maintaining and promoting sustainable farming systems'.

Article 36 of Regulation (EC) No 1698/2005 provides for 'measures targeting the sustainable use of agricultural land', in particular:

'(i) natural handicap payments to farmers in mountain areas;

'(ii) payments to farmers in areas with handicaps, other than mountain areas; ...'

Article 37 specifies that *'Payments should compensate for farmers' additional costs and income forgone related to the handicap for agricultural production in the area concerned.'* Payments are linked to an undertaking by farmers *'to pursue their farming ...for at least five years...'*

Article 50 of the Regulation defines in greater detail the criteria for eligible areas. Mountain areas are characterised by *'a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it'* due to:

- a) shortened growing season because of altitude
- b) steep slopes over the area in question
- c) position north of the 62nd parallel.

According to Article 50(3) other less-favoured areas must be

'(a) affected by significant natural handicaps, notably a low soil productivity or poor climate conditions and where maintaining extensive farming activity is important for the management of the land; or

'(b) affected by specific handicaps, and where land management should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline.'

As a result of the reform of legislation on support for less-favoured areas and Regulation (EC) No 1698/2005, the previous 'intermediate LFAs' criticised by the Court of Auditors were abolished. The socio-economic criteria used prior to the 2005 reform by some Member States may no longer be used to delimit areas with 'natural handicaps', but may continue to be used to designate areas with 'specific handicaps'.

At the time of adoption of the Regulation the Council could not agree on the laying down of more precise criteria for 'natural handicaps' and gave the Commission the task of drawing up a proposal for a future system for designating eligible areas.

The current Commission proposal therefore solely concerns other areas with natural handicaps pursuant to Article 50(3)(a). Mountain areas and islands are therefore not a subject of discussion.

2. Special report by the European Court of Auditors

In 2003 the European Court of Auditors published a special report on support for less-favoured areas. The Court established inter alia that 'intermediate LFAs' are classified by the Member States on the basis of a large number of different criteria and criticised the fact that these differences in the designation of eligible areas can lead to 'disparities in treatment'.

In addition the Court criticised the fact that only a small proportion of farms in these areas receive compensatory payments and that the level of these payments varies significantly between the Member States (from 16 EUR/ha in Spain to 250 EUR/ha in Malta). The Court therefore saw a risk of 'overcompensation' and called on the Commission to 'develop, in close collaboration with the Member States, a more appropriate set of indicators for identifying LFAs that would be consistent and guarantee an equitable treatment of the beneficiaries'.

3. Communication from the Commission

As a result of the special report by the Court of Auditors and the revision of the regulation on rural development in 2005, the Commission carried out a large number of activities to evaluate the delimitation criteria used to date and to define in greater detail areas with natural handicaps.

It quickly became clear that close technical cooperation with the Member States is needed in order to identify objective, scientifically-based delimitation criteria. In a first step, the Commission services gave the Joint Research Centre (JRC) the task of deriving a set of soil and climate criteria that could serve as a basis for a new system for delimiting intermediate LFAs. In order to carry out this task, a panel of high-level experts in soil, climate and topography evaluation was established and its work was coordinated by the JRC.

The group of experts identified eight soil and climate criteria indicating, at a certain threshold value, severe limitations for European agriculture: climate criteria (long-term low temperature or heat stress), soil criteria (poorly drained soil; stony, sandy or clay soil; low rooting depth; salty soil) and areas with very unfavourable moisture balance or steep slopes. (A more detailed description of the eight biophysical criteria can be found in the annex to the

communication¹).

An area is considered affected by significant natural handicaps if a large part of its utilised agricultural area (at least 66%) meets at least one of the criteria at the threshold value indicated. The biophysical criteria are therefore not cumulative under this proposal. Any indicator can trigger classification as an eligible area provided that the characteristics related to the criterion in question are observed and measured in the area, at the associated threshold value.

The Commission calls on the Member States to simulate the application of biophysical criteria in their territory and to draw up detailed maps of the eligible areas resulting from these simulations.

In addition, Member States should propose fine-tuning to exclude areas in which the natural handicaps have already been overcome (e.g. dry but irrigated land).

Originally the Member States were to conclude this mapping within six months (i.e. by the end of October 2009). In view of the complexity of the simulations, however, several Member States have already announced that they need more time and have asked for an extension of the deadline.

4. Rapporteur's position

The rapporteur takes the view that the process begun in 2005 of examining the criteria for classifying less-favoured areas, in particular the consultation process carried out by the Joint Research Centre, has been conducted in a spirit of openmindedness and, with the involvement of experts from the Member States, successfully and in a way that encourages participation.

The result of this consultation process essentially comprises the eight biophysical criteria proposed by the Commission for delimiting areas with natural handicaps.

Although these criteria may, on the face of it, absolutely be suitable for delimiting areas with natural handicaps, the rapporteur considers it imperative that they are tested in practice by the Member States. It is not yet certain whether the necessary biophysical data are available to the Member States with a sufficient degree of accuracy in relation to the natural environment. It is therefore of crucial importance for any future use of the eight biophysical parameters that they undergo the test of application in practice, mapping, in the Member States. At the time of drafting this report very few replies by the Member States have as yet been submitted. The majority of Member States have asked for more time to draw up maps, and the Commission has revised the proposed timetable.

The rapporteur therefore reserves the right to make additional comments at a later point in the parliamentary procedure in order to incorporate the results of mapping into the European Parliament's resolution.

Particular attention should be paid in this connection to the question of whether the proposed

¹ http://ec.europa.eu/agriculture/rurdev/lfa/comm/com2009_161_annex_en.pdf

arbitrary threshold value of 66% of the area concerned should be revised downwards following the test of practical application in the Member States, in order to reflect the reality in terms of the natural environment in the areas concerned.

If necessary scope should also be provided for cumulating various complementary criteria, applying a lower threshold value for individual criteria.

It is already clear, however, that fine-tuning of the criteria for support for areas with natural handicaps should be carried out in order to correctly reflect handicaps actually existing. For example, it is evident that some crops such as wine or olives can achieve good, profitable results on land that is less-favoured in relation to arable farming. The Member States should therefore be given the opportunity to carry out fine-tuning, including using farm data (such as farm income).

In general the rapporteur is keen to have a debate that is not characterised by regional or national interests in the redistribution of EAFRD funding, which is not at issue here. On the contrary, Member States should be enabled to take a pragmatic approach within a Community framework, which allows them to apply the objective biophysical criteria taking account of their natural conditions in accordance with the subsidiarity principle. In that way they should be able to fulfil their responsibility to objectively designate areas with natural handicaps and thus achieve balance in their regional or national programmes for rural development. The approval of these programmes by the Commission ensures that the Community framework is preserved.

24.2.2010

OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT

for the Committee on Agriculture and Rural Development

on agriculture in areas with natural handicaps: a special health check
(2009/2156(INI))

Rapporteur: Rosa Estaràs Ferragut

SUGGESTIONS

The Committee on Regional Development calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Urges the Commission to draw up an overall strategy for disadvantaged areas adapted to local needs in order to reduce the existing disparities between Member States as regards the support granted to such areas, and to establish a specific definition of areas with natural handicaps, in particular with regard to the transitional periods; recommends that farmers in disadvantaged areas be encouraged to set up associations with a view to securing adequate funding to farm their land and improve agricultural output;
2. Considers that Member States have to be allowed to take into account not only biophysical criteria but also some socio-economic criteria in the 'fine-tuning' that the Member States have to do to prepare the map of areas with natural handicaps, and to take 'depopulation' criterion into account, as increased depopulation worsens the natural handicaps of agricultural areas and increases the agronomic difficulties of these regions; supports also the inclusion of insularity among national criteria for areas with natural handicaps;
3. Takes the view that the areas in which the eight biophysical criteria are not met, but in which all criteria, though just under the threshold, when taken together constitute a substantial handicap, should also be recognised as areas with natural handicaps;
4. Maintains that the mapping of areas with natural handicaps can be done on the basis of eight biophysical Community criteria, together with a number of objective national criteria, making it possible to take into account the situation in each country at national

and regional level;

5. Takes the view that the new scheme could lead to a transfer of aid from some areas to others, in connection with their local needs; calls therefore for those areas which, as a consequence of the new Regulation, lose the status of 'area with natural handicaps' or in which a disproportionate change takes place, to be granted a sufficient transitional period to adapt to the new situation; considers that, during this period, the biophysical criteria proposed by the Commission should be tested to verify their relevance vis-à-vis the different ecosystems and climates of the European Union;
6. Calls on the Commission, when defining areas with natural handicaps, to take account of all the standpoints expressed during the public consultation by states, regional and local authorities and the farming groups concerned;
7. Takes the view that, when the map of areas with natural handicaps is drawn up, account should be taken of objective national criteria that will make it possible to adapt the definition of areas to the national and regional situation in each country within the framework of an overall European Commission strategy, closely in line with local rural development programmes;
8. Calls, when the 'fine-tuning' of areas is carried out, for those areas which have overcome the natural disadvantages of the land through farming techniques, in particular those with low agricultural income or few alternative forms of production, to be removed only in the light of long-term impact assessments;
9. Calls on the Commission also to launch a review of the scheme intended for regions confronting specific problems, given that the current definition fails to take into account certain natural disadvantages besetting farming activity, such as the insularity or the remote and outlying location of certain areas of the European Union;
10. Calls for technical procedures intended to offset natural handicaps not only to take account of short-term advantages but also to be subject to a Sustainability Impact Assessment;
11. Stresses the need for better coordination of the various Community policies, in particular the common agricultural policy and cohesion policies, in order to bring them more closely into line with each other and achieve the more harmonious development of disadvantaged areas.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	22.2.2010
Result of final vote	+: 39 -: 0 0: 0
Members present for the final vote	François Alfonsi, Luís Paulo Alves, Charalampos Angourakis, Catherine Bearder, Jean-Paul Basset, Zuzana Brzobohatá, Alain Cadec, Ricardo Cortés Lastra, Tamás Deutsch, Rosa Estaràs Ferragut, Seán Kelly, Constanze Angela Krehl, Ramona Nicole Mănescu, Iosif Matula, Miroslav Mikolášik, Franz Obermayr, Jan Olbrycht, Wojciech Michał Olejniczak, Markus Pieper, Tomasz Piotr Poręba, Nuno Teixeira, Michael Theurer, Michail Tremopoulos, Viktor Uspaskich, Lambert van Nistelrooij, Oldřich Vlasák, Kerstin Westphal, Hermann Winkler, Joachim Zeller, Elżbieta Katarzyna Łukacijewska
Substitute(s) present for the final vote	Vasilica Viorica Dăncilă, Karin Kadenbach, Heide Rühle, Marie-Thérèse Sanchez-Schmid, Richard Seeber, Peter Simon, László Surján, Evžen Tošenovský, Sabine Verheyen

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	16.3.2010
Result of final vote	+: 38 -: 0 0: 2
Members present for the final vote	John Stuart Agnew, Richard Ashworth, Liam Aylward, José Bové, Luis Manuel Capoulas Santos, Vasilica Viorica Dăncilă, Michel Dantin, Albert Deß, Diane Dodds, Herbert Dorfmann, Hynek Fajmon, Lorenzo Fontana, Iratxe García Pérez, Béla Glattfelder, Martin Häusling, Esther Herranz García, Peter Jahr, Elisabeth Jeggle, Jarosław Kalinowski, Elisabeth Köstinger, Giovanni La Via, Stéphane Le Foll, George Lyon, Gabriel Mato Adrover, Mairead McGuinness, Krisztina Morvai, James Nicholson, Rareş-Lucian Niculescu, Wojciech Michał Olejniczak, Georgios Papastamkos, Marit Paulsen, Britta Reimers, Ulrike Rodust, Alfreds Rubiks, Giancarlo Scotta', Czesław Adam Siekierski, Alyn Smith, Csaba Sándor Tabajdi, Marc Tarabella
Substitute(s) present for the final vote	Luís Paulo Alves, Spyros Danellis, Jean-Paul Gauzès, Astrid Lulling, Véronique Mathieu, Jacek Włosowicz