



**European Committee
of the Regions**

NAT-VII/034

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OPINION

The risk management and market regulation tools to strengthen the sustainability of European agriculture

THE EUROPEAN COMMITTEE OF THE REGIONS

- points out that for around 35 years, the common agricultural policy (CAP) and the existence of compensation following adverse events have helped to offset or mitigate the effects of many risk factors for Europe's agricultural producers and for the resilience of the EU's rural areas. Therefore, it underscores the need for timely compensation systems for crop and livestock damage, considering the full economic impact, including side effects on production capacity;
- recommends to develop EU-wide guidelines for property and personal compensation. This involves transferring the administrative responsibilities to public institutions, ensuring equitable access to opportunities for individuals with lower skills, often residing in impoverished and isolated areas;
- points out that the current crisis reserve mechanism has shown, as recently as June 2023, that it is inadequate to the task of responding in a timely and suitable manner to the needs of EU farmers and regions. The funds allocated amounted to less than 5% of the damage suffered by farmers and regions;
- calls on the Commission, in the face of such upheavals now to be considered structural, to make more efficient use of crisis reserve funds, calling for a mechanism to leverage available resources to provide concrete and effective responses to farmers and rural areas of the EU, as well as additional financial resources to those already in place, in the event of exceptional climate situations;
- is in favour of enhancing the role of the tools for responding to climate crises in future, and considers that this role should also be discussed in the document outlining the strategic dialogue on the future of the CAP;
- calls on the European Commission, Parliament and the Member States to immediately start a serious and in-depth reflection, in the framework of the Common Agricultural Policy post 2027, on the tools that the EU should make available to farmers to support them concretely.

Rapporteur

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Reference document

N/A

Opinion of the European Committee of the Regions - The risk management and market regulation tools to strengthen the sustainability of European agriculture

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Current situation and future challenges

1. **points out** that for around 35 years, the common agricultural policy (CAP) and the existence of compensation following adverse events have helped to offset or mitigate the effects of many risk factors for Europe's agricultural producers and for the resilience of the EU's rural areas. Therefore, it underscores the need for timely compensation systems for crop and livestock damage, considering the full economic impact, including side effects on production capacity;
2. recommends developing EU-wide guidelines for property and personal compensation. This involves transferring the administrative responsibilities to public institutions, ensuring equitable access to opportunities for individuals with lower skills, often residing in impoverished and isolated areas;
3. **considers** that the time has come to establish a new paradigm for public funding for the primary sector, tied to the production of positive externalities and increasingly linked to the geographical rather than the sectoral dimension of the funding, given that this sector has experienced a gradual fall in the levels of protection accorded to farmers. This shift is imperative to address the gradual decline in the protection levels for farmers, with particular consideration for the unique needs of mountainous areas, less developed regions, and environmentally friendly extensive livestock farming; points out that, in various parts of the EU, more and more farms are ceasing operation, with farmland being abandoned and useful agricultural areas reduced; this applies particularly to small crop and/or livestock farms, which are the backbone of economic and social life in the EU's rural areas and strategically important for protecting the land against serious major fires, preserving biodiversity and combating erosion;
4. **believes** that the central point, which is often underestimated, is that new needs and challenges are emerging for farms, rural and remote areas and individuals, including but not limited to depopulation, brain drain, generation renewal in the farming sector which will undoubtedly stimulate and guide a process of reform of the next CAP, which should further take into account young farmers and family-farm models and continue to boost the competitiveness of the agri-food sector. These new challenges and needs include the significant asymmetry between EU and non-EU farmers in terms of the legal obligations to consumers regarding food safety. This undermines the position of EU farmers on the global market which, in the absence of adequate means of traceability and provision of information, can lead to risks of serious disruption of the food sector, practices that are misleading for consumers and loss of competitiveness for European farmers. It highlights the importance of addressing the unique challenges faced by mountainous areas, less developed regions, and traditional, environmentally friendly extensive livestock farming within this reform;

5. considers, in relation to the primary sector, that in the case of professional fishing, there is an urgent need to scrap and replace certain fishing vessels, specifically small wooden trawlers, given that there are no professionals to repair them or insurance companies that cover the risks incurred by such small, old, wooden vessels. Public funding to modernise the fleet and the fishing activity of small businesses and make them more sustainable will make it easier to generate decent incomes for the primary food industry;
6. **notes** that the European Parliament (Resolution 2022/2829 (RSP) of 15 September 2022)¹ recently called for the EU to step up its efforts to combat climate change and particularly its impact;
7. **points out** that the subject of risk management has only entered the European debate on the CAP in recent decades, becoming part of the EU legislative framework with the adoption of the Health Check (Regulation (EU) No 73/2009²) which, for the first time, gave Member States the general option of using part of the financial resources allocated to direct payments to support farmers' access to two types of cover: insurance policies and mutual funds for damage to production caused by adverse climatic events, plant or animal diseases and environmental emergencies;
8. believes that stopping maintaining and preserving in all their diversity agricultural landscapes in the EU where farming is being abandoned in areas at greater risk of fire and erosion leads in turn to farms being abandoned, thereby exacerbating those risks, as well as to the loss of biodiversity. Hence the strategic value of protecting and revitalising these agricultural landscapes;
9. **notes** that the CoR recently adopted an opinion on *Preparing for and dealing with crises: strengthening the resilience of the Union, its regions and cities*, which points out that Europe must prepare itself, reforming its response structure and its legislation in order to be able to cope with the economic, social and political impact of unpredictable and extreme crises. Hence, on today's international food markets with their trends, it is of great strategic value to preserve food sovereignty in the EU and avoid it being lost. To this end, new measures are urgently called for, including the practical transfer of R&D&I to sectors, markets and supply and demand covering good-quality, healthy, locally-produced food;
10. **considers** that ongoing climate developments are now a structural problem: wars and epidemics entail crises – sometimes terrible ones – but they are sporadic and unpredictable;
11. **stresses** the need to take action on climate change in terms of the resilience of the EU's farms and inland areas, using a very specific public funding paradigm;
12. **calls for** a new theoretical reference model for taking the right approach to income risk management in agriculture and ensuring the resilience of the EU's rural areas. This would introduce the concept of a "toolkit" whereby private actions and tools can exist alongside public policies.

¹ https://www.europarl.europa.eu/doceo/document/TA-9-2022-0330_EN.html.

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009R0073>.

Policy proposal

13. **points out** that the key issue is to ensure the economic survival of farms and of rural and remote areas, securing the economic resilience of farmers to catastrophic weather events and abnormal market crises which, increasingly frequently and seriously, are undermining the production and economic capacity of EU farmers;
14. **believes** that lack of preparedness would effectively hamstring the roll-out of the Green Deal and the Farm to Fork Strategy;
15. **believes** that failure to work today on a new policy model to effectively address the change in the overall scenario around the economic sustainability of EU farms both upstream and downstream would be tantamount to abandoning the CAP's objectives regarding environmental protection, landscape, biodiversity and animal welfare;
16. **calls for** a more in-depth debate on the possible corrective measures that could be applied to the CAP in the light of the current severe crisis in the sector, and to position the CoR in the current debate on the EU budget review as a stronger and more authoritative player in agricultural policy;
17. asks the European Commission for cooperation and maximum flexibility, also within the framework of the current agricultural policies and the tools that are already available, and to strengthen tools for responding to climate crises; this includes major wildfires and exceptional floods, which undermine the production capacity of farmers, especially the smaller ones; is in favour of enhancing the role of the tools for responding to climate crises in future, and considers that this role should also be discussed in the document outlining the strategic dialogue on the future of the CAP;
18. given the magnitude of the damage, as significant funds will be needed to provide compensation for the loss of plants and animal production and for restoring destroyed infrastructure, asks the European Commission to cooperate with Member States and work on urgent assistance measures to mitigate, as far as possible, the consequences of natural disasters; and given that the recurrence of such phenomena is to be expected, an in-depth discussion on relevant EU instruments should be regarded as a priority.
19. calls on the European Commission, Parliament and the Member States to immediately start a serious and in-depth reflection, in the framework of the Common Agricultural Policy post 2027, on the tools that the EU should make available to farmers to support them concretely, in an appropriate and timely manner, for damage caused by natural catastrophic events, which unfortunately happen with ever greater frequency and provoke major disasters on the economy, social fabric and agricultural production, endangering the security of food supply.
20. **hopes** that by factoring in the views and expectations of all the CoR's political groups, this proposal will contribute to overhauling the tools available to European farmers and so make these farmers more economically resilient;

21. **flags up** the need for synergies with cohesion policies, once the degree of vulnerability of individual EU areas (regions and towns) to extreme weather events and the resulting economic crises has been identified;
22. **proposes** establishing a European system for mapping risks of systemic extreme weather events (such as drought and flooding) and other potential risks to the viability of farms. This mapping could complete the current work the JRC is completing on the regional and local vulnerabilities scoreboard;
23. **suggests** that, in addition to the financial resources allocated to the CAP a completely new paradigm be devised able to respond more effectively and swiftly to the needs of EU farmers and rural areas;
24. **considers** that a new paradigm for using existing public funds more effectively and time-efficiently would benefit the economic resilience of EU farmers directly and exponentially. It would also, most importantly, protect particular areas and woods and forests of notoriously overlooked areas, which are generally worked by small farms which are at high risk of failure and which are very vulnerable to new climate trends. In these areas, the presence of family farms is key to preserving woods, forests and biodiversity;
25. acknowledges the crucial role played by mountainous areas, less developed regions, and traditional, environmentally friendly extensive livestock farming in preserving biodiversity and maintaining ecological balance. These regions contribute significantly to the cultural heritage and sustainable practices that are vital for the long-term resilience of EU agriculture. Therefore, calls for targeted policy measures and support mechanisms to address the specific challenges faced by farmers in these areas, ensuring the preservation of traditional farming practices that are environmentally sustainable.
26. considers that small-scale farmers, despite engaging in livestock farming with a focus on cattle breeding, struggle to effectively access and utilise EU funds and grants. Challenges such as complex application processes, excessive bureaucracy, and stringent documentation requirements result in lower participation rates, fewer successful applications, and reduced fund utilisation. Simplifying access to EU support by minimising administrative hurdles and providing local assistance could greatly improve the situation, fostering better utilisation of funds in the local agricultural sector.
27. notes that, in order to give farming families an incentive to stay, as well as implementing direct measures related to production and risk management, it is essential that rural communities where these families live can enjoy a minimum quality of life, including access to basic services such as education and health, proper deployment of telecommunications infrastructure, leisure and cultural options, etc. Such measures improving quality of life in areas at high risk of depopulation must also be seen as part of a new, necessary paradigm for the use of resources;
28. **considers** that, just as farming is crucial for preserving biodiversity on land, so fisheries and aquaculture are pivotal for preserving biodiversity in the seas and oceans. It is increasingly critical that strategies be shaped and implemented to mitigate the impact of climate change on fish stocks.

Steps must also be taken to assess the impact of climate change on aquaculture, given the complex range of production systems, technologies in use, species, location and environmental features of each area;

29. **suggests** rolling out innovative risk management tools to help fisheries and aquaculture businesses reach a more stable economic footing, as the management tools used to date have been unsuited to keeping the fisheries sector environmentally sustainable;
30. **considers** that the policy priorities should be:
 - addressing the climate and energy crises and their social impact on local communities, regions, provinces and municipalities;
 - building resilient communities through ex ante measures geared to the needs and level of vulnerability of individual areas, including by creating an alert system for climate, environmental, health and market crises;
 - strengthening the territorial cohesion of the EU by providing for effective integration between remote areas and those closest to urban centres; each region must be free to determine its own priorities, but the EU must establish a central funding system able to support these regions in the event of major economic and social crises triggered by catastrophic climatic events and abnormal market conditions;
31. proposes that risk management instruments be introduced to protect and manage EU agricultural landscapes at risk of disappearing and affected by extreme natural phenomena, so as to stabilise and preserve farming activity and thereby prevent agriculture being abandoned there; revitalise resilient farming communities in those areas; and promote healthy food consumption in the EU;

Involvement of local and regional authorities and strategic relevance

32. **highlights** that most EU countries focus their risk management attention on insurance tools, which have performed poorly in terms of effectiveness. For this reason, reiterates the long-standing position of the CoR that income insurance schemes benefit insurance providers rather than farmers and prove expensive for taxpayers. A study should be carried out and an assessment made of the insurance regime introduced in the United States and Canada;
33. **points out** that over the last three years, thousands of farms have ceased trading because there is no actual safety net in the EU to properly protect farm income, and thus keep farmers and residents in rural areas, in the face of first climate scenarios and then the resulting market scenarios, which have never been experienced in previous decades;
34. **notes** that studies by the Joint Research Centre (JRC) show that damage from catastrophic events amounts to an average of around EUR 8 billion per year. This amount is expected to increase in the coming years as the effects of climate change worsen. Indeed, climate change is now posing a huge threat to the primary sector and rural areas precisely because of the increasing frequency and severity of catastrophic events;

35. **emphasises** that the aim of this opinion is not, therefore, to tackle a risk management system which the CAP introduced for the first time in Articles 37-39 of Regulation (EU) No 1305/2013;
36. **points out** that the current crisis reserve mechanism has shown, as recently as June 2023, that it is inadequate to the task of responding in a timely and suitable manner to the needs of EU farmers and regions. The funds allocated amounted to less than 5% of the damage suffered by farmers and regions;
37. **emphasises** the need to go further, as this approach is unable to cope with ongoing climate change; it is merely a waste of resources as the funding's design is unable to achieve its objective;
38. **calls** on the Commission, in the face of such upheavals now to be considered structural, to make more efficient use of crisis reserve funds, calling for a mechanism to leverage available resources to provide concrete and effective responses to farmers and rural areas of the EU, as well as additional financial resources to those already in place, in the event of exceptional climate situations;
39. **considers** that the instruments available (including mutual funds and the anti-crisis fund) struggle with a lack of resources; therefore believes that it is necessary to radically increase their budgetary reserve and diversify the range of available instruments;
40. **calls on** the EU institutions, the Member States and the regions to see the new risk management approach as a momentous turning point for the future of European agriculture: it is time to provide suitably robust and practical responses, helping farms to overcome the difficulties resulting from the changes in the environment in which they currently operate.

Brussels, 31 January 2024

The President
of the European Committee of the Regions

Vasco Alves Cordeiro

The Secretary-General
of the European Committee of the Regions

Petr Blížkovský

II. PROCEDURE

Title	The risk management and market regulation tools to strengthen the sustainability of European agriculture
Reference(s)	N/A
Legal basis	Own-initiative opinion (Rule 41(b)(ii) of the RP
Procedural basis	
Date of Council/EP referral/Date of Commission letter	N/A
Date of Bureau/President's decision	28 April 2023
Commission responsible	Natural Resources (NAT)
Rapporteur	Nicola CAPUTO
Discussed in commission	5 October 2023
Date adopted by commission	5 October 2023
Result of the vote in commission (majority, unanimity)	Unanimity
Date adopted in plenary	31 January 2024
Previous Committee opinions	N/A
Subsidiarity reference	