

II

(Preparatory Acts)

COMMITTEE OF THE REGIONS

Opinion of the Committee of the Regions on:

- the 'Proposals for Council Regulations (EC) concerning the reform of the common agricultural policy':
 - 'Council Regulation (EC) on the financing of the common agricultural policy';
 - 'Council Regulation (EC) amending Regulation (EEC) No 1766/92 on the common organization of the market of cereals and repealing Regulation (EEC) No 2731/75 fixing standard qualities for common wheat, rye, barley, maize and durum wheat';
 - 'Council Regulation (EC) establishing a support system for producers of certain arable crops';
 - 'Council Regulation (EC) on the common organization of the market in beef and veal';
 - 'Council Regulation (EC) on the common organization of the market in milk and milk products';
 - 'Council Regulation (EC) amending Regulation (EEC) No 3950/92 establishing an additional levy in the milk and milk products sector';
 - 'Council Regulation (EC) establishing common rules for direct support schemes under the common agricultural policy';
 - 'Council Regulation (EC) on support for rural development from the European Agriculture Guidance and Guarantee Fund (EAGGF)';
- the 'Proposal for a Council Regulation (EC) laying down general provisions on the Structural Funds',
- the 'Proposal for a Council Regulation (EC) on the common organization of the market in wine', and
- the 'Proposal for a Council Regulation (EC) on Community support for pre-accession measures for agricultural and rural development in the applicant countries of central and eastern Europe in the pre-accession period'

(1999/C 93/01)

THE COMMITTEE OF THE REGIONS,

having regard to the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions entitled Agenda 2000: the legislative proposals: overall view;

having regard to the proposals for Council Regulations (EC) concerning the reform of the common agricultural policy [COM(1998) 158 final — 98/0112 (CNS) — 98/0107 (CNS) — 98/0108 (CNS) — 98/0109 (CNS) — 98/0110 (CNS) — 98/0111 (CNS) — 98/0113 (CNS) — 98/0102 (CNS)]⁽¹⁾;

having regard to the proposal for a Council Regulation (EC) laying down general provisions on the Structural Funds [COM(1998) 131 final — 98/0090 (AVC)]⁽²⁾;

having regard to the proposal for a Council Regulation (EC) on the common organization of the market in wine [COM(1998) 370 final — 98/0126 (CNS)]⁽³⁾;

having regard to the proposal for a Council Regulation (EC) on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period [COM(1998) 153 final — 98/100 (CNS)]⁽⁴⁾;

having regard to the decision taken by the Commission on 18 March 1998 and the decisions taken by the Council on 24 April and 20 July 1998, under the first paragraph of Article 198c of the Treaty establishing the European Community, to consult the Committee of the Regions on the matter;

having regard to its Bureau's decision of 13 May 1998 to direct Commission 2 (Agriculture, rural development, fisheries) to draw up the opinion;

having regard to its Opinion on the CAP and eastward enlargement (CdR 239/96 fin)⁽⁵⁾ and its Opinion on the regional consequences of the CAP reform (CdR 17/96)⁽⁶⁾;

having regard to the opinion (CdR 273/98 rev. 2) adopted by Commission 2 on 10 December 1998 (rapporteurs: Mr Bocklet and Mr Penttilä),

adopted the following opinion at its 27th plenary session of 13 and 14 January 1999 (meeting of 14 January).

1. Preliminary remarks

1.1. The proposals for the section of Agenda 2000 dealing with agriculture were published on 18 March 1998. The Commission's approach follows that set out in its initial observations in July 1997. Drastic cuts in support prices, bringing them closer into line with price levels on the world market, are designed to secure growth within the internal markets and boost European agriculture's share in the growth of the world market. Compared with the July 1997 proposals, compensation for the resultant loss of farm incomes is to be narrower in scope and will only partly take the form of direct support. The Commission proposals also seek to meet the challenges of eastward enlargement.

1.2. Support for agricultural structural measures [Objective 5 (a)] and rural areas [Objective 5 (b)], previously separate, is to be brought together with that for declining industrial regions and problem urban areas under a new Objective 2. There is also a proposal for horizontal support for rural development from the EAGGF Guarantee Section.

1.3. The Committee of the Regions' comments relate to the following proposals for agricultural regulations:

- financing of the common agricultural policy;
- amendment of Regulation (EEC) No 1766/92 on the common organization of the market in cereals and repealing Regulation (EEC) No 2731/75 fixing standard qualities for common wheat, rye, barley, maize and durum wheat;
- establishment of a support system for producers of certain arable crops;
- common organization of the market in beef and veal;
- common organization of the market in milk and milk products;
- amendment of Regulation (EEC) No 3950/92 establishing an additional levy in the milk and milk products sector;
- establishment of common rules for direct support schemes under the common agricultural policy;
- support for rural development from the European Agriculture Guidance and Guarantee Fund (EAGGF);
- general provisions on the Structural Funds;
- Regulation on the common organization of the market in wine which, although not part of Agenda 2000, is dealt with in this context;

⁽¹⁾ OJ C 170, 4.6.1998, p. 85, 1, 4, 13, 38, 60, 93 and 67.

⁽²⁾ OJ C 176, 9.6.1998, p. 1.

⁽³⁾ OJ C 271, 31.8.1998, p. 21.

⁽⁴⁾ OJ C 150, 16.5.1998, p. 14.

⁽⁵⁾ OJ C 116, 14.4.1997, p. 39.

⁽⁶⁾ OJ C 129, 2.5.1996, p. 15.

— Regulation on Community support for pre-accession measures for agricultural and rural development in the applicant countries of central and eastern Europe in the pre-accession period.

2. Basic comments

2.1. EU farm production meets high ecological standards. In the interests of maintaining high standards and a high level of animal welfare, account must be taken of the costs this involves.

2.2. Reform of the common agricultural policy is absolutely essential in view of the forthcoming WTO negotiations, eastward enlargement and the reorganization of European Union financing. The reform must help to improve rural development and the global competitiveness of European farming, make for environmentally sound, non-resource-intensive farming, ensure high standards of food safety and food quality, maintain the viability of rural areas and help to make farms viable. This requires:

- adequate external protection,
- allowance for the diversities of European agriculture,
- price cuts only in so far as absolutely required by the market,
- more effective use of quantity-control measures,
- full compensation for price cuts, via direct support,
- a system unencumbered by red tape, and
- promotion of vocational training.

In general terms, the principle of subsidiarity down to regional level must be strictly applied in the framing and implementation of the various policies, in full compliance with the distribution of powers laid down by the legal system of each Member State.

3. Appraisal of the Commission proposals to amend the market organizations

3.1. Crop sector

3.1.1. The Committee of the Regions feels that, given the current market situation and WTO rules, it is not necessary to cut the cereals intervention price by 20 %.

3.1.2. The Committee also takes the view that cutting intervention prices has a direct impact on producer

prices, particularly for feed grain. This is also indicated by the Commission's plan to fix the reference quota for compulsory set-aside at 0 %. For this reason, producers should receive full compensation for the cut in intervention prices. Moreover, as a result of the proposed reforms, the cut in cereals prices would mean, particularly in the Union's less-favoured areas, that the price received for a product would not even cover the variable production costs.

3.1.3. Silage maize support acts as compensation in the milk and beef/veal sectors. However, solutions must also be found to safeguard the competitiveness of green forage and permanent pasture as opposed to silage maize, in regions in which maize cannot be grown for climatic reasons. Specific aid should therefore be worked out for these products so as to preserve the development of the diversified regions of the European Union.

3.1.4. The drastic cut in area support for oilseeds would harm the competitiveness of oilseed cultivation. It is increasingly necessary to establish the type of differentiated aid for oil seeds which now exists. Farms are expected to face loss of interest and cash-flow problems as a result of the deferment of the time limit for payment of compensation. Fixing the normal set-aside rate at zero removes the most efficient form of quantity control. Fixing the voluntary minimum set-aside rate at 10 % is too restrictive. The Committee of the Regions therefore opposes such deferment.

3.1.5. There are no targeted measures to promote renewable raw materials for use industrially or in energy recovery (e.g. heating plants, conversion to biodiesel etc.). Such a policy should be introduced, inter alia via a specific section in the EAGGF regulation.

3.1.6. The Committee of the Regions calls for the basic regional sub-areas to be retained in the new regulation on the common organization of the market in arable crops.

3.2. Beef

3.2.1. The proposals in the beef sector heighten already existing distortions in competition to the detriment of traditional intensive fattening procedures.

3.2.2. The switch from permanent intervention to optional intervention and a private-storage aid scheme is a step in the right direction, but compensation for the planned price cuts is wholly inadequate. Even the extension of direct support to heifers and older cows brings no added improvement, since the fixed-ceiling resources are used at the expense of the other animal groups.

3.2.3. The retention of the old, complicated rules, supplemented by the introduction of new, complex measures, means much more administration and supervision for cattle farmers and national authorities.

3.2.4. The ninety-animal limit hampers the emergence of competitive farms.

3.2.5. The improvement in the incentives to extensify beef production highlights the environmental aspects of production, which the Committee of the Regions feels is particularly laudable. However, in this context, the Committee would also point to the major differences in production areas across the EU. The permanent-pasture arrangement, for example, is not suitable for all Member States since, in some areas, climatic conditions mean that grassland is part of the normal multi-field farming environment. The Commission must take this into account in its proposals for extensification payments.

3.2.6. Apart from this, however, EU support must also reflect regional differences in beef production. Farmers must retain adequate sources of income, including in regions in which specialized cattle-fattening techniques are in operation. To do this, it must be ensured that the support resources granted to individual Member States match their share of production and that no competitive distortions emerge between production regions which are geared along different lines. In most areas using traditional cattle-fattening techniques, regional animal density is markedly lower than the limits set under EU law; in consequence, these techniques are also deemed compatible with the Community's environment policy objectives.

3.3. *Milk*

3.3.1. The Commission assumes that cutting intervention prices for milk products will raise consumption and boost the Union's competitiveness. The Committee of the Regions, however, does not believe that EU consumption will rise, since price changes in basic products have very little impact on consumption. In addition, raising quotas by 2% will generate further price pressure, and this may undermine the quota scheme.

3.3.2. The Committee of the Regions believes that the arrangements covering milk products have proved their worth. Price cuts should, therefore, be introduced only when absolutely required by the market, and must be fully compensated for.

3.3.3. The proposed arrangements involve four compensation payment components (basic premium for milk, basic premium for beef, optional supplementary premium for milk and meat compensation). This makes them not only extremely complicated, but also inappro-

priate since they discriminate against individual breeds of cattle and entail further red tape. The COR feels that solutions must be found which ensure balanced support in all areas.

3.3.4. The Commission proposals in connection with the extension of the milk quota scheme — which are designed to strengthen farm operators — are inadequate.

3.3.5. The quota must be allocated to active producers at the start of the extension period; the mandatory link between quotas and land must be abolished and it must be ensured that producers ceasing milk production after 2000 are obliged to give up their quota. In addition, the specific nature of upland regions must be taken into account. To this end, each Member State should ensure the maintenance of quotas in upland areas, not least so that young farmers are able to continue working the land.

3.3.6. The COR welcomes the Commission proposal to press ahead with the quota arrangement until 2006 since, otherwise, milk production would collapse in large tracts of Europe. However, the Commission should be unambiguous about what is to happen to this arrangement after that date. The Committee would point out the long-term nature of milk production investments; hence the need for decisions on the regulation of the milk market beyond 2006.

3.4. *National ceilings*

3.4.1. The Committee of the Regions endorses the Commission proposal to pay part of the assistance under the national ceilings arrangement either as animal- or land-related support. This would boost CAP flexibility. The ceilings must, as far as possible, be geared to current production quotas.

3.4.2. Notwithstanding national ceilings, full compensation must be paid for loss of producer income. That said, the Commission must ensure that the support paid out via the national ceilings arrangement does not distort competition.

3.4.3. Production practices traditional in individual regions must not be placed at a disadvantage through distortions in competition. This applies, for example, to compensatory payments for dual-purpose breeds of cattle in the organization of the market in milk and to the various cattle-fattening production techniques.

3.5. *Direct support under the common agricultural policy*

3.5.1. In order to be able to assess the impact on matters of specific interest to the individual regions, the Commission must clarify compensation arrangements in even greater detail. The rules on implementation must be submitted before any decision is taken by the Council.

3.5.2. The support to be paid to farmers is designed to mitigate the adjustment problems faced in particular by less competitive areas. At the same time, however, this support should not have a detrimental impact on the development of farms which are already competitive.

3.5.3. The Committee of the Regions feels that the changes to the common agricultural policy put forward by the Commission may throw up ethical problems, especially in the beef/veal sector. The proposed cut in cereal prices would give cereals the competitive edge over green forage, leading to their increasing use in cattle farming. In the Committee's view, CAP support schemes should be framed in such a way that it is also possible to farm cattle profitably in various different regions and using natural animal feeding methods.

3.5.4. The proposals to taper direct payments are appropriate in principle, but unacceptable in their present form because they have a one-sided effect at regional level. Tighter restrictions should, however, be set in order clearly and definitively to shift the CAP's general approach towards producers, product quality, family farming and rural businesses. In particular, ceilings and tapering would threaten the livelihood of labour-intensive livestock farms. Compensation payments must, therefore, be cost-related.

3.5.5. Adapting to market developments jeopardises both the reliability and the timescale of direct support. The basic tenets of direct support must be maintained.

3.5.6. Direct support modulation will have to be introduced with a minimum of red tape, and without sending out a false signal to farms which must rationalize their activities in order to become more competitive. The 'employment' criterion must be brought to bear if labour markets in rural areas are to benefit.

3.6. *Wine*

3.6.1. The market in wine has changed so much since 1987 that adjustment of the market organization in this area is essential. Market balance is to be secured by intervention (special distillation of spirits for human consumption, promotion of trade in grape juice and other wine products, emergency distillation in the case of market disturbances of an exceptional nature and the retention of private-storage aid, distillation of wine-making by-products and wine distillation using non-wine varieties of grape).

The Committee of the Regions affirms that the objective of a balance between supply and demand in Europe is still essential and must be achieved by adding together

the market balances in each region — which can be done by involving the trade. Introducing regional restructuring programmes setting out realistic economic objectives and structural measures (new plantings, adaptation, renewal, etc.) will contribute to this regional balance.

3.6.2. The Commission proposal should be modified on certain points:

- mandatory machinery for triggering crisis distillation must be introduced under certain specified conditions;
- the granting of new planting rights must be more extensive than the increase proposed by the Commission, so as to benefit from market opportunities;
- the possibility of importing grapes or concentrated musts and turning them into European wines must be avoided;
- the validity of planting rights must exceed the five years proposed by the Commission.

3.6.3. The Committee categorically rejects the more stringent yield-per-hectare arrangements, which contain detailed restrictions and distillation obligations. The regulation of quality wines must remain a matter for Member States and regions.

3.6.4. The European Union is to introduce and fund specific measures to support wine growing in regions placed at a disadvantage by particular weather problems.

3.6.5. Oenological processes must take account of specific regional features.

Enrichment with sucrose must remain strictly limited to those regions where it is a traditional method.

3.6.6. The Committee of the Regions urges that the following be included among the main objectives of the common organization of the market in wine:

- ensuring a fair income for producers, thereby safeguarding employment;
- ensuring that vineyards are maintained in historic wine-producing areas;
- boosting demand and competitiveness, with quality products;
- commercial promotion and identification of new markets.

3.6.7. In relation to the main objectives of the reform of the COM in wine set out above, consumer information and the observance of environmentally-sound production methods should be taken into account.

4. Integration of environmental policy into the CAP

4.1. Ensuring that premiums reflect environmental requirements makes it possible to adapt to region-specific environmental conditions. However, framework rules should be set in place across the EU to avoid distortions in competition. Direct payments must be based on good farming practice. Beyond that, separate payments must be made for the provision of additional environmental services by farmers.

The Commission expects that falling producer prices will lead to a drop in the use of fertilisers and plant protection agents. However, the minor environmental improvements this may bring are likely to be felt in somewhat less than propitious locations.

4.2. Giving farming policy a socio-environmental slant could significantly help to:

- a) stabilize rural areas in the long term, particularly upland and less-favoured areas;
- b) improve food quality;
- c) meet agriculture's multi-functional remit, i.e. including all the various farming activities;
- d) develop competitive agricultural structures to secure the future prospects of farms run by one or several families;
- e) safeguard the European agricultural model within the WTO;
- f) open up new prospects for young farmers, and
- g) prevent desertification and soil erosion.

5. Financing

5.1. The Committee thinks that accession of the CEECs will demand further EU action on the financial front. Discussion of net contributions is on the agenda, and in this context the Commission has presented a report on financing the Union which considers three options in the event of a political consensus being reached on the need to settle the problem of budgetary imbalances:

- reducing or abolishing the current correction mechanism in favour of the United Kingdom and/or partly or completely replacing other types of funding by a GNP-based contribution;
- partly reimbursing direct CAP aid (co-financing) to farmers, while reducing the ceiling on own resources by an equivalent amount;

— introduce a correction mechanism for all the member states that are net contributors to the budget.

5.2. A refocused common agricultural policy must ensure that the Member States and regions shoulder more responsibility for farm incomes policy.

6. CAP regional approaches

6.1. In a bid to clearly identify the benefits and costs of political decisions and to simplify the application of farm policy measures, the CAP framing procedure and the allocation of CAP-related responsibilities must take full account of the subsidiarity principle and of the distribution of powers established in accordance with the internal legal system of each Member State. However, this must not undermine the financial solidarity of the EU Member States and regions.

6.2. In market and incomes policy, EU responsibilities must be geared more clearly to ensuring the smooth operation of the common market.

6.3. In this context, the regions must be called on to assume greater responsibilities for major decisions relating to agriculture, both in providing guidelines and in implementing national and Community policy.

7. WTO negotiations

7.1. Every country at the Rio conference subscribed to the principle of sustainability in their handling of natural resources as the fundament of their economic activity. Agenda 21, which was subsequently drawn up, is currently the subject of much discussion within the EU, ranging from local government level to businesses and firms.

7.2. Sustainability has long been the underlying principle of European farming. Long-term thinking means not living on the world's capital today without a thought for the morrow, but maintaining and nurturing the capacity of the natural environment — not least in the interests of the legacy to be handed down to future generations.

7.3. It is essential that the sustainability and multi-functionality principles underpin — and become the norm in — future world agricultural trade negotiations. This benefits everyone across the world, not just specifically the European farming sector.

7.4. Farming policy must espouse the above tenets and join with all other stakeholder groups in society to vigorously resist purely economic thinking, which is driven by the axiom of cheapest possible production even if this means the ruthless exploitation of the natural environment.

7.5. Unilateral abandonment of the market and pricing policy tools still possible under existing WTO rules inevitably involves a scaling-down of external protection. The Committee feels that these are unreasonable concessions to WTO partners without any adequate and specific concessions in return, such as recognition of and compliance with the principle of Community preference and of the distinctive nature of much of European agriculture, on account of its multiple functions.

8. Common agricultural policy and eastward enlargement

8.1. Gradual eastward enlargement of the EU is extremely important for Europe's stability and security. This is true for everyone — including farming families and those working in the agriculture sector.

8.2. In this connection, particular emphasis should be placed on the introduction of the market economy into the central and eastern European countries and its importance for these countries' social and economic recovery. Agriculture has a crucial role to play here.

8.3. The situation of agriculture in the current EU Member States differs greatly from that in the Union's eastern neighbours. The same is also true of farming policy pursued to date. In the interests of both sides, therefore, a reasonably long transition period is needed. The approach must be modulated, level-headed and prudent and action must focus on preventing prices from collapsing. The specific circumstances of each individual associated country must be considered when laying down measures and the transition periods required.

8.4. Both the CEEC and the EU countries must prepare the ground for the extended common agricultural market in order to avoid any derailments on the economic and social fronts.

8.5. As the Commission proposes, the assistance granted to the CEEC should focus on structural development so as to give farming in these countries a real chance to grow. This must, not, however, lead to excess capacity for which no markets can then be found.

8.6. Under no circumstances must measures be introduced in connection with eastern enlargement which could jeopardise the livelihood of agriculture across the board in individual regions of the enlarged EU.

8.7. For these reasons, it is essential, for the EU of Fifteen, that the CAP be progressively adjusted and, for the CEEC, that the CAP be taken in hand again.

9. COR conclusions

9.1. Measured against Commission objectives, the proposed regulations relating to the agriculture section of Agenda 2000 still fall short of what is needed for forward-looking reform. The COR calls for the European agricultural model to be safeguarded both in the context of Agenda 2000 and in the WTO negotiations.

9.2. The Committee of the Regions takes the view that agricultural policy must have a socio-environmental slant and that environmental services which go beyond good farming practice as generally endorsed and adopted at European level must be separately financed and should be developed as a basis for specific regional problems, action-oriented priority lists and programmes of measures. Giving farming policy a socio-environmental slant could significantly help to stabilize rural areas in the long term, improve food quality, meet agriculture's multi-functional remit, develop competitive agricultural structures centred on family-run farms or rural businesses, safeguard the European agricultural model within the WTO and open up new prospects for young people in farming and in the more general economic and lifestyle context of rural development. In particular, account should be taken of the structural variations within agriculture in Europe (mountainous and disadvantaged areas, high-rainfall regions, arid regions, peripheral regions, etc.).

9.3. The Committee of the Regions asks that account be taken of the link between EU funding and the costs of farm policy.

9.4. The COR feels that the individual Member States should have greater freedom of action within the common agricultural policy, since the Union takes in geographically wide and very diverse areas and the given production conditions in the farming sector vary. According to the December 1997 Luxembourg summit, European agriculture must, as an economic sector, be versatile, sustainable, competitive and spread throughout across the Union, including regions with particular problems. That said, the European framework should be such that fresh distortions in competition are largely avoided.

9.5. The Committee of the Regions notes that the principles of sustainability and multifunctionality must become the basis of future negotiations on world farm trade.

9.6. As for eastern enlargement, the Committee of the Regions takes the view that all those involved must

thoroughly prepare the ground for the wider common agricultural market in order to avoid any derailments on the economic and social fronts. Sufficiently long transition periods also help achieve this. The principal objective is to maintain agricultural development across the EU in accordance with multi-functional and socio-environmental principles. The COR reiterates the repeated call that the CEECs should already be required to introduce (agricultural) environmental standards and to use renewable raw materials before their accession.

9.7. As a back-up to agricultural structural change, the Committee of the Regions calls for integrated development of all rural activity (both agricultural and non-agricultural) so that both the economic and environmental and socio-cultural assets of these regions are not just protected but also improved, making a long-term contribution to the creation of a European agricultural model based on family farms and rural businesses.

9.8. The Committee would ask the Commission to frame the proposals so as to retain as many jobs in agriculture as possible.

9.9. In agricultural market policy, the COR calls for the principles of the 1992 reform to be maintained and for reforms to focus on those sectors within the EU where action is needed, above all beef and milk production. Farmers should — as a matter of priority — continue to be able to realize their income via the markets.

9.10. As things stand, the Committee does not feel it is necessary to cut intervention prices as much as planned.

9.11. The Committee calls for the payment of full compensation to producers to offset this cut in intervention prices.

9.12. The Committee of the Regions would ask the Commission to put forward implementing arrangements explaining in greater detail how the compensatory payment schemes are to work.

9.13. The Committee is afraid that the introduction of new, complex instruments will mean more red tape and supervision for producers and national authorities. It advocates arrangements that are as straightforward as possible.

9.14. The Committee of the Regions points to the major disparities between production areas across the EU. In future, these disparities must be better taken into account when new arrangements are introduced.

9.15. The Committee of the Regions urges that the milk quota be allocated to active producers at the start of the extension period to 2006 and that the mandatory link between quotas and land be abolished. Moreover, a clear statement must be made now on the regulation of the milk market after 2006 in order to take account of long-term investments in the milk sector.

9.16. The Committee of the Regions feels that the proposed national ceilings must be geared to current production quotas. Care should be taken to ensure that competition is not thereby distorted.

Brussels, 14 January 1999.

*The President
of the Committee of the Regions*

Manfred DAMMEYER
