

Opinion of the European Economic and Social Committee on the

'Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy'

COM(2011) 625 final — 2011/0280 (COD),

the 'Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation)'

COM(2011) 626 final — 2011/0281 (COD) (A-21),

the 'Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)'

COM(2011) 627 final — 2011/0282 (COD),

the 'Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy'

COM(2011) 628 final — 2011/0288 (COD),

the 'Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013'

COM(2011) 630 final — 2011/0286 (COD)

and the 'Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers'

COM(2011) 631 final — 2011/0285 (COD)

(2012/C 191/21)

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The Council and the European Parliament decided, on 14 November and 25 October 2011, respectively, to consult the European Economic and Social Committee, under Articles 43(2) and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy

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The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 April 2012.

At its 480th plenary session, held on 25 and 26 April 2012 (meeting of 25 April), the European Economic and Social Committee adopted the following opinion by 132 votes to 14 with 21 abstentions.

1. Conclusions and recommendations

Change for the EU agricultural model

1.1 The European Economic and Social Committee greets the Commission's legislative proposals with interest, and notes that some – although far from all – recommendations made in its past opinions have been taken into account. Most importantly, the Committee has repeatedly stated, in its opinions NAT/449 and NAT/481, that the future CAP must be driven by a determination to defend the European agricultural model, which is based on the principles of food sovereignty, sustainability and responsiveness to the real needs of farmers and consumers.

1.2 The EESC notes the considerable efforts made by the Commission regarding the future of the CAP in order to propose a profoundly European project based on the concept of inclusive diversity. Reflecting the Commission's efforts to build a new partnership between Europe and its farmers, the EESC considers that, although the proposals have the right focus, they still need significant adjustments in a number of areas.

1.3 The present financial and economic crisis and extreme climate changes require a fundamental change in the approach to closing the gap between promises and the reality of day-to-day farm life. Farmers are under increasing pressure from markets, leading to the abandonment of entire regions. More than ever before, the European agricultural model is indispensable. The EESC considers it vital for the CAP 2014-2020 to help to overcome the huge obstacles to the development of the agricultural sector. However, the Committee regrets the absence of a clearer commitment on the part of the Commission in favour of the European agricultural model.

1.4 The EESC welcomes the Commission's intention to improve the competitiveness of multifunctional agriculture in Europe consistent with the European agricultural model, through various activities such as research, development and guidance and remuneration for the services provided to society which are not, as yet, reflected in consumer prices.

However, the Committee believes that the proposed approach is far from sufficient to ensure continued growth in output and employment and to help meet the ever increasing demand for food in the world. The EESC notes that the future CAP must take into account the fact that one sixth of all jobs in Europe are related directly or indirectly to agricultural production, this figure being much higher in some Member States. The CAP should play a role in guaranteeing employment in the EU, especially in rural areas, although at present it instead contributes to reducing employment. When agricultural and forestry production disappears in one region, then the related jobs in the upstream and downstream sectors – including the food and wood processing industry – disappear too. The future CAP must focus on improving the economic performance of farming families and cooperatives to help them gain better market access and better market their products.

1.5 The new CAP should contribute to improving socio-economic conditions, employment and the safety of workers in the agricultural sector by ensuring full compliance with social clauses, laws and employment contracts in the allocation of aid. This should take place in a context that places farm and agri-food businesses at the heart of the system in order to reward the real economy, promote research, innovation and generational renewal and encourage food production, including by building on regional added value.

1.6 The EESC renews its call to the European Parliament, the Council and the Commission for a robust CAP budget to be maintained at least at the same level as in the current budget period. There are particular problems at present in relation to the development of Pillar II, since it appears that many Member States are no longer willing and able to provide the necessary co-financing. This will lead to an unacceptable weakening of rural development policy, including environmental measures, which are financed through Pillar II.

1.7 The EESC considers that one of the prime concerns throughout the CAP reform process must be simplified procedures and **flexible** implementation to reflect the

diversified agricultural conditions in the Member States and to reduce bureaucracy for farmers and difficulties for the bodies administering payments.

Direct payments

1.8 The EESC supports the move away from historical reference periods as the basis for determining the amount of support for farmers in each country or region. However, the EESC believes that a flat per-hectare payment is not always the most efficient policy tool, especially when the argument for income support is taken into consideration (see point 4.3.2). Therefore, this **internal convergence** within each country or region should allow flexibility, a longer transition period and progressive change throughout the period.

1.9 The EESC welcomes the effort to close the gap between the level of support received by farmers in the different Member States. The main features for the future CAP in terms of the redistribution of financial resources among Member States should be balance, fairness and pragmatism, bearing in mind the agricultural diversity across the EU. Consideration must thereby be given to the cost and revenue structure of farming activities in the various Member States. It is important that the redistribution process should reflect sensitively the problems of farmers both from old and new member states. That is why the EESC recommends redistribution of national direct payment envelopes based on objective, non-discriminatory criteria and a **balanced and appropriate transition period for the planned fair convergence away from the historical reference principles**. The goal is to ensure that no country's direct payments would be under 90 % of the average of the 27 EU Member States at the end of the financial framework for the period 2014-2020.

1.10 The EESC endorses the decision to introduce a simplified support scheme for small farmers, but doubts whether the support rates proposed by the Commission will be high enough to promote the development of small agricultural holdings. It also asks the Commission to clarify the requirements for the identification of small farmers. The scheme could be voluntary depending on Member States' conditions.

1.11 The EESC endorses the principle underpinning the Commission proposals that CAP payments under Pillar I should be targeted at active farmers. Clear definitions of agricultural activity, eligible land and active farmer, as well as better links between payments and activity should be established in order to avoid a limited budget being consumed by unfarmed land and non-agricultural activities (unless this is land duly registered as set-aside). Whether it is possible to ensure the effective application of this principle is something that must be clarified with the Member States. Furthermore, the definition of the active farmer should not exclude beneficiaries of less than EUR 5 000.

1.12 The EESC supports a phased-in reduction by capping direct payments, and, as stated in previous opinions, further urges the Commission to adopt an implementation method that takes into account the specific characteristics of businesses made up of cooperatives and farm producer associations⁽¹⁾. Unused direct payments should remain in the Member State's envelope and be used to support weaker agricultural sectors at national level through Pillar I or Pillar II to be decided at MS level. The EESC proposes that funds transferred in this way should not require co-financing.

1.13 The EESC considers that a double gate entry to the basic payment scheme should be created based on existing farming activity in 2011 and occupation of eligible land at the 2014 start date. The Committee feels that the activation of one payment entitlement under the single payment scheme in 2011 does not constitute a fair criterion.

1.14 The EESC welcomes the flexibility between pillars proposed by the Commission. It is of primary importance that Member States in which the level of direct support remains lower than 90 % of the EU average should be given the opportunity to transfer funds allocated for rural development to their Pillar I envelope as well. This possibility should also be available for Member States with a disproportionately small Pillar I or which suffer from natural handicaps. The EESC proposes that such choices be possible within a limit of up to 10 %.

1.15 The EESC has constantly underlined the role that farmers should, and could, play in soil preservation, biodiversity, natural landscapes and the environment, but which they are unable to perform adequately because of the current circumstances. It has therefore supported 'targeted direct payments' (see NAT/449); the greening component is precisely a step in this direction. The EESC calls on the Commission to assess the implications of the new measures to ensure that any harm they do to the economic balance of farms is compensated for. When possible, greening measures should be based on win-win solutions for both the environment and growth. The EESC refuses to accept a situation where the EU increases costs of compliance for European farmers on the one hand, and on the other accepts, through trade agreements, cheap imports that need not comply with the same rules.

1.16 The greening component of Pillar I is a way of creating a stronger and more visible link between direct payments and the environmental public goods produced by farming. The EESC believes that this system should be kept simple, and should ensure environmental outcomes from all farmers across the EU. It should be possible to take into account the specific features of Less Favoured Areas when determining payments. The measure for 'ecological focus areas' should be implemented

⁽¹⁾ OJ C 132, 3.5.2011, p. 63.

in a manner that avoids agricultural land being taken out of production. Agro-environmental measures taken to date should be recognised under the new environmental requirements (Pillar I), as is also the case for organic farming generally.

1.17 The EESC welcomes the opportunity offered to Member States to use a voluntary coupled support scheme, in order to respond to specific situations. However, in the interests of greater flexibility and subsidiarity, the EESC suggests abolishing the closed list of sectors and productions eligible for coupled support and allowing Member States to decide which sectors and productions are eligible.

Market instruments

1.18 The EESC considers that the Commission proposals are insufficient to meet the challenge of increasing market volatility and the problems resulting from it. The CAP objective of stabilising agricultural markets, as set out in the Lisbon Treaties, is not addressed by the legislative proposals.

1.19 The EESC strongly believes that supply management tools can also be effective in some agricultural sectors. The EESC therefore recommends a thorough analysis of market developments when examining the possibility to postpone the abolition of the vine planting rights system, and the possibility to maintain sugar quotas for a longer period.

1.20 It is vital to strengthen the position of farmers and their organisations in the food supply chain, in order to secure a better return from the markets. The EESC welcomes the extension of product coverage for recognition of producer organisations, their associations, and inter-branch organisations. In view of the different structures and traditions in the Member States, the new arrangements should be made voluntary. The Committee also supports the Commission proposals for the milk sector, but recommends that the Commission provide a clear definition of the term 'producer organisation'. It is also of paramount importance for EU competition rules to be adjusted to allow producer organisations and cooperatives to strengthen their positions on the market. In order to strengthen the bargaining power of farmers within the food production chain, the EESC also considers it necessary to create conditions for developing short supply chains managed directly by farmers.

Rural development

1.21 The EESC welcomes the proposed closer alignment of the CAP with the EU's 2020 strategy and the sustainability strategy for rural development, with particular emphasis on research, innovation and training. There should be particular focus on training of the most vulnerable groups (immigrants and unskilled agricultural workers), and of young people and women - these are key factors in professionalising and boosting

the competitiveness of agriculture. It is therefore important to improve quality, accessibility and use of information and communication technologies in rural areas. Rural development policies should be geared primarily towards the innovation and competitiveness of farm businesses in keeping with the European agricultural model, especially in order to support farm investments, promote generational renewal, support the development of supply chain integration measures and integrated regional projects, improve relations between farm businesses and the food processing industry, support environment and climate-friendly measures and processes and consolidate the process by promoting and upskilling farm jobs.

1.22 One very positive element in the Commission proposal is the introduction of European Innovation Partnerships to help improve links between researchers, farmers, foresters and advisors, to secure a knowledge-based agriculture and forestry that makes use of professional extension services. Such research should also include the improvement of rural economic activities, including tourism, crafts and other activities that can create jobs in rural areas.

1.23 The EESC welcomes the move from the 'axis' approach to a thematic approach under the Rural Development Policy proposals. We think this will give Member States and regions more flexibility to take account of their own specific conditions. However, it is necessary to ensure that important aspects of Pillar II cannot be completely disregarded. The principle of earmarking 25 % of funds for environmental protection measures and climate change measures is therefore important. A minimum amount should also be earmarked at least for the LEADER approach.

1.24 The EESC deems it crucial that the Member States provide the co-financing required for Pillar II in good time. The Committee disagrees on the desirability of including risk management measures under Pillar II. The Member States should ensure adequate national co-financing ⁽²⁾.

1.25 The EESC considers that a new, separate measure to raise the profile of organic farming is needed, for which the co-funding rate should be equal to that proposed for less developed areas (85 %). The EESC would also encourage the promotion of integrated production and conservation farming, stressing their positive environmental impact.

1.26 Taking into consideration the serious conditions facing agricultural activities in mountain and island regions, the EESC proposes that the Commission extend the 85 % co-funding rate not only to less developed regions but to mountain and island regions as well. This is implicit in the philosophy of the proposal but not specified directly. The proposed redefinition of 'other areas' in the context of less favoured areas requires further revision.

⁽²⁾ OJ C 132, 3.5.2011, p. 63, point 4.2.

1.27 The EESC reminds the Commission, the Parliament and the Council that water scarcity and droughts are already a serious problem in many European regions and that the situation is expected to worsen as a consequence of climate change. The EESC stresses the importance of integrated planning and sustainable development to address water use, water scarcity and drought, based on the integration of sectoral policies and the importance of territorial planning in areas traditionally affected by water scarcity and drought. At the same time, however, account should be taken of the additional costs incurred in northern Member States for draining agricultural land.

1.28 The EESC calls for a balanced, predictable, viable, less bureaucratic, flexible and transparent future CAP to attract younger generations to this sector.

2. Introduction

2.1 Agricultural policy has a pivotal role to play in the EU – not just because farmland and forests account for more than 90 % of land-use and play a major role in the sustainable use of resources and the conservation of natural habitats, but in particular because agriculture, by the way of the CAP can help Europe to meet major challenges such as: economic and financial crisis, climate change, protecting the environment, preserving the vitality of rural areas, and providing consumers with safe, affordable, high-quality food.

2.2 The coming years will be crucial in laying the foundations for a strong agricultural and forestry sector that is able to deal with climate change and international competition, while meeting public expectations. Europe needs its farmers and foresters, and its farmers and foresters need the support of Europe. Additionally, in a context of economic crisis, the issue of employment is becoming more crucial than ever. This is the reason why the Commission has proposed a new partnership between European citizens and its farmers and foresters to meet the challenges of food security, the sustainable use of natural resources, growth and employment.

2.3 The EESC has expressed in previous opinions its views on the challenges the European agriculture is likely to face, what the CAP objectives should be and how it should be reformed accordingly. The Commission communication, published in 2010, reflected most of the recommendations made in the earlier EESC opinion on the matter - NAT/449 ⁽³⁾. Following this Communication, further proposals were made in EESC opinion NAT/481 ⁽⁴⁾. Additionally, the EESC has recently addressed some specific issues within the CAP, such as the challenges facing young farmers ⁽⁵⁾, and areas with natural

handicaps ⁽⁶⁾. The EESC points out that in preparing its proposals, the Commission has chosen a completely different approach to that proposed by the EESC. The Committee suggested that, first, the objectives of the CAP should be clearly defined; then the instruments for implementing those objectives should be identified; and after that the funding needs should be determined. It considered that fixing an amount of funding and then dividing up the funds in some way was the wrong approach. However, that is exactly what the Commission has done and is now creating difficulties.

2.4 The EESC would like to emphasise the importance of the agricultural sector for employment. The EU agriculture and agri-food sector employs around 40 million people in rural Europe, forming the backbone of these areas and ensuring high-quality food for 500 million consumers. And yet, European farmers' incomes are generally only half of EU average earnings. According to Eurostat data from September 2011, the total farm labour force in the EU-27 is the equivalent of 11.7 million full-time workers, of which 10.8 million (92 %) are permanent workers. Agriculture remains very much a family-oriented activity in the majority of Member States; four fifths (80 %) of the total agricultural labour force are farm holders or members of their family. Just over one third (34 %) of permanent agricultural workers in the EU-27 are women. Among EU-27 agricultural holders, relatively few (6 %) are under the age of 35, while a relatively high proportion (34 %) is aged 65 years or over. In addition, a very significant part of the 30 million migrant labour force in the EU are seasonal workers in agriculture ⁽⁷⁾.

3. Background

3.1 The legislative proposals are based on the budgetary framework for the CAP set out in the Commission's multi-annual financial framework (MFF) proposal for the 2014-2020 period. This proposal kept the overall budget available for the CAP at the same level as in 2013 at current prices, representing **in real terms a budget decrease for the CAP**.

3.2 The MFF proposal suggests that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP focus on its core activities, with EUR 317.2 billion allocated to Pillar I (76 %) and EUR 101.2 billion to Pillar II (24 %), totalling EUR 418.4 billion over the 2014-2020 period.

3.3 The EESC notes that agreement within the Commission on this budget allocation for agriculture was only possible by including references to the need for greening of agriculture. This must now be reflected in actual policy.

⁽³⁾ OJ C 354, 28.12.2010, p. 63.

⁽⁴⁾ OJ C 132, 3.5.2011.

⁽⁵⁾ OJ C 376, 22.12.2011 p. 19-24.

⁽⁶⁾ OJ C 255, 22.9.2010, p. 87.

⁽⁷⁾ Eurostat - Farm Structure Survey.

3.4 The legislative proposals envisage supplementing Pillar I and Pillar II funding with additional funding of EUR 17.1 billion, including EUR 5.1 billion for research and innovation, EUR 2.5 billion for food safety and EUR 2.8 billion for food support for the most deprived individuals under other headings of the MFF, and EUR 3.9 billion in a new Crisis Reserve for the agricultural sector, thus bringing the total budget to EUR 432.8 billion over the 2014-2020 period.

4. General comments

4.1 The European Economic and Social Committee welcomes the Commission's reform objectives of enhancing competitiveness, improved sustainability and greater effectiveness.

4.2 *The EU budget and financial resources for the CAP*

4.2.1 The EESC renews its call to the Parliament, the Council and the Commission for the EU budget allocated to the CAP to be maintained⁽⁸⁾. This is needed to support the European agricultural model and the different services delivered by the farming and forestry activities to society, such as safeguarding viable rural communities and infrastructure, balanced regional development and rural employment, maintenance of traditional landscapes, national heritage and traditions, biodiversity, protection of the environment, and highest standards of animal welfare and food safety. These services reflect the concerns of European consumers and taxpayers. As European farmers and foresters provide these multifunctional services for the benefit of society as a whole, often incurring additional costs without a compensating market return, it is necessary and justified to reward them through public intervention. The aim of the greening component is to define these services so as to justify and legitimise the new payment entitlements that agriculture can claim from society.

4.2.2 The implications and future impacts of the financial and economic crisis that is shaping the European and world economy as well as the decisions taken concerning the new stability pact, are putting all aspects of public budgets under the microscope. The EESC repeats that the European agricultural model cannot operate at world market prices and conditions and does not come free of charge. Any policy that promotes this agricultural model thus requires sufficient financial resources. It is therefore particularly important that every instrument (such as direct payments) that costs money is clearly justified. However, in the current proposals concerning the Union budget for the 2014-2020 period⁽⁹⁾, the resources earmarked for the CAP would be clearly reduced in constant price terms. Although the Commission acknowledges the strategic role of the common agricultural policy in the light of the Europe 2020 Strategy's sustainable growth objective, CAP spending as a share of the Union budget will fall from 39.2 % in 2014 to 33.3 % in 2020. **This choice on the part of the Commission disregards the EESC's call for at least a guarantee of confirmation of the budget quota so far allocated by the EU to the CAP.**

⁽⁸⁾ OJ C 132, 3.5.2011, p. 63, point 1.10.

⁽⁹⁾ COM(2011) 500 final - *A Budget for Europe 2020*.

4.3 *Direct payments*

4.3.1 The EESC has previously agreed with the Commission that, within each Member State, we should move away from the historical reference period as the basis for determining the amount of support for farmers, since the significant individual differences in the level of support per hectare are no longer justifiable⁽¹⁰⁾ not least because they distort competition within the single market.

4.3.2 However, the EESC believes that there are three good arguments for granting direct payments in future: the provision of services in order to establish the European agricultural model (e.g. via the greening component); the possibility of partial transfer payments and compensation for higher European standards. Flat per-hectare payments are not always the most efficient policy tool for that purpose: why, for example, should a 1 000 hectare farm receive 1 000 times the transfer payment, while a 25 hectare farm receives only 25 times? Transfer payments should be linked to jobs or individuals, not to land area. Nor can disadvantages faced by European livestock farmers be compensated for through per-hectare premiums that non-livestock farmers also receive. Ways of differentiating payments on the basis of additional criteria could be explored and allowed at the national level. Also, in some Member States, where historical payments are still in use, the convergence between national envelopes in addition to internal convergence will create difficulties. **In these cases internal convergence will require flexibility, a longer transition period and progressive change throughout the period**⁽¹¹⁾.

4.3.3 One of the important tasks for this reform is to propose a path towards a **fairer distribution of envelopes between Member States**. The EESC welcomes the efforts to close the gap between the level of support received by farmers in the different Member States. It wishes to see a revision of the rural development envelopes on the basis of more objective criteria towards the better targeting of the policy objectives and welcomes the flexibility of funds transfer between pillars.

4.3.4 The EESC recognises the unequal situation that exists in terms of distribution of direct payments between the old and new Member States. According to the EESC, it is in fact necessary to support the competitiveness of the agri-food sector in the same manner in all Member States in order to preserve the coherence of the European agricultural model. Any redistribution of direct payments should take account of the cost and revenue structure of farming in the Member States.

4.3.5 The EESC would like to avoid further distortion of competition which has social implications for a number of Member States, especially the Baltic countries, taking into account not only farmers' interests, but also the needs of consumers and of the public in general. The EESC recommends

⁽¹⁰⁾ OJ C 354, 28.12.2010, p. 35, point 5.6.11.

⁽¹¹⁾ OJ C 132, 3.5.2011, p. 63, point 1.4.

redistributing Pillar I direct payments among Member States in such a way as to ensure that **no country would be under 90 % of the EU average at the end of the budget period.**

4.3.6 The greening component of Pillar I is a way of creating a greater and more visible link between direct payments and the environmental public goods provided by farmers. It is also an important step in solving the problems in the area of biodiversity that result from farming. The EESC welcomes such an approach, but makes the following recommendations:

- Efforts have been made by the Commission to keep this system simple: only three measures, which would be easy to monitor by satellite. The implementing rules should however ensure that these measures do not impose any additional administrative burden to farmers.
- It is important for the greening measures to be applicable by all farmers across the EU in a similar way, in order to ensure broad environmental effects and to avoid distortions between farmers of different regions. However some flexibility might be needed in the application at national or regional level. Agro-environment measures that correspond to the greening component should generally be taken into account.
- There are concerns about the risk of overlapping between the greening measures and the second pillar agro-environmental measures ⁽¹²⁾. A clear distinction needs to be made in order to ensure that farmers that are already engaged in agro-environmental programmes can efficiently continue benefiting from this policy tool without suffering a loss of income. Farmers engaged in agro-environmental programme measures, which pursue the required goals of the greening component, may be seen as fulfilling the greening component. Agro-environmental measures taken to date (Pillar II) should be recognised under the new environmental requirements (Pillar I), as is also the case for organic farming generally.

4.3.7 The greening measures should be adapted and implemented as follows:

- The proposal to use 7 % of land for 'ecological focus areas' would not be acceptable if important amounts of arable land were taken out of production. It would also be counter-productive, in view of the global increase in demand for food. The Commission should present the draft list of features that are recognised as 'ecological priority land' as soon as possible. In so doing, it should make it clear that it primarily covers features that are important for maintaining or improving biodiversity, which clearly includes existing trees, terraces, riparian

zones, flower pastures etc. These items should be considered as eligible areas, including in countries where national regulations had excluded them from the definition of farmland. A suitable list would also quickly make it clear that the frequently expressed fears that the Commission wishes to completely set aside 7 % of land are unfounded. Finally, it should be made possible to effectively calculate the main permanent crops as 'ecological focus areas' in order to promote their considerable environmental and ecological value.

- The Commission must make it clear that the crop diversification measure should not penalise in particular farmers with little arable land, livestock holdings without pastures, and farmers under agro-climatic and soil conditions where no other crop can be produced. The EESC recommends in such cases some flexibility in the implementation, which should be proposed by the Member States and accepted by the Commission.

4.3.8 The EESC notes that the situation in relation to biodiversity varies greatly not only between Member States but also from region to region. To begin with, therefore, a fixed percentage of 7 % priority land in all EU regions appears rather bureaucratic and inappropriate. However, if the measures are selected in such a way that all existing structures on agricultural holdings that make a positive contribution to species development can be taken into account, farmers in regions that are rich in structures (with a high level of biodiversity) will have much less difficulty with adjustment and implementation than farmers in 'cleared' regions (with low biodiversity). It is precisely for this reason that the right approach for the Commission to take in promoting the European agricultural model is to introduce these measures at farm level only (except for small farms).

4.3.9 The EESC agrees with the Commission's proposal to retain the option for Member States to grant payments to farmers in mountain areas or other areas facing specific or other natural constraints covered by Pillar II measures. The EESC similarly welcomes the possibility to be given to the Member States also to grant additional payments to areas facing natural constraints under Pillar I direct payment arrangements. The EESC urges the Commission to ensure simplified procedures allowing all the potential beneficiaries to make use of these new opportunities. The proposals to redefine less favoured areas ('other areas') remain incomplete and require revision. However, it is critical of the Commission's proposals to use eight biophysical criteria to develop a new delimitation of 'other less-favoured areas' and the proposed minimum of 66 % of utilised agricultural area. In their current form, these rules would put certain regions that are less favoured due to a combination of several factors in a worse position with no objective justification. The new regulatory framework should be designed to take appropriate account of the interaction between these factors.

⁽¹²⁾ OJ C 132, 3.5.2011, p. 63, point 3.4.3.

4.3.10 The EESC is in favour of capping direct payments on the basis of the country's and the specific region's agricultural structure. The EESC agrees that capping of payments should be applied in a flexible way, while respecting the principle of subsidiarity. The proposed progressive capping scheme is to be welcomed, provided that the reduced amount is directed towards the weaker agricultural sectors in each country. The amount referred to in the proposal should be calculated by subtracting maximum 50 % of the salaries actually paid and declared by the farmer in the previous year, including taxes and social contributions related to employment. Family labour should also be taken into account.

4.3.11 The EESC, being well aware of the difficulties involved in defining the concept of the active farmer, proposes that such a definition should include among its requirements the production and marketing of agricultural products, including through direct local marketing, and the creation of public goods and services of social interest⁽¹³⁾. It should also bear in mind the disadvantaged status of the region and the necessity of part-time farming in order to maintain an average family income. The EESC considers that greater flexibility is needed for individual Member States to make decisions on the definition of the active farmer in order to establish who should receive direct payments. This should be based on the eligible area. Furthermore, the definition of the active farmer should not exclude beneficiaries of less than EUR 5 000.

4.3.12 The EESC supports the Commission's proposal to consider the establishment of young farmers as one of the Union's rural development priorities, in part through the implementation of thematic sub-programmes within rural development programmes. The EESC also very much welcomes the proposal to introduce income support for young farmers starting agricultural activity under Pillar I. The EESC urges the Commission to ensure simplified procedures allowing all potential beneficiaries to make use of these new opportunities.

4.3.13 With a view to strengthening their rural development policy, Member States are given the possibility of transferring funds from their direct payments envelope to their rural development envelope. At the same time, Member States in which the level of direct support remains lower than 90 % of the European average should be allowed to transfer funds from their rural development envelope to their direct payments envelope. Such choices should be made, within certain limits, once and for the entire period of application of this regulation. The EESC recommends that the Commission increase from 5 % to 10 % the flexibility for transferring funds from Pillar II to Pillar I.

4.3.14 The EESC calls on the Commission to review the planned extension of eco-conditionality. Extending eco-conditionality to cover all the obligations and restrictions relating to the Natura 2000 areas and the Water Framework Directive could result in a flagrant and unjustifiable unequal treatment of farmers. While eco-conditionality should cover certain basic obligations, it should not cover the obligations on farmers in water protection areas or other specific protection areas. These obligations should be covered by a specific payment under the second pillar.

4.4 Market instruments

4.4.1 The main proposal on market management policy is a budgetary one (the creation of the Crisis Reserve) and a governance one (the Commission will have more power). There is little innovation as far as the instruments themselves are concerned. The EU should focus its economic research on this topic in order to find modern instruments to combat price volatility. These instruments should be applied to the EU market, but also to the regulation of international markets, which is a major challenge, as emphasised in the G20 conclusions of June 2011.

4.4.2 The EESC reminds the Commission, the Parliament and the Council that the extreme price volatility experienced in recent years points to the need for more effective market management instruments. The EESC considers that the proposed market instruments are insufficient and calls for better supply-demand coordination and rebalancing of market power along the food supply chain. Under the treaty, one of the aims of the CAP is to stabilise markets. Stable markets are important. For this reason, the EESC believes that the market instruments tool box should be much more ambitious, in order to avoid strong price fluctuations.

4.4.3 The Commission proposed to continue the phasing out of supply management tools started in 2009. The EESC, however, believes that it would be a mistake to do away with these tools. Their purpose is to secure greater stability for prices and farm incomes by matching supply more closely to demand. They have proved effective in numerous cases. There is a wide variety of supply management tools: ex-ante control (e.g. granting production rights), ex-post control (e.g. crop destruction), input control (e.g. planting rights), framing of premium rights (e.g. national ceilings), etc.

4.4.4 The EESC recommends that a proper analysis of the implications of postponing the termination of the sugar quotas scheduled for 2015 is carried out. Concerning the vine plantation rights that will expire no later than 2018, the EESC, while in favour of maintaining plantation rights, welcomes the decision of the Commission to set up a High-Level Group (HLG) for the purpose of discussing the measures needed in

⁽¹³⁾ OJ C 132, 3.5.2011, p. 63, point 1.5.

the wine sector and highlights the need to maintain vine plantation rights beyond 2018 to improve management of the market. Recommendations from this HLG are expected before the end of 2012.

4.4.5 Since 77 % of the EU-27 food market is already controlled by only fifteen commercial chains, the Committee feels that efforts are needed to balance commercial supply against the power of the distribution market and that consideration should be given to whether competition law is enough to prevent the emergence of market dominance and questionable contractual practices. It is important that all stakeholder groups be involved in this exercise⁽¹⁴⁾. This should lead to changes in EU competition laws governing the agri-food sector to ensure that account is taken of its specific characteristics, adapting these laws to those in the countries with which the EU competes on the global markets, as concluded by the HLG on Milk.

4.4.6 The high price volatility in recent years has prompted questions about the future CAP regarding the possible benefits of more risk management tools and a more global approach to the functioning of the whole food chain.

4.4.7 With a view to strengthening the power of producers in the food chain, the Commission should also provide the tools and financing for a better, more transparent and updated knowledge of the markets and margins in all sectors. In its previous opinions, the EESC has underlined the need to promote written contracts, adapt competition rules, outlaw unfair and anti-competitive practices, improve the marketing capacity of producers' organisations and bolster inter-professional organisations⁽¹⁵⁾. More strenuous efforts than hitherto should be made to foster local and regional initiatives, farmers' markets, short marketing circuits (including in relation to canteens, mass catering etc.) and direct sales.

4.4.8 In order to ensure the necessary flexibility in responding to unexpected emergencies, the Commission proposes the creation of a reserve for agricultural sector crises with a budget of around EUR 500 million. It would be appropriate for the Commission to incorporate this instrument into the MFF and clarify better the workings of this new tool while specifying the procedures for activating measures to oppose market disruption. It is imperative that this tool is flexible enough to respond in a rapid and timely manner.

4.4.9 The Commission promotes the role of producers', operators' and trade organisations by extending their operations to all products covered by the CMO. The EESC - also bearing in mind past comments by the European Court of Auditors⁽¹⁶⁾ - considers it necessary to clarify in detail the Commission's guidance on the requirements for recognising such bodies and

the measures for monitoring their activities. Thus, consideration should also be given to how far the proposal to authorise collective, across-the-board agreements would undermine individual farmers' freedom to take decisions for themselves.

4.4.10 The EESC agrees with the proposal from the Commission to make use of written contracts between the parties. Cooperatives and similar structures might be however exempted. According to the Commission, this step is required only for dairy products while for other kind of products it may be activated by the Member States on an optional basis. The EESC believes that it would be appropriate for the Commission to extend this requirement to all other agricultural products covered by the CMO including perishable goods.

4.4.11 The EESC has reservations about the possibility of using the European Globalisation Fund (EGF) to provide support to farmers who are suffering from the effects of international trade agreements. The EESC recalls that the EGF should be used primarily to provide support for workers made redundant as a result of major structural changes in world trade due to globalisation, when these redundancies have a significant adverse impact on the regional or local economy⁽¹⁷⁾. In order to ensure that EGF action has maximum impact, the EESC believes that the fund should not be used to support European agriculture.

4.4.12 According to the latest estimates, approximately 16.3 % of EU citizens live at or below the poverty line. The EESC recalls the contribution of the European programme to distribute food to the needy, under which tens of millions of meals are distributed to the neediest each year (in 2009, over 18 million people benefited from the programme). The EESC is pleased that in the 2014-2020 budgetary proposals, the European programme of aid for those in greatest need is clearly identified outside the first and second pillars. However, its working mechanisms need to be improved in the light of the comments made by the European Court of Auditors⁽¹⁸⁾. The EESC considers that solidarity with disadvantaged groups is a value which the EU has always upheld, across its various policies, and it must continue to do so.

4.5 Rural development

4.5.1 The EESC considers Pillar II to be the key tool to ensure the preservation of the European agricultural model. The serious financial situation of several Member States will mean that many measures can no longer be co-financed adequately, or even at all, which will seriously weaken it. This is a fundamental problem that must be addressed in the context of the negotiations on the financial programming for 2014-2020.

⁽¹⁴⁾ OJ C 354, 28.12.2010, p. 35.

⁽¹⁵⁾ OJ C 48, 15.02.2011, p. 145.

⁽¹⁶⁾ European Court of Auditors, Growing success? The effectiveness of the European Union support for fruit and vegetable producers' operational programmes, Special Report No 8,.

⁽¹⁷⁾ Regulation (EC) No 1927/2006 of the Parliament and the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund.

⁽¹⁸⁾ European Court of Auditors, European Union food aid for deprived persons: an assessment of the objectives, the means and the methods employed, Special Report No 6, 2009.

4.5.2 The move away from the principle that has applied to Pillar II so far, of having three axes (plus LEADER) supported by minimum funding proportions, towards six priority areas essentially means that the Member States will have (even) greater freedom of choice. However, the EESC welcomes the fact that environmental protection and climate change measures will in future account for 25 % of the financial envelope and proposes that there should also be a minimum proportion for LEADER. What should be avoided is that Member States take only investment promotion measures, for example, and therefore neglect support of e.g. agro-environmental measures, organic farming or bottom-up initiatives such as LEADER.

4.5.3 In order for farming to become more competitive, the Commission proposes linking the CAP to the EU's strategy for growth and jobs, with the focus on training, innovation and research. The EESC encourages this approach.

4.5.4 The EESC agrees with the introduction of the European Innovation Partnership in the context of rural development policies. The EESC believes this tool will primarily promote and support research activities designed to foster the productivity and sustainability of agriculture and forestry, to ensure the efficient use of environmental resources, to enhance the contribution of agriculture and forestry to the struggle against climate change, to improve quality and safety at work in agriculture and forestry, to ensure the safety and health of consumers, to encourage the testing of innovative farming and forestry techniques, to improve transport and logistics of food products and to single out eco-friendly food products packaging. In the EESC's opinion, the European Innovation Partnership in agriculture and forestry will ensure cross-border synergy and cooperation in Europe between the various public and private entities committed to it, by improving the efficiency of research and innovation.

4.5.5 The EESC warmly welcomes the proposals concerning rural development measures and urges the Commission to give Member States the opportunity and the freedom to create special measures for sectors of primary importance to them by offering an alternative to these regions. This is indispensable for the upkeep and conservation of our nature and the shaping of our cultural landscapes. The EESC has noted that the Commission tends to apply stricter selection criteria for access to certain measures. It would stress that these selection criteria must not obstruct the growth of farming businesses that have already reached a certain level of competitiveness.

4.5.6 The EESC agrees with the strengthening of the risk management tools implemented in the CAP. The Committee believes that these tools should help reduce the fluctuation of income and market instability. The strengthening of insurance products and the creation of mutual funds should help farmers facing higher market volatility, greater exposure to new animal and plant diseases as well as more frequent poor weather conditions. The Committee agrees with the inclusion of risk management under the Pillar II, but considers that the Member States should first settle the issue of national co-financing.

4.5.7 The EESC welcomes the decision to continue the policy for areas with natural handicaps. Nevertheless, it regrets that the recommendations it set out in its opinion⁽¹⁹⁾ on Communication COM(2009) 161 - Towards a better targeting of the aid to farmers in areas with natural handicaps - have been ignored with respect to the delimitation of these areas. The eight bio-physical criteria proposed by the Commission do not adequately meet the requirements of a relevant and legitimate redefinition, acceptable throughout the EU.

4.5.8 The EESC has already declared that maintaining biodiversity is an essential, key task which not only represents an ethical and moral obligation but is also of strategic importance in the long term. There are sufficient economic reasons to act more quickly and more effectively.

4.5.9 The EESC highlights the fact that the 2012 reviews constitute a unique opportunity for integrating water scarcity and extreme events, such as drought, into a common policy framework for water resource management.

4.5.10 The EESC considers that Pillar II should reflect the huge problem of drought, soil erosion and desertification in the southern and Mediterranean regions of the EU and recommends drafting a special measure to address this issue. At the same time, however, account should be taken of the additional costs incurred in northern Member States for draining agricultural land.

4.5.11 The EESC urges the Commission, the Parliament and the Council to consider framing an integrated EU protein strategy in order to safeguard the supply of animal feed and reduce dependence on protein imports.

4.5.12 Food waste is an increasingly important issue for food security and resource efficiency. The EESC recommends that the Commission review best food waste reduction practices in countries such as Germany and support them with legislative measures at EU level.

4.5.13 Relocalisation of the economy is a key issue in the years to come, and in agriculture the added value should be kept within the territories whenever possible. Furthermore, according to the European Court of Auditors, local action groups under the LEADER programmes are not sufficiently focussed on achieving the goals of their own local strategies⁽²⁰⁾. It would therefore be useful for the CAP for 2014-2020 to adopt corrective measures through a new policy tool that allows accompanying the emergence of territorialised projects at a larger scale than with the LEADER approach.

⁽¹⁹⁾ OJ C 255, 22.9.2010, pp. 87–91.

⁽²⁰⁾ European Court of Auditors, Special Report No 5/2011.

4.5.14 The EESC believes that the CAP must be a primary instrument for forging alliances with consumers, encouraging provision of relevant information on how food has been produced throughout the value chain or life cycle. Products must be clearly traceable by the consumer, who could be the best ally in achieving more sustainable European agri-food production which respects the environment and creates better jobs.

Brussels, 25 April 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON

APPENDIX I

to the Committee opinion

The following amendments, which received at least a quarter of the votes cast, were rejected during the discussion:

Point 1.25

Insert:

The EESC considers that a new, separate measure to raise the profile of organic farming is needed, for which the co-funding rate should be equal to that proposed for less developed areas (85 %). ~~The EESC would also encourage the promotion of integrated production and conservation farming, stressing their positive environmental impact.~~

Result of the vote

For 75

Against 81

Abstentions 8

Point 4.3.6

Insert:

The greening component of Pillar I is a way of creating a greater and more visible link between direct payments and the environmental public goods provided by farmers. It is also an important step in solving the problems in the area of biodiversity that result from farming. The EESC welcomes such an approach, but makes the following recommendations:

- *Efforts have been made by the Commission to keep this system simple: only three measures, which would be easy to monitor by satellite. The implementing rules should however ensure that these measures do not impose any additional administrative burden to farmers.*
- *It is important for the greening measures to be applicable by all farmers across the EU in a similar way, in order to ensure broad environmental effects and to avoid distortions between farmers of different regions. However some flexibility might be needed in the application at national or regional level. Land subject to agro-environmental measures that have a particularly positive impact on biodiversity (e.g. pollinator strips) correspond to the greening component should in future be recognised as 'ecological priority land' generally be taken into account. The resulting costs for farmers over and above preparing the land (e.g. for sowing, upkeep) should be offset under the first pillar.*
- *There are concerns about the risk of overlapping between the greening measures and the second pillar agro-environmental measures. ⁽¹⁾ A clear distinction needs to be made in order to ensure that farmers that are already engaged in agro-environmental programmes can efficiently continue benefiting from this policy tool without suffering a loss of income. Farmers engaged in agro-environmental programme measures, which pursue the required goals of the greening component, may be seen as fulfilling the greening component. Agro-environmental measures taken to date (Pillar II) should be recognised under the new environmental requirements (Pillar I), as is also the case for organic farming generally.*

Result of the vote

For 71

Against 90

Abstentions 11

Point 4.3.7

Insert:

The greening measures should be adapted and implemented as follows:

- *The proposal to use 7 % of land for 'ecological focus areas' would not be acceptable if important amounts of arable land were taken out of production. It would also be counter-productive, in view of the global increase in demand for food. The Commission should present the draft list of features that are recognised as 'ecological priority land' as soon as possible. In so*

⁽¹⁾ EESC opinion on the Future of the CAP (OJ C 132, 3.5.2011, p. 63, point 3.4.3).

doing, it should make it clear that it primarily covers features that are important for maintaining or improving biodiversity, which clearly includes existing trees, terraces, riparian ~~zones~~ buffer strips, flower pastures etc. These items should be considered as eligible areas, including in countries where national regulations had excluded them from the definition of farmland. A suitable list would also quickly make it clear that the frequently expressed fears that the Commission wishes to completely set aside 7 % of land are unfounded. Finally, it should be made possible ~~to for only 3,5 % of effectively calculate the main~~ permanent crops to be as 'ecological focus areas' ~~in order to promote their considerable environmental and ecological value.~~

- The Commission must make it clear that the crop diversification measure should not penalise in particular farmers with little arable land, livestock holdings without pastures, and farmers under agro-climatic and soil conditions where no other crop can be produced. The EESC recommends in such cases some flexibility in the implementation, which should be proposed by the Member States and accepted by the Commission.

Result of the vote

For	64
Against	88
Abstentions	14
