COUNCIL CONCLUSIONS

of 17 December 2003

on risk management in agriculture

(2004/C 34/02)

Whereas:

The CAP reform decided in Luxembourg in June 2003 will provide a modified system of farm income support to farmers, decoupled from production, that should ensure a stable basic income to farmers. However, the overall strategy of improved market orientation of the agricultural sector, together with the next steps towards liberalisation of agricultural trade, may increase exposure to price risks.

Furthermore, agricultural production is particularly vulnerable to natural risks, related either to climate or to animal health, that can jeopardise the economic sustainability of agricultural holdings.

As a consequence of economic development and the growing concern about environmental and food safety issues, agricultural activity in the EU faces additional uncertainties which go beyond traditional natural risks.

The Commission provided a first analysis of risk management tools for EU agriculture in January 2001, which was discussed under the Swedish Presidency by the competent Council bodies.

The Presidency conclusions on agricultural insurance as a risk management tool in arable and livestock farming, based on a memorandum submitted by the Spanish Presidency on 18 March 2002, and the International Conference on 'Agricultural insurance and income guarantees', held in Madrid on 13 and 14 May 2002, focused on the potential role of agricultural insurance.

A Greek Presidency memorandum on natural risks and insurance in the agricultural sector was submitted to the Council on 7 May 2003 and a seminar was held in Thessaloniki on 6 June 2003 to examine possible responses to natural disasters in the agricultural sector.

In its statement in the Council minutes of 29 September 2003, when the CAP reform regulations were adopted, the Commission announced that it would examine specific measures to address risks, crises and national disasters in agriculture and present a report, accompanied by appropriate proposals, to the Council before the end of 2004.

The Council accordingly invites the Commission:

(1) to continue to lead the debate on risk management tools in agriculture. In order to facilitate the exchange of information and views between Member States, the Commission report scheduled for the end of 2004 should provide an updated inventory of the different risk management tools available in Member States, covering the current EU-15 and the accession countries;

(2) to examine the advantages and disadvantages of different risk management options in the context of Common Market Organisations and the new generation of rural development programmes. Notwithstanding the agricultural sector's own responsibility, possible new instruments to replace, if appropriate, current measures should be taken into account and examined on the understanding that distortions of competition must be avoided, WTO rules must be observed and the financing of any new measures must be in keeping with the financial commitments already in place;

(3) to assess the opportunities provided by the Community guidelines for State aids in the agricultural sector for the development of national risk management systems in accordance with the principle of subsidiarity and the common market and, if necessary, to suggest adaptations.