



2015/2353(INI)

8.6.2016

OPINION

of the Committee on Agriculture and Rural Development

for the Committee on Budgets

on the preparation of the post-electoral revision of the MFF 2014-2020 –
Parliament's input ahead of the Commission's proposal
(2015/2353(INI))

Rapporteur: Peter Jahr

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SUGGESTIONS

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

1. Points out that the common agricultural policy (CAP) has been a common EU policy for decades, which means that agricultural spending accounts for an important percentage of the total EU budget; stresses that spending on agriculture has declined considerably in relative terms over the last three decades from 75 % to the current 38 %, in line with successive market-oriented reforms of the CAP; stresses, therefore, that each EU citizen contributes only 32 cents per day to the CAP and that this policy has a low error rate in terms of spending irregularities; stresses that food, like water, will be a strategic commodity in the future and that Europe will therefore need the CAP and a strong agricultural budget more than ever before;
2. Stresses that the CAP provides steady income support to farmers through Pillar 1 and 2 that provides support for agricultural production, environmental programmes and economic activity in rural areas and prevents rural depopulation; notes, in this context, that at least the current size of the budget is essential to maintain the two-pillar CAP structure in order to compensate and support farmers in all agricultural sectors and to fulfil the important goal of innovation as well as protecting and creating jobs and increasing farmers' incomes; stresses that in order to achieve a coherent and effective rural development policy it is essential that rural development remain part of the CAP and that it should be well-funded in order to guarantee the long-term sustainability of rural areas;
3. Points out that, were all policies in the EU, nationally or at Union level, to be entirely financed from the EU budget, the CAP share would only amount to 1 %, which seems very reasonable for a policy that supplies food for over 500 million citizens, supports environmental sustainability and creates employment; considers that the CAP is the best and cheapest security policy of the Union, as it ensures sufficient food supply, fosters territorial cohesion and prevents rural depopulation;
4. Stresses that the CAP, which represents less than 1 % of the EU's total public expenditure, should be maintained, as a minimum, at current levels until 2020 to ensure that the agricultural sector is economically sustainable, meets the growing demand for food and promotes growth and employment in rural EU areas;
5. Acknowledges that the apparently large proportion of the EU budget allocated to agriculture can lead to misconceptions among the public about the policy, when in reality farm subsidies account for a negligible amount in relation to the total GDP of the Member States yet have a significant impact in terms of ensuring continuity in farming and a security of income for farmers as well as benefiting the wider rural economy; stresses that the CAP implementation rules need to be simplified so that the financial support for agriculture and rural development can be absorbed better;
6. States clearly that, through numerous policy reforms, CAP spending has been reduced and has become more targeted, market-orientated and geared towards improving the competitiveness of EU agriculture, while at the same time addressing an ever-increasing

range of challenges, including environmental issues and climate change, the introduction of 'greening measures' and ensuring the economic viability of rural areas; stresses, however, that an in-depth analysis should be performed in an effort to assess the economic sustainability of the agricultural sector by safeguarding incomes, and that price volatility should be combated by proposing new instruments;

7. Insists that the current amount in Heading 2, as provided for in the current MFF, must remain at least at the same level; refers, in this connection, to Article 2 of the MFF Regulation, which clearly states that allocated national envelopes may not be reduced by the midterm revision; considers, furthermore, that other Union policies must have the necessary financial means to allow the Union to honour its legal obligations in accordance with the corresponding sectoral legislation; considers it unacceptable that the funds set aside for agricultural policy are reallocated in order to compensate for a lack of funds in other policies or programmes; calls on the Commission, in the context of the migration crisis, to explore the possibility of strengthening synergies between the withdrawal of agricultural products from the market and the distribution of food aid to the most deprived citizens and to refugees through the Fund for European Aid to the Most Deprived (FEAD);
8. Insists also that the amounts for direct payments in Heading 2 should be left untouched; points out that this is crucial for the income situation of many farmers, particularly during the crisis which is affecting several agricultural branches, and that the absorption rate per year is almost 100 %;
9. Points out that the liberalisation of the milk sector threatens milk production in cost-intensive mountainous areas; calls on the Commission, therefore, to develop programmes which support processing facilities in mountainous areas in particular, so that this milk can be made into high-quality final products and thus generate the added value which is absolutely essential to the milk producers;
10. Notes that price volatility linked to worsening market conditions in many agricultural sectors has significantly increased in recent years, leading to severe income volatility, which needs to be managed in an organised and efficient manner, especially as production costs rise; notes that the current CAP has not sufficiently provided genuine means to contend with the instability of agricultural markets and farming incomes; stresses, therefore, that the current situation has led to the need to rapidly establish the market and exceptional crisis measures provided for under the single CMO, and to ensure that sufficient budgetary resources are available to deal with market crises, particularly those affecting the milk, pig meat, fruit and vegetable and poultry sectors; stresses that one root cause of the crisis, the Russian embargo, was caused by decisions taken outside the industry; adds in this regard that, owing to the CAP budget cuts made during the last MFF negotiations, direct payments from the first pillar of the CAP are currently insufficient to mitigate the income volatility experienced by farmers; believes that it is essential that room for manoeuvre is created under the 2016 budget, and that public authorities and agriculture professionals should consider quickly and efficiently introducing the few market measures adopted by the Agriculture Council on 14 March 2016; points out that the current crisis should lead the Commission to review certain market management and crisis management instruments, guaranteeing that enough budget resources are available; insists also that the mid-term review of the MFF allocates funds to sufficiently address in

times of crises food safety and animal health concerns;

11. Notes that farmers produce the food that the rest of our populations need and that in the majority of Member States, farmers' incomes are below average, which negatively affects their living standards and the living standards of their families and reduces the appeal of this profession to young people; notes that farmers are squeezed by rising input costs¹ on the one hand and prices for their goods that are non-remunerative on the other²; considers therefore that inputs and costs of production ought be addressed in the CAP by encouraging more autonomy;
12. Stresses that the fixed ceilings for the CAP until 2020 entail much lower margins than in the previous MFF, while the sector faces more challenges; stresses, in this regard, that any use of the margin must be exclusively to address the needs of the agricultural sector, given that long-term planning and investment security are essential for EU farmers; points out that the agricultural sector was the most affected by the Russian embargo, with serious indirect effects on markets, and that this sector should not be the only one to bear the brunt of political decisions, as is currently the case; demands an assessment of the impact of the Russian embargo on the EU agricultural sector that will lead to negotiations with Russia to end it;
13. Warns that the current margin within the agriculture budget may prove insufficient, with market volatility, veterinary and phytosanitary risks and other unforeseen events making increasing demands on the budget to such an extent that the margin is expected to be depleted at the end of this planning period; considers it regrettable that the funds for phytosanitary measures are under Heading 3 of the current MFF; stress that any cuts or redeployments of this budgetary line may threaten food safety and health in the EU;
14. Stresses that the current instability in the agricultural markets and high price volatility demonstrate the need to maintain farm subsidies, as they allow market failures to be more effectively managed and controlled; acknowledges in this context that a rise in food prices and sales of produce in recent years have not been passed on to farmers; insists that concrete support is needed to address the lack of access to credit for farmers and declining farming income; recalls also that European consumers are not ready to pay for their food at a price which would be undeniably higher if the agricultural sector was not receiving public support; notes, however, that direct payments that do not match the reality of agricultural production and the progressive elimination of supply management methods have been proved to be limited;
15. Notes that any new priorities for the agricultural sector that arise during the current financial framework can only be funded through fresh resources; stresses, therefore, the increased need to ensure sufficient margins under Heading 2 in order to leave room for Parliament's priorities;
16. Points out that the objectives of the CAP remain unchanged under the Lisbon Treaty, namely increasing agricultural productivity, ensuring a fair standard of living for the

¹ European Parliament resolution of 19 January 2012 on the farm input supply chain: structure and implications, OJ C 227E, 6.8.2013, p. 3.

² European Parliament resolution of 7 September 2010 on fair revenues for farmers: A better functioning food supply chain in Europe, OJ C 308E, 20.10.2011, p. 22.

agricultural community, stabilising markets, ensuring the availability of supplies and ensuring that supplies reach consumers at reasonable prices; notes, however, that the successive reforms of the CAP have assigned new tasks to agriculture in terms of product quality, environmental protection, climate change, consumer health, land use issues and modes of production and productivity which have led to a significant cost increase for farmers and growers; takes the view, therefore, that the impact of the CAP on overall EU strategies (EU 2020 and the Climate and Energy Goals) must be analysed so that conclusions for the period after 2020 can be found; stresses that the objectives laid down as part of the EU's sustainability strategy must also be taken into account in the EU's agricultural policy;

17. Is convinced that a strong CAP for the EU, both in terms of content and financing, is paramount in achieving these objectives, while guaranteeing a level playing field and transparent food chains within the internal market, as well as viable rural areas; considers, furthermore, that increasing resilience and improving employment and quality of life in rural areas should be prioritised in order to combat rural depopulation and promote viability; considers that, for Pillar II, we will still need instruments after 2020 to support modernisation, investment and innovation in order to boost the competitiveness of the agri-food sector and to reduce differences between Member States and between regions in the development of agriculture and rural areas;
18. Stresses that agricultural production has high added value, in producing good quality food and also in supplying non-food goods and services, since it also supplies the processing sector, which is important in keeping the EU's agricultural sector competitive and thereby contributing to economic and social cohesion in regions and to the EU's balanced regional development; points out that it is therefore necessary to maintain and, where appropriate, step up the support received by the agricultural sector and rural areas, to provide an incentive to develop agricultural production and to meet society's food demands, with a view to combating volatility and stimulating employment in the sector, as well as for meeting non-agricultural EU objectives; stresses that the CAP contributes significantly to growth and employment in rural areas – more so than other EU policies – and that job creation and improvements to quality of life increase the appeal of rural life compared with urban areas; recalls that, in statistical terms, farmers provide seven additional jobs in related sectors and rural territories; points to the importance of maintaining the CAP's focus on supporting small-scale and family farming businesses as the cornerstone of agricultural production in the EU and of life in the EU's rural areas and achieving real progress in that policy goal; underlines how essential it is to maintain specific measures in the framework of the CAP towards areas suffering from severe and permanent natural handicaps, notably mountainous areas and outermost regions, and other specific handicaps;
19. Stresses that the success of the CAP and acceptance thereof also depends on further reducing unnecessary bureaucracy and limiting regulatory administrative costs to an acceptable and manageable level; calls for practical implementation of the CAP as well as an acceleration in CAP simplification, which should therefore have priority, including as regards the promptness of payments from designated national authorities, while still achieving the policy objectives demanded by society that were intended;
20. Believes that the Cohesion Policy after 2020 should also play an essential role in

supporting the development of rural areas with regard to technical infrastructure, the job market, the development of businesses and basic services, revitalising locations in rural areas and investment linked to water and sewage infrastructure;

21. Strongly opposes any renationalisation of agricultural policies; notes that the unequal implementation of the CAP and the differences in payment levels in the Member States have led to distortion of competition within the internal market; calls on the Commission and the Member States to ensure equal implementation throughout the Union in order to realise the objectives of the common agricultural policy as it generates savings for European taxpayers; is worried about the trend of renationalisation in public responses to agricultural crises, in particular the mobilisation of targeted payments instead of real European actions; affirms that a well-functioning and well-financed second pillar is essential for the success of the CAP and for the economic well-being of the Union's rural areas; notes the disparity among Member States in both their need for rural development and its funding;
22. Points out that the ever-increasing challenges faced by the CAP, such as food security and combating price volatility, call for more adaptable financial resources; calls, therefore, for vital flexible tools to be made available to farmers in order to meet these challenges should they arise; calls also for adequate compensation measures to deal with unforeseen events and market failures resulting from political decisions; points out the difficult situation with regard to agricultural markets and the new and growing challenges that European agriculture is facing; warns against the consequences of the current crisis in agricultural markets, and the weakening position of farmers in the food chain and in current and future trade negotiations; believes, furthermore, that adopting over-ambitious reduction targets linked to the energy-climate package and the NEC directive will cause the costs of agricultural production to rise;
23. Emphasises, as regards the period after 2020, that, in relation to the further development of the CAP, policy measures and the concrete objectives thereof must first be defined, before the necessary budgetary resources can be allocated; stresses the need to consider the establishment of a European agricultural insurance fund which can be mobilised during times of crisis, for example, to reduce production volumes in order to ensure stability of prices for farmers for raw materials produced within Europe.

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	6.6.2016
Result of final vote	+: 31 -: 6 0: 5
Members present for the final vote	Clara Eugenia Aguilera García, Paul Brannen, Daniel Buda, Nicola Caputo, Matt Carthy, Viorica Dăncilă, Albert Deß, Diane Dodds, Herbert Dorfmann, Norbert Erdős, Edouard Ferrand, Luke Ming Flanagan, Beata Gosiewska, Martin Häusling, Anja Hazekamp, Esther Herranz García, Jan Huitema, Peter Jahr, Jarosław Kalinowski, Zbigniew Kuźmiuk, Philippe Loiseau, Giulia Moi, Ulrike Müller, James Nicholson, Maria Noichl, Marijana Petir, Laurențiu Rebega, Jordi Sebastià, Jasenko Selimovic, Maria Lidia Senra Rodríguez, Czesław Adam Siekierski, Marc Tarabella, Marco Zullo
Substitutes present for the final vote	Jean Arthuis, Bas Belder, Franc Bogovič, Angélique Delahaye, Jean-Paul Denanot, Michela Giuffrida, Manolis Kefalogiannis, Norbert Lins, Annie Schreijer-Pierik, Tibor Szanyi, Hannu Takkula
Substitutes under Rule 200(2) present for the final vote	Stanisław Ożóg