

REFORM OF THE COMMON AGRICULTURAL POLICY

PROPOSAL FOR A FINAL DOCUMENT

PURSUANT TO ARTICLE 127 OF THE RULES OF PROCEDURE

Presented by the Rapporteurs Beccalossi, Delfino, Ruvolo and Oliverio

(2 August 2012)

The Agriculture Committee of Italy's Chamber of Deputies,

having examined the following proposals for a regulation relating to the reform of the Common Agricultural Policy (CAP) pursuant to article 127 of the Rules of Procedure:

- Proposal for a regulation establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (COM(2011)625);
- Proposal for a regulation establishing a common organisation of the markets in agricultural products (Single CMO Regulation) (COM(2011)626);
- Proposal for a regulation on support for rural development by the European Agricultural Fund for Rural Development (COM(2011)627);
- Proposal for a regulation on the financing, management and monitoring of the common agricultural policy (COM(2011)628);
- Proposal for a regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products (COM(2011)629);
- Proposal for a regulation 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);
- Proposal for a regulation amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers (COM(2011)631);

Having regard to the reports on these proposals submitted by the Rapporteurs to the European Parliament's Committee on Agriculture and Rural Development on 18 and 19 June 2012;

having regard to the opinions issued by the Committee of the Regions and the Economic and Social Committee;

having regard to the position adopted by the European Parliament's Committee on Agriculture and Rural Development (A7-0209/2011 of 25 May 2011) in the course of the process of alignment to the Lisbon Treaty;

mindful of the evidence given in the course of parliamentary hearings by the European Commissioner for Agriculture and Rural Development, Dacian Cioloș, by the Chair of the European Parliament's Committee on Agriculture and Rural Development, Paolo De Castro, and by the Italian members of the European

Parliament's Committee on Agriculture and Rural Development, and bearing in mind all the appraisals and comments made in the course of the hearings held by the Committee within the framework of the examination of the CAP reform proposals package conducted pursuant to article 127 of the Rules of procedure, which made it possible to acquire useful information and to take stock of the demands of the agricultural sector;

mindful of the ongoing negotiations in the European institutions and all the other findings emerging from the inter-parliamentary meetings in the matter of CAP reform organised by the European Parliament and the Danish and Cypriot Presidencies;

whereas:

the reform proposals are linked to:

(a) the priorities laid down in the Communication "*Europe 2020*" - *a strategy for smart, sustainable and inclusive growth*", particularly to fostering a competitive and sustainable economy and a European entrepreneurial structure able to take on the challenges of the markets;

(b) the perspectives for the Multiannual Financial Framework for the period 2014-2020 based on the proposal of the European Commission of 29 June 2011 currently being examined by the European institutions;

(c) the "Proposal for a Regulation of the European Parliament and of the Council on agricultural product quality schemes - COM(2012)733" on which the Parliament and the Council recently reached agreement, and in respect of which this Committee voted on the final document - pursuant to article 127 of the Rules of procedure on 15 June 2011 - which was duly forwarded to the European institutions as part of the political dialogue;

The Communication of the European Commission of 18 October 2010, "*The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future*" (COM(2010)672) stressed the need to safeguard the European agricultural potential and to recognise and adequately remunerate the public goods produced in the agriculture sector and in rural territories, and to guarantee the enhanced quality and security of food supplies. This Communication paved the way for instruments able to address market instability and the resultant impacts on farm incomes, and to introduce new measures to steer the whole sector towards greater environmental sustainability, improve the position of farmers in respect of the various agribusiness supply chains, and by streamlining and reducing the present bureaucratic burden on farmers benefiting under the CAP;

The document also examined the question of the redistribution of financial resources allocated for direct payments, advocating a rebalancing between the Member States to be achieved through a system able to take into account the socio-economic disparities between different areas of Europe and avoid drastic national budget cuts;

The European Parliament was of a similar mind in its two reports, confirming this position, and emphasising the importance of greater flexibility when acting in order to have available a set of measures capable of acting flexibly to be able to address any crises arising in the sector which, in recent years, have emerged increasingly more rapidly and with worrying intensity;

The ways of implementing the principle of equitable resource distribution between the Member States do not seem, however, to be adequately addressed in the Commission's proposals which adopt an approach under which resources earmarked for individual Member States are cut back according to the distance between the European flat rate and the average payments per hectare, recorded in the Member States. This approach does not make it possible to take proper account of the social, economic and structural differences that exist within the multifaceted panorama of European agriculture, ignoring the recommendations made in the 18 November 2010 Communication, and in the Communication on the "Europe 2020" budget of 29 June 2011, giving rise to the risk of widening existing disparities, particularly to the detriment of farming systems with higher added-value per unit of surface area and more labour-intensive;

Furthermore, the legislative proposals seem to pay scant attention to the issue of economic sustainability – focusing above all on the financial redistribution and environmental aspects which, however, refer to inevitably widely diverse agricultural systems – and raise the danger of penalising farm accounts, thereby placing in greater jeopardy the profitability of production processes and increasing management complexity;

Agriculture cannot be considered as a negative component of climate change but, on the contrary, should be seen as being able to contribute towards resolving the problem by remunerating the services it produces;

Agriculture can contribute to a more careful use of water through sustainable agricultural practices; but to do this, it is necessary to support individuals or associations, so as to foster water management and accumulation to safeguard agricultural production in times of increasing drought, reviewing the approach of the previous phase of programming for 2007-2013 and making it possible to finance water saving and accumulation projects, also on new areas of land exclusively in order to safeguard existing farming activities and cropping systems;

Having noted the need for this final document to be forwarded to the European Parliament, the Council and the Commission as part of the political dialogue, together with the other final documents on the proposals for the CAP reform package and the opinion adopted by the European Union Policies Committee on 18 July 2012, which is annexed hereto;

commits the government

to pursuing negotiations at the European Union level consistently with the following **general policy guidelines**:

- (a) to review the relationship between the objectives, resources and instruments in order to ensure that the strategies, and the instruments for

implementing them, are adopted with the broadest possible support in the course of the European negotiations;

(b) to advocate adopting the reform only after ensuring that, unlike the proposal of the European Commission, the European Union's multiannual financial framework 2014-2020 sets a cap on resources equivalent, in real terms at least, to the present budgetary appropriations. For it is unacceptable for farm expenditure to be the only item in the coming years to which resources will not only not increase, but will actually be lower than in the previous programming period;

(c) to make provision for a gradual transition from the present CAP arrangements to the post-reform system, progressively introducing all the various intervention measures, including direct payments, market measures, production containment, and any new commitments imposed on farmers;

(d) to provide a drastic and generalised reduction of penalties – particularly in the case of double penalties being imposed on producers for the same infringement – and of the corresponding control systems;

(e) to ensure that the reformed CAP measures are addressed exclusively to agricultural undertakings and their groupings, which should be the exclusive beneficiaries of "rural development" measures and the related funding;

(f) to reduce the overlap of instruments designed to achieve the same objectives so as to avoid unwarranted management charges, namely by reducing mandatory commitments affecting farms, especially of an environmental nature, and also avoid the existing overlap between conditionalities, greening and environmental policies under Pillar II and between the programming of Rural Development and that of the Cohesion and Structural Funds;

(g) to guarantee the sustainable development of rural areas, concentrating on a small number of essential objectives;

(h) to introduce a criterion to ensure proportionality between the amount of aid delivered and risk analysis, in the matter of controls. In this regard, it is essential to ensure consistency between the Rural Development and Structural Funds management systems by introducing simplified control procedures also for the EAFRD already set out in the proposals for the Regulation for the Structural Funds, beginning with the rules governing automatic decommitment;

(i) to focus close attention on the distribution of funds between the Member States, to be determined not by an implementing act issued by the Commission but by a legal act;

(j) to introduce financial and other instruments and support measures, to simplify agricultural holdings' obligations and their Pillar I and II formalities, to hasten the computerisation of the management data and to simplify monitoring and build simple and uniform indicators;

(k) to introduce appropriate market risk management measures moving beyond the marginal suggestions made in the proposal which, among other things, focus on individual risk management. Conversely, it is necessary for the instruments available to be able to offer farmers concrete answers at a time of extreme agricultural price volatility and of grave uncertainty which could well become systemic in future.

With reference to the Proposal for a Regulation establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (COM(2011)625) (Rapporteur: MP Beccalossi)

The Agriculture Committee

commits the government

to pursuing negotiations at the European Union level consistently with the following policy guidelines:

(a) with regard to **the value of the basic payment** which, according to the European Commission proposals, would be between 170 and 200 euro for Italy (according to the data of the 2013 Group and of the Ministry for Agricultural, Food and Forestry Policies) the Committee emphasises that this amount constitutes a significantly lower contribution to stabilising farm incomes than the present averages reported in some agricultural economies, which are of vital importance to the socio-economic sustainability of wide areas of rural Italy, particularly if the basic payment is the only one available to these production systems. Very often, these are sectors with a very high input of labour per surface or livestock unit, which exposes them more than others to market risks. For the same reasons, the social impacts which accompany their evolution are often extraordinarily significant. The Committee therefore considers that greater flexibility is necessary for the Member States that are required to allocate the new payment entitlements and which have different levels of agricultural potential in their territories. 2019 (article 22 (5), as set out in the Proposal for a Regulation COM(2011)625) is therefore too early as the deadline for setting a uniform unit value standardising the value of the payment entitlements in the Member State or in the region;

(b) with regard to the **greening** of single payments, it is to be hoped that the mechanisms for its application will be spelt out clearly and coherently. In particular, the Committee notes that:

1. If the greening component remains mandatory for farmers accepting the basic payment, access conditions must be created for all holdings by a wide-ranging revision of the different types of measures that can be activated and by introducing flexibility for the Member States. Furthermore, the diversification requirement, and in particular the ceiling of 70% for the arable land covered by single crops, might damage many of the efficiency gains that have been achieved by farm specialisation, and the farmers' support for direct

payments, since they might see this as not being a convenient decision from the point of view of farm management. Furthermore, the 7% of the land to be set aside for environmental purposes appears excessive;

2. There are other critical issues raised in connection with the set of greening measures, which do not seem to take account of the environmental peculiarities and production features of Mediterranean agriculture. In addition to maintaining grasslands, pasture lands and organic farming, the Committee believes that consideration should also be given to other farming practices and other ways of using the eligible land. This is a reference, in particular, to the landscape and environmental role played by tree and shrub crops and, on the other hand, to water-saving measures which meet a widespread environmental requirement in Mediterranean agricultural areas. The former could be made equivalent, in cases to be regulated accordingly, to the maintenance of grasslands and pasture lands, while the latter could be included among the acceptable alternatives available to ecological focus areas;

3. The Committee also fears the risk that the practices defined in this proposal could increase the bureaucratic burden on farmers and require more complex controls. Extreme care must therefore be taken to examine the complexity of the control systems, and the Committee urges the European legislator to identify solutions that will obviate such risks;

4. Lastly, there is a great risk of greening measures overlapping with Pillar II measures, both in respect of the environmental and territorial aspects and in generational terms. In this regard, the Committee requests that the environmental component be reduced to 20% and that it should be made quite clear how these undertakings relate to the rural development measures (organic, Natura 2000 payments, etc.);

5. Farmers entitled to the greening payment should also include those whose holdings are wholly or partially located in the zones indicated in directives 92/43/EEC or 2009/147/EC and the Water Framework Directive 2000/60/EC, but without the obligation to implement the greening measures, along the lines of the case of organic farms;

6. At all events, it would be appropriate to ensure that any resources that are not utilised for greening measures are not returned to the European Commission but are retained in the Member State or in the regions, and transferred to Pillar II, to be used for environmental measures, as already provided for capping;

(c) With regard to **coupled payments**, the Committee believes that the quota which the Member States may activate for complementary coupled support should be increased to 20% of the total of the budget dedicated by individual states in direct payments, notwithstanding the need to provide for further increases in the event of exceptional crises, subject to approval in the manner that the Commission shall establish. This quota should also be attained by allowing the Member States to flexibly manage the relative proportion of the different components of the direct

payment albeit within well-defined limits. The Committee is also of the view that the range of production areas in which it is possible to provide coupled support should not be limited, in order to be able to take account of all the possible crisis situations that may arise, with particular reference to the impact on employment that they may generate;

(d) with regard to the **young farmers component**, the Committee considers it appropriate to apply it at the regional level, raising the available budget ceiling from 2 to 5% because of the need to take account of the demographics differences in differing rural environments, and doubling the maximum number of hectares to which an increased contribution entitlement is provided;

(e) With regard to the other **voluntary components**:

1. It would be appropriate to empower the regional authorities, consistently with the environmental differences and the many socio-economic facets of territorial handicaps in Europe, to activate or not to activate the additional payment to less-favoured areas within the budget limits proposed by the Commission;
2. Consistently with the European strategies for incentivising quality products and stabilising the agricultural markets, the Committee proposes the activation of two other voluntary components at the discretion of the member states and the regions, for: supporting certified quality products, up to a maximum of 3% of the national ceiling; implementing market risk management measures (to be removed from rural development), up to a maximum of 7% of the national ceiling;

(f) With regard to **the definition of 'active farmer'**, notwithstanding the principle, which the Committee broadly endorses, of focusing payments on professional farmers, it would be appropriate for this definition to be laid down by the Member States themselves to ensure consistency with their own legal systems.

With reference to the proposal for a regulation establishing a common organisation of the markets in agricultural products (Single CMO Regulation) (COM(2011)626) (Rapporteur MP Ruvolo)

The Agriculture Committee,

commits the government

to pursuing negotiations at the European Union level consistently with the following policy guidelines:

(a) **ending the sugar quotas as from 30 September 2015** will inevitably destabilise the Italian sugar beet industry which is already being radically restructured while

benefiting the Northern European sugar beet industry; greater flexibility should therefore be considered in relation to world sugar stocks in order to steer production to the market;

(b) with reference to **the dairy sector**, it is also necessary to retain the obligation on purchasers to issue monthly statements of the milk production withdrawn and, for the producers engaged in direct selling, an annual statement of the milk produced/sold. For this information is essential to lead the sector towards superseding the quotas policy, while simultaneously monitoring production, as an essential condition for a knowledge of the market and supporting contractual relations in the best possible way;

(c) with reference to the **producer and inter-branch organisations**,

1. The Committee notes that while it can endorse the aims of preventing agricultural products' price volatility and improving the proper functioning of the supply chain, they must be pursued with greater determination: for the single CMO makes it systematically possible for all sectors to set up producer and inter-branch organisations as a means of improving the programming of supply and of regularising the market;

2. However, in contrast to this positive aspect, there remain discrepancies between sectors in terms of two fundamental aspects: firstly, the resources provided to give operational instruments to producer organisations, as is already done for fruit and vegetables where they have been considerably more effective, particularly because they are directly incorporated under Pillar I (without Member State co-financing) – should be transferred entirely to the single CMO and increased, whereas at the present time, there will only be small incentives for the other producer organisations under Pillar II; secondly, the proposal for a regulation retains a discrimination between sectors as to the possibility to negotiate (which is only possible in a detailed manner at the present time for sugar, milk and dairy products), which is a crucial element for crisis prevention and price volatility;

3. An explicit reference is therefore necessary to the possibility of introducing standard basic rules governing contractual models (as occurs in the case of milk); for the problems of rebalancing value in the supply chain are largely left unresolved, with mechanisms and instruments which, *de facto*, only come into play when the crisis has already happened without being able to prevent them;

(d) with reference to the possibility envisaged by the Commission to liberalise structures to enhance the international competitiveness of the wine-production system, we would emphasise that this power can only be vested in the Commission – following the procedures provided by the Treaty on the Functioning of the European Union – if the increase in investment opportunities, particularly for new producers, does not damage the profitability of those already operating, who focus on the protection of typicality and the enhanced visibility of their territories, and does not lead to the ungovernability of the supply of designation of origin products, overproduction, delocalisation, and the loss of the asset value of the vineyards;

(e) lastly, the Committee stresses the advisability of introducing a specific common market organisation for potatoes for human consumption, or of incorporating the potato into the list of products for which Member States may grant "coupled" support to their farmers under article 38 of the proposal for a regulation on direct payments to farmers (COM(2011) 625 final), as well as the need to provide a transitional possibility to continue providing national aids to this sector until the entry into force of the reform of the Common Agricultural Policy (*resolution 8-00176 approved by the Committee on 9 May 2012*).

With reference to the proposal for a regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) – (COM(2012)627)(Rapporteur MP Oliverio)

The Agriculture Committee,

Whereas

- Article 3 of the proposal for a regulation defines the EAFRD as an instrument which contributes to the “Europe 2020” Strategy by promoting sustainable rural development throughout the Union in a complementary manner to the other instruments of the Common Agricultural Policy, the Cohesion Policy and the Common Fisheries Policy, and which contributes to a more territorially and environmentally balanced, climate-friendly and resilient and innovative EU agricultural sector;
- The current EU normative framework and programming of the Structural Funds up to 2013, however, have drawn a distinction between the rural development policy, financed under Pillar II of the CAP through the European Agricultural Fund for Rural Development (EAFRD), and regional and cohesion policies, financed from the European Social Fund (ESF) and the European Regional Development Fund (ERDF); for both policies, at Member State level, it is currently planned to issue an NSP framework document (National Strategic Plan for rural development) and NSF (National Strategic Framework for regional and cohesion policies), which will result in fragmentation; the European Commission's proposal appropriately pursues the aim of laying down common rules governing all the funds working within a common strategic framework (CSF);
- the Committee fully endorses the objectives referred to in article 4 of the proposal under examination (the competitiveness of agriculture; the sustainable management of natural resources and climate action; a balanced territorial development of rural areas), and the priorities indicated for pursuing them (Article 5), and in particular: priority 3), namely, promoting supply chain organisation and risk management in agriculture, with a focus on better integrating primary producers into the supply chain through quality schemes, promotion in local markets and short supply circuits, producer

groups and inter-branch organisations; priority 6), namely, promoting social inclusion, poverty reduction and economic development in rural areas, with a focus on facilitating diversification, creating new small enterprises and jobs, fostering local development in rural areas, and enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas;

- agri-environment-climate payments should continue to play a prominent role in supporting the sustainable development of rural areas and in responding to society's increasing demands for environmental services. However, careful attention must be paid to the total contribution of the EAFRD to each rural development programme in order to ensure that they are not over-binding for the purposes of the overall allocation of resources,

commits the government

to pursuing negotiations at the European Union level consistently with the following policy guidelines:

- a. to devote the greatest attention to the integration of the programme instruments which will define rural development policy for the period 2014-2020, notwithstanding the fact that any appraisal of the effectiveness of the instruments and the measures planned under the new CAP scheme presupposes certain knowledge of the amount of resources to be allocated to this policy out of the Union budget within the framework of the strengthened coordination context involving all Community policies;
- b. mindful of the fact that the Structural Funds are linked to the performance of the economy in the Member States through a macroeconomic conditionality, and of the ex-ante conditionalities, it is necessary to appraise the possible consequences on countries currently in difficulty, independently of their management capabilities. For these mechanisms run the risk of excluding access by some States, such as Italy, to major sources of financing which are able to give a boost to economic growth;
- c. with regard to the objective of ensuring competitiveness (article 5), investments must be encouraged in innovative technologies by farms as well as their dissemination and use; economic performance of all the farms must be improved by increasing their market shares, also through the short supply chain, market orientation and diversification;
- d. with regard to rural development programmes (article 7), the Commission proposal provides the possibility for a Member State to submit either a single programme for its entire territory or a set of regional programmes; in the latter instance, the Member States with regional programmes may also submit for approval a national framework containing common elements for these programmes without a separate budgetary allocation; in order to avoid penalising the Member States with a plurality of programmes, such as Italy, it would be appropriate to establish a single framework of reference comprising a single financial table to be taken into consideration when applying the automatic decommitment rule;

- e. in reference to article 7, furthermore, for the Member States submitting regional programmes, such as Italy, in addition to a national framework containing common elements for these programmes, the Committee suggests that a national programme can also be submitted with distinct budgetary allocations for some of the horizontal measures, such as risk management and product promotion; this makes it possible for national thematic programmes and regional programmes to coexist within the same Member State;
- f. adequate resources should be allocated to the priorities set out in the recitals in view of their importance to territorial development and consequently to employment, giving maximum consideration to the aspect of social inclusion; in particular, it is necessary to take into due account the value of social agriculture, facilitating access to integrated funding, and of projects designed to improve the quality of life by maximising resource use. It would also be appropriate to make it clear that the rural development measures adopted for the benefit of social agriculture must also be implemented in the peri-urban areas for the benefit of farms performing social activities and purposes, or within the ambit of their main activity of agricultural production – such as, for example, the reintegration of workers with disabilities or with poor employment prospects – or in activities which are distinct from, but connected to, the main activity – such as educational activities, rehabilitation and treatment, and providing such services as agri-kindergartens, or retirement homes;
- g. with reference to the partnership agreement instrument, which according to the European Commission is supposed to be an instrument for participatory programming drawn up by the Member States in dialogue with the Commission or following an overall analysis with the involvement of all the interested stakeholders, it would be appropriate to reconcile the twofold need to avoid merely coordinating the funds and to identify policy integration mechanisms (particularly for rural development, research and innovation, environment and climate) without making the mechanism excessively complex;
- h. the short supply chain should be explicitly included among the essential objectives of the new rural development policy;
- i. with regard, furthermore, to the thematic sub-programmes (article 8), while stressing the fact that they can be an effective means of responding to the many demands coming from the agricultural sector, the Committee believes it necessary to make a greater effort of simplification in relation to the formalities required, which appear to be excessively complex, and not to place restrictions on the areas to which they can refer (indicated in Annex V of the proposal), considering the specificity of the agricultural sectors and territories concerned; it would also be appropriate to incorporate forms of social agriculture performed by farms within the thematic sub-programmes; consequently, social agriculture should be included whenever the proposal refers to investments, both tangible and intangible, which can be financed through rural development (article 20), and a national rural network should

be instituted, flanked by a national social agriculture network, with relative funding through the EAFRD

- l. in order to guarantee gender equality it is necessary to support women's programme initiatives through a specific thematic sub-programme entitled "women farming entrepreneurs" encouraging the presence of women and rewarding farms which practice reconciliation policies in respect of their women workers;
- m. measures shall be adopted governing financial compensation for the costs incurred and income foregone by farmers who have to apply standards based on Community legislation (article 31 of the currently applicable regulation 1698/2005 on support for rural development); it is important to support the efforts being made by farmers to comply with the rigorous production standards laid down by European Union law;
- n. the measure on " investments in physical assets" should also include systems for the collective management of the territory and water, guaranteeing better management rationalisation and efficiency and lower costs to farmers;
- o. taking up the comments made by the regional authorities, it should be possible to provide finance for irrigation systems to safeguard crops in the increasingly more frequent periods of drought, supporting cropping practices designed for water-saving purposes and water collection facilities and initiatives to safeguard farming activities and in particular cropping systems;
- p. with regard to intervention in respect of quality products, the Committee emphasises that despite the great focus placed on the contents of the "quality package", the Commission proposal appears to weaken them *de facto*; for product quality, together with the designation of origin of products are crucial elements for guaranteeing that the new CAP's objectives will be attained, with a clear focus on consumers and the environment; moreover, information about and the promotion of quality systems can make these systems more attractive to farmers wishing to accede to the local markets;
- q. with respect to young farmers, in addition to business start-up support payments, the Member States should be encouraged to foster access to land, for this is the main obstacle to establishing new farms for that category of farmer. The provision of bank guarantees through rural development funds would enable young farmers to obtain capital for investment in land and buildings and for stabilising the farm.
- r. With regard to the measure for setting up producer associations, it would be appropriate to provide support in the form of a lump sum payment in annual instalments for the first five years following the date of recognition of the producers' organisations based on the corporate plan and the annual production marketed by the organisation; this lump sum payment should not exceed the amount of the financial contributions paid in by the members or by the organisation for that financial year. This introduces mandatory co-financing for operational costs from the members or the organisation,

establishing the principle that they must be actually operated and not merely put in place, thereby exploiting their function as a stimulus to the growth of producer associations;

- s. close attention to be paid to designating the areas subject to natural constraints eligible for the payments provided by article 32 in order to avoid reducing support for Italy's disadvantaged zones where there are substantial natural constraints, and particular areas with limited soil productivity or adverse climatic conditions and the fact that it is important to maintain extensive agricultural production for the management of the territory;
- t. risk management instruments should be diversified by introducing the possibility of jointly subscribing to insurance policies and/or mutual funds in order to facilitate the development of an open insurance market and leave greater freedom of choice to farmers;
- u. introduce a more flexible income stabilisation instrument consisting of the payment of contributions to pay for insurance premiums and/or financial contributions to mutual funds in order to ensure financial compensation to farmers suffering from a drastic drop in income; and also give the Member States the right to decide to supplement the mutual funds with insurance cover;
- v. provision should be made in the income stabilisation instrument for insurance contracts to be concluded as an alternative to the mutual funds, both individually by farmers and by producer organisations. It is also appropriate for these funds to be able to supplement their resources using insurance coverage; it is important to increase the financial capacity of the funds with a contribution to their capital as an alternative to other contributions;
- z. adequate resources should be allocated to the priorities and instruments which can foster territorial development and hence employment, bearing fully in mind the aspect of social inclusion; in particular, it is necessary to promote social agriculture, providing easier access to supplementary funding and prioritising projects intended to improve the quality of life by maximising resource use.

With reference to the proposal for a regulation on the financing, management and monitoring of the common agricultural policy) - (COM(2011)628)(Rapporteur MP Delfino)

The Agriculture Committee,

Whereas

- in order to appraise the financial resources, reference must be made to the ceilings set by the European Commission in the proposal for a Multiannual Financial Framework (Communication from the European Commission "A

budget for Europe 2020" - COM(2011)500), which is currently under negotiation and therefore susceptible to amendments and substantive changes. A substantial portion of the European Union budget will continue to be dominated by the agricultural sector throughout the period 2014-2020. Nevertheless in real terms there are fewer resources available in comparison with the period 2007-2013 and the items relating to agricultural expenditure are the only ones in the Community budget that have been reduced. For the I Pillar €317.2 billion allocated, compared with €101.2 billion for the II Pillar, in addition to €17.1 billion, shared between research and innovation for €5.1 billion, food safety for €2.5 billion, food support for most deprived persons for €2.8 billion, and €3.9 billion to deal with the crisis in the agricultural sector, and some €2.8 billion to replenish the European Globalisation Adjustment Fund;

- it is essential to be committed to simplifying the complex administrative machinery and to reducing the burden on farmers to enhance the effectiveness of the measures adopted and foster greater efficiency in the matter of resource use to make the European agricultural economy more competitive, retain and create jobs, and contribute to a balanced development of the rural areas;
- while the European Commission has set itself the objective of adopting provisions regarding financing based on past experience, simplifying and improving such measures as conditionality and the farm advisory system, the indications supplied for creating a synergistic pathway with monitoring management functions are insufficient for attaining that objective, and above all the instruments provided are not easy to use by agricultural entrepreneurs, and are not evidently of use to European citizens and consumers;
- it is crucial to reiterate the fact that a system with the necessary flexibility to address both the market demands and contingent situations is the only system which can meet the needs of farmers and prevent or pre-empt, rather than remedy, the ineffectiveness of the procedures;

commits the government

to pursuing negotiations at the European Union level consistently with the following guidelines:

- (a) with regard to the paying agencies (article 7) it is necessary to make it clear that they ought to be responsible for managing both CAP Pillars in order to guarantee farmers a simplified and homogeneous framework for payments;
- (b) with regard to automatic decommitment (article 37) it is essential to avoid penalising States whose constitutional arrangements provide for a plurality of rural development programmes. A possibility should therefore be provided for offsetting the amount not used by 31 December in the second year following the year of the budgetary commitment in one or more rural development programmes, against the amount spent above that limit on other rural development programmes; at all events, guarantees must be given to ensure that the funding may be kept and used within the national territory;

- (c) with regard to the on-the-spot checks conducted by the European Commission (article 49) the Committee considers it crucial for the different Union agencies responsible for the checks to coordinate their work by laying down criteria that are as objective and transparent as possible for scheduling the visits to conduct checks, thereby obviating unnecessary and costly charges and negative repercussions on the paying agencies while making it possible to identify, in advance, any responsibilities or anomalies which must not always and only penalise the final beneficiaries;
- (d) with regard to conformity clearance (article 54) the Committee considers that it would be appropriate to have greater clarity regarding the scope of application of the flat rate adjustments in order to counteract the tendency of the European Commission to apply it as a blanket measure, as the European Court of Auditors pointed out in its report No. 7 of 2010;
- (e) with regard to the specific provisions for the EAGF and the EAFRD (articles 57 and 58), the Committee is opposed to reducing the percentages on the recovered amounts following irregularities or negligence, retained by the Member States;
- (f) with regard to the general principles of checks (article 61) the Committee emphasises the need to guarantee their proportionality in the light of such matters as the past reliability of both the beneficiaries and the national authorities responsible for carrying out the checks and the financial volume of the operations at issue;
- (g) with regard to the cumulation of penalties (article 65) in the event of failure to comply with the greening obligations, in no instance should these exceed the amount of the greening payments and should therefore not affect any other direct payments to the beneficiaries;
- (h) with regard to the "conditionality" obligations (Title VI: articles 91 *et seq.*) the Committee considers it essential:
- to reduce and drastically simplify the commitments on the farms, and in particular to abolish the obligation to comply with the Water Framework Directive (2000/60/EC) and the Directive on the Sustainable Use of Pesticides (2009/128/EC);
 - to introduce an "active repentance" mechanism making it possible for the recipient farmer, through a "pre-emptive reporting system" before any penalties are imposed, to be given a deadline within which to remove the consequences of non-compliance and thereby avoid the penalties imposed for non-compliance.
- (i) Lastly, in relation to the withdrawal, reduction or exclusion of aids, the Committee considers it appropriate to draw a distinction between failure to comply with the eligibility conditions on the one hand, and failure to comply with undertakings, in compliance with the proportionality principle, which is to say, that the penalty should match the severity of the non-compliance.