

# EUROPEAN PARLIAMENT

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*Committee on Agriculture and Rural Development*

**2006/2018(BUD)**

12.9.2006

## **OPINION**

of the Committee on Agriculture and Rural Development

for the Committee on Budgets

on the draft general budget of the European Union for 2007  
(C6-0000/2006/2018(BUD))

Section III - Commission

Draftsman: Marc Tarabella

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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. Stresses that 2007 is a crucial year, since it will be the first year of full implementation of the reform of the Common Agricultural Policy (CAP), especially in the milk sector, and of the introduction of the sugar reform; recalls that this will also be the first budget year to include Romania and Bulgaria; emphasises that the financial impact will nonetheless be limited to market expenditure, as the impact on direct aids will not be felt until 2008;
2. Deplores the Council's drastic, across-the-board cut of EUR 525 m in market expenditure, decided using accounting criteria alone, without any clear common vision of the future of farming and without taking account of Parliament's priorities; believes this cut is an indirect form of questioning the conclusions of the Brussels European Council, which had decided the evolution of the maximum amounts available for market and income support up to 2013;
3. Considers that the decision to reduce the amounts allocated to agriculture is not based on any clear vision and calls, therefore, for the restoration of the headings from the preliminary draft budget;
4. Recalls that, even if the European Council agreement provides for an increase at current euro prices of 1% per annum for 2007-2013, this is already a reduction in real terms (assuming inflation of 2% or more), at a time when account has to be taken of two new Member States with large agricultural sectors;
5. Welcomes the fact that it has not been necessary, for the 2007 budget, to resort to the financial discipline mechanism under which there would be a reduction in direct aids (with no threshold of EUR 5000) should there be a risk of exceeding the annual budget ceilings, a measure which would have been extremely damaging for small family farms; calls on the Commission, nonetheless, in future to inform Parliament as early as possible in the budget calendar regarding the risks of the ceilings being exceeded;
6. Deplores the fact that, despite the major needs existing in terms of restructuring, modernisation and diversification of the rural economy and the assignment of new functions, the resources allocated to rural development in the Union of 27 will be, in real terms, less than those of the Union of 25;
7. Deplores the fact that the compulsory modulation amounts, which, under the 2003 reform, should be an additional form of support for rural development, are in fact serving as a (very partial) compensation for the budget cuts;

8. Calls, in line with Parliament's legislative resolution of 7 June 2005 on the proposal for a Council regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)<sup>1</sup>, for the sums released under the heading of compulsory modulation to be used for projects under Axes I and II, especially for young farmers and least favoured regions, excluding payments related to NATURA 2000;
9. Notes that with the establishment of the EARDF it will no longer be possible to obtain, in budget terms, a breakdown of amounts by category for rural development measures, as was the case in the past for the EAGGF (Guarantee) rural development measures; calls on the Commission, therefore, to report every six months to the Committee on Agriculture and Rural Development on the execution of EARDF-related expenditure, broken down by Member State and by category;
10. Rejects the Commission proposal allowing Member States to use up to 20% of the first-pillar amount to finance rural development, since this breaches the Parliament's budgetary prerogatives and could mean the beginning of the renationalisation of the CAP; is also concerned over the implementing arrangements for such a measure, which could escape the co-financing rules established for rural development expenditure; therefore asks the Commission to communicate to Parliament between the 1st and the 2nd reading how it intends to cater for breaches of Parliament's budgetary prerogatives when laying down annual budgets, and whether this current proposal on voluntary modulation has consequences for the classification of expenditure as defined in Annex III of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>2</sup> since it implies a reduction of compulsory expenditure and constitutes an increase of non-compulsory expenditure; points out that this could have a possible impact on the calculation of the Maximum Rate of Increase (MRI), which calculates and secures the level of non-compulsory expenditure in annual budgets, on which Parliament normally has the final say;
11. Points out that, through the new setup of the financial framework for the period 2007-2013, the first and second pillars, formerly Headings 1A and 1B, ceased to exist and are now grouped under Heading 2; notes that this opens up the possibility for transfers between, on the one hand, direct aid and market related expenditure and, on the other, rural development measures; takes the view that there is now nothing to stop amounts unspent under the former first pillar being transferred to the former second pillar, and calls, accordingly, for such a transfer to be made after the end of the 2007 budget year;
12. Believes that, as a matter of coherence and consistency with health campaigns and, in particular, action against obesity, a particular effort needs to be made for the genuine promotion of fruit and vegetable consumption; calls, again from the viewpoint of consistency with health policy, for greater efforts to encourage milk and honey consumption, especially among schoolchildren; deplores therefore the Commission and Council cuts in the school milk programme as proposed in the preliminary draft budget and draft budget for 2007, and considers that heading 05 02 12 08 should be brought up

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<sup>1</sup> OJ C 124 E, 25.5.2006, p. 191

<sup>2</sup> OJ C 139, 14.6.2006, p. 1

to the same level as in the 2006 budget;

13. Deplores the cuts in the budget headings for promotion, given that this activity, especially for quality products, is becoming essential for retaining or regaining market share and given that promotion activities should be given a more central role in the reformed CAP, which places greater importance on market orientation; calls, therefore, for the amounts allocated to those headings to be maintained at least at their 2006 levels;
14. Calls, in view of the new rules concerning exceptional support measures for the market in poultrymeat and eggs, for the budget heading for which no sum is currently earmarked (p.m.) to have allocated to it an amount sufficient to cover spending for 2007;
15. Considers that the appropriations allocated to the milk sector, especially for refunds, fall far short of real needs, and therefore calls for realistic amounts to be entered under the headings concerned;
16. Considers that, in the face of the growing incidence of poverty within the Union's borders, the programmes for the least-favoured must be strengthened; believes that outside the Union's borders, even if poverty is receding in global terms, there are still major needs, especially as far as food is concerned, and that it is therefore necessary to send out a clear political message of solidarity via appropriate reinforcement of the budget headings for food aid;
17. Deplores the Commission and Council cuts in budget heading 05 08 06, relating to measures to enhance awareness of the CAP, and considers that it should be brought up to the same level as in the 2006 budget;
18. Considers that, in the context of the start of the new financial framework and the budget for 2007, instruments should be found - as well as the necessary financial resources - to support and promote family farming; urges the Commission to submit a proposal to this end;
19. Stresses the need to carry out a reform of the CAP leading to genuine modulation and limitation of maximum amounts of agricultural aid, with a view to guaranteeing that aid is fairly distributed between producers, products and countries;
20. Believes that the importance of certain forms of direct aid is such that it is necessary to increase their amounts, so as to neutralise the impact of the 4% modulation, and to enter in the budget the headings corresponding to the needs estimated by the Commission before it implements the modulation-linked reduction;
21. Recommends maintaining the sum now allocated for financing information campaigns, even more so since the arrival of two new Member States where agriculture still plays a very important role will increase needs rather than reducing them;
22. Calls for an increased effort to be made with regard to information on and promotion of animal welfare, so as both to encourage consumers to prefer the products of animal welfare-friendly farming and to prevent panic reactions such as that which occurred with

bird flu and the collapse in demand which has in some cases resulted in certain Member States;

23. Urges the European Commission and Council to provide for sufficient means for research into and the provision of vaccines against animal diseases, especially given the arrival of previously unknown virus types in the Union;
24. Calls for an increase in appropriations with a view to stepping up controls on imported produce aimed at checking whether it complies with all the Union's production conditions and is correctly labelled, in particular with a view to informing consumers of its origins;
25. Underlines the important role the agricultural sector can play in the conservation of traditional landscapes and the environment and in the provision of renewable energy; therefore urges the Commission and Council to support the initiation of a pilot project exploring the measures to be taken to improve the energy efficiency of the agricultural and horticultural sector;
26. Deplores the current suspension of the World Trade Organization negotiations; regrets also the fact that the Union has so far been unable to make any progress in acknowledgement of the Non-Trade Concerns as described in the mandate given to the Commission by the European Council; notes that acknowledgement of the Non-Trade Concerns could mean a considerable saving on the agricultural budget in future, in so far as the payment of compensation in connection with certain Community legislation would become unnecessary.

## PROCEDURE

<b>Title</b>	Draft general budget of the European Union for 2007 Section III - Commission
<b>References</b>	2006/2018(BUD)
<b>Committee responsible</b>	BUDG
<b>Opinion by</b> Date announced in plenary	AGRI
<b>Enhanced cooperation – date announced in plenary</b>	--
<b>Drafts(wo)man</b> Date appointed	Marc Tarabella 29.11.2005
<b>Previous drafts(wo)man</b>	--
<b>Discussed in committee</b>	30.5.2006      21.6.2006      12.9.2006
<b>Date adopted</b>	12.9.2006
<b>Result of final vote</b>	+: 33 -: -- 0: --
<b>Members present for the final vote</b>	Marie-Hélène Aubert, Peter Baco, Thijs Berman, Niels Busk, Luis Manuel Capoulas Santos, Giuseppe Castiglione, Joseph Daul, Albert Deß, Carmen Fraga Estévez, Duarte Freitas, Jean-Claude Fruteau, Lutz Goepel, Bogdan Golik, Friedrich-Wilhelm Graefe zu Baringdorf, Elisabeth Jeggle, Heinz Kindermann, Stéphane Le Foll, Kartika Tamara Liotard, Albert Jan Maat, Mairead McGuinness, Rosa Miguélez Ramos, Neil Parish, María Isabel Salinas García, Agnes Schierhuber, Csaba Sándor Tabajdi, Marc Tarabella, Kyösti Virrankoski, Janusz Wojciechowski
<b>Substitute(s) present for the final vote</b>	María del Pilar Ayuso González, Bernadette Bourzai, Ilda Figueiredo, Jan Mulder, Armando Veneto
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	--
<b>Comments (available in one language only)</b>	--