



Committee on Budgets

2016/2034(INI)

7.9.2016

OPINION

of the Committee on Budgets

for the Committee on Agriculture and Rural Development

on CAP tools to reduce price volatility in agricultural markets
(2016/2034(INI))

Rapporteur: Nedzhmi Ali

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SUGGESTIONS

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

- A. whereas the recent bouts of extreme price volatility in global agricultural markets portend rising and more frequent threats to world food security and greater market vulnerability, undermine investment and modernisation, and discourage new entrants and generational renewal in the agricultural sector;
- B. whereas high levels of price and income volatility for farmers are related to the market fundamentals of supply and demand, the effects of which have been felt since the 1990s on account of farming moving closer to the markets as a result of both deregulation of common market organisations within the CAP and the greater willingness to open up to international markets brought about by the EU's trade policy; whereas this price and income instability can, however, be aggravated by other macro-economic variables, the broad political and legislative environment, geopolitics and embargoes, and speculation on agricultural products which, when sold as financial assets, are exposed to shocks on related commodity markets (such as the energy and metal markets);
- C. whereas price volatility increases the unpredictability of farmers' incomes and causes distress for European farmers, whose costs remain high;
- D. whereas the increased vulnerability is being triggered by an increase in extreme weather events and the impact of climate change on agricultural production levels, as well as by structural factors such as energy and fertiliser prices, exchange rates or interest rates; whereas farmers should be urged to exert better control over the use of inputs on their farms which are expensive to purchase and can have repercussions for the environment;
- E. whereas milk producers have suffered huge losses as a result of the Russian embargo and the catastrophic drought of 2015;
- F. whereas heavy fines have been imposed on a large proportion of farms for exceeding the milk quotas in 2014/2015;
- G. whereas pork producers have been affected by low purchase prices for many months as a result of the Russian embargo and, above all, African swine fever;
- 1. Emphasises that the EU is both the world's largest importer and exporter of agri-food products, but the options of using CAP rural development programmes (RDPs) to contribute towards insurance, mutual funds and income stabilisation schemes for farmers have not been very successful;
- 2. Notes that direct payments continue to provide a degree of financial stability for farmers, particularly during protracted periods of low prices; considers that direct payments have demonstrated better value for money than the previous practice of direct market intervention; emphasises, furthermore, that direct payments should remain a CAP instrument beyond 2020 to support and stabilise farm income, to compensate for the costs arising from complying with high EU standards (as regards production methods, in

particular environmental requirements), and to maintain agricultural production in the least-favoured regions; points out that direct payments should thus be geared towards ensuring that farming is economically stable, as well as guaranteeing food and environmental security; points out, in that context, that it is essential to level out direct payment rates in order to ensure a level playing field for competition in the EU's single market, as well as for sustainable exploitation;

3. Calls for better synergies between CAP and other EU policies, in particular regarding energy, water supply, land use, biodiversity and ecosystems, and the development of remote and mountainous areas;
4. Calls for greater transparency in agricultural markets, so that information concerning prices is accessible to all stakeholders, including consumers; calls, in this respect, for the Commission to assess the feasibility of introducing a transparent system for monitoring the price evolution of agricultural products from production to distribution;
5. Calls on the Commission to work closely with national authorities and farming groups for the creation of a system to protect farmers' incomes through the wider awareness, understanding and use of 'risk management' tools, such as insurance and mutual funds used alongside crisis management and prevention tools, changing the efforts undertaken so far in the 2014-2020 CAP reform; considers that any future risk management scheme must comply with, and where necessary complete, insurance systems adopted at national level by Member States, so as not to jeopardise all that has been achieved so far;
6. Takes the view that combating excessive price volatility calls for new solutions making markets function better and based on deployment of a set of combinable and/or complementary public- and private-sector tools; states that, as the ongoing very serious farming crises have demonstrated, it is essential to build new crisis prevention and market adjustment mechanisms into a subsequent CAP that are tailored to specific production circumstances, flexible, effective, rapidly deployable and capable of being brought into play where it is necessary to do so in order to rectify major market disruptions;
7. Calls for consideration to be given to the use of funds from the general budget (or the so-called crisis reserve) as a source of funding for these and other Commission activities aimed at improving the situation in agricultural markets;
8. Calls for the creation of a European map presenting in real-time the availability of agricultural products on the market, from their production to their distribution;
9. Believes a mandatory precautionary savings scheme for farmers should be set up to replace the current European crisis reserve, to cover risks of all kinds, partly through direct aid, so as to set aside some reserves in good years that can be deployed during difficult times;
10. Stresses that it is essential to level out direct payment rates between Member States in order to ensure a level playing field for competition in the EU's single market, as well as for the sustainable exploitation of agricultural resources at EU level;
11. Considers that food humanitarian aid may give producers a useful role as a safety net;

12. Urges the Commission and the Member States to monitor the significant price volatility of agricultural products by establishing European agricultural price observatories for individual sectors, by improving the European Food Prices Monitoring Tool (FPMT) and by combating agricultural price speculation; believes that timely market information can improve farmers' ability to react to market volatility and plan accordingly;
13. Calls for intervention instruments in support of farmers' income to be strengthened and implemented more swiftly in areas affected by serious natural disasters;
14. Considers that funding from the Rural Development Programme should be targeted towards ensuring farmers receive the training and education required to make adequate use of risk management tools; believes this would allow farmers to better anticipate and manage price volatility;
15. Calls for concrete tools to reduce the negative social repercussions of price volatility on European farmers;
16. Calls on the Commission to analyse and assess the hedging functions of European agricultural commodity derivatives markets and their related infrastructure in the physical agricultural markets.

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	31.8.2016
Result of final vote	<div style="display: flex; justify-content: flex-end; align-items: center;"> <div style="text-align: right; padding-right: 10px;">+:</div> <div>31</div> </div> <div style="display: flex; justify-content: flex-end; align-items: center;"> <div style="text-align: right; padding-right: 10px;">-:</div> <div>5</div> </div> <div style="display: flex; justify-content: flex-end; align-items: center;"> <div style="text-align: right; padding-right: 10px;">0:</div> <div>2</div> </div>
Members present for the final vote	Nedzhmi Ali, Jean Arthuis, Lefteris Christoforou, Jean-Paul Denanot, Gérard Deprez, José Manuel Fernandes, Eider Gardiazabal Rubial, Jens Geier, Esteban González Pons, Iris Hoffmann, Monika Hohlmeier, Bernd Kölmel, Zbigniew Kuźmiuk, Vladimír Maňka, Ernest Maragall, Clare Moody, Siegfried Mureșan, Victor Negrescu, Jan Olbrycht, Urmas Paet, Paul Rübig, Petri Sarvamaa, Patricija Šulin, Eleftherios Synadinos, Paul Tang, Isabelle Thomas, Monika Vana, Daniele Viotti, Marco Zanni, Auke Zijlstra
Substitutes present for the final vote	Xabier Benito Ziluaga, Giovanni La Via, Stanisław Ożóg, Pavel Poc, Ivan Štefanec, Tomáš Zdechovský
Substitutes under Rule 200(2) present for the final vote	David Coburn, Estefanía Torres Martínez