Common Agricultural Policy 2021-2027

Key reform aspects for the dairy sector

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Common Agricultural Policy 2021-2027 – Key reform aspects for the dairy sector

The following document refers to the latest European Commission draft on the CAP reform. In addition to a general evaluation, this document also contains drafting proposals for key amendments.

I) General evaluation

According to the European Commission's draft proposal, one of the objectives of the new Common Agricultural Policy (CAP) is to *support viable farm income and resilience across the EU territory to enhance food security*. The planned structure of the new agricultural policy and the envisaged funding cuts, nonetheless, clearly contradict this objective.

The planned curtailment of the agricultural budget and the reduction of subsidies that are at present economically essential for producers can only be considered once producers are paid **cost-covering prices that include a fair producer income.**

The market will not stabilise itself! In order to maintain stable milk production in Europe, it is necessary to align production and demand in times of crisis. This would eliminate the need for EU subsidies and millions in emergency aid to deal with recurring dairy crises. Also against the backdrop of climate-related agricultural losses – which are expected to be further exacerbated in the future, it must become possible for farmers to work on the basis of cost-conform producer prices. Furthermore, economic conditions also determine the attractiveness of the profession for young farmers.

Considering the Common Market Organisation (CMO) does not have any appropriate measures to promote crisis resilience in the dairy sector, **they must be implemented as part of the upcoming reform.** Eventual crisis measures maybe implemented by Member States as part of national strategic plans are far from enough. At the end of the day, EU-wide conditions demand a common framework. This means EU instruments that would apply to all Member States and would thus have the necessary EU-wide effect on the dairy market.

II) Commission proposal on Common Market Organisation Regulation – COM(2018) 394 final - 2018/0218(COD)

Broad sections of the CMO Regulation shall remain unchanged in the future CAP; there is no provision for effective crisis prevention and crisis management instruments. With respect to the dairy sector, the European Commission has drawn no lessons from past crises. Key demands from the European Parliament for effective crisis instruments were not taken up in the Commission proposal. For example, the Dorfmann report from the European Parliament on "The Future of Food and Farming" recommends *complementary use of innovative market and crisis management instruments,* as well as the possibility for *introducing the Voluntary Milk Supply Reduction Scheme under the CMO.*

What is missing from the current Commission proposal on the Common Market Organisation Regulation to make the dairy sector crisis-resilient and future-proof?

In order to promote milk production in Europe in the long-term and to take sufficient account of crises due to geopolitical situations, framework conditions must be implemented at European level – especially through (A) the expansion and further development of the Milk Market Observatory, (B) the strengthening of producer pooling in producer organisations, including cooperative producers, (C) a modified contractualisation and (D) the revision of market intervention.

A. Expansion and further development of the Milk Market Observatory

To sustainably stabilise the crisis-prone dairy market, the **expansion and further development of the Milk Market Observatory (MMO)** is necessary**:**

- **Referring to production costs that include producer income** on the basis of realistic cost calculations (e.g. EMB production cost calculation study – based on FADN data as well as agreed country-specific labour and wage standards for labour costs)
- Complementing MMO data with a **clear definition of market crisis** based on an indicator
- Expanding the MMO to include a **crisis mechanism with an early warning system and automatic activation of pertinent crisis measures** (among others voluntary production cuts like the successfully implemented EU volume reduction programme in 2016), thus ensuring quick responses to market disruptions. *See new article in CMO below.*

Amendment proposal on A to the Common Market Organisation Regulation

Within the context of the new CAP, the following article should be introduced in the Common Market Organisation Regulation of the EU.

Draft amendment: New article on observatory ***Possible location for new article on observatory within the Common Market Organisation Regulation (EU) 1308/2013:*** - *Part II, Title II, Chapter II, Section 3, Milk and milk products – around Articles 148 to 151;* - *Part II, Title II, Chapter III, Section 2, Additional rules for specific sectors – around Articles 159 to 163.*

New: Article: Monitoring body (to be added to the CMO)

1. In order to ensure that the milk market is observed and in balance, the EU Commission should further develop the competences of the existing Milk Market Observatory (MMO) with the following elements:

    a. A market balance index, based on the changes in product quotations, milk prices and production costs (margin). The index provides information on EU milk market's balance state. The state "balanced market" corresponds to a situation where supply and demand of raw milk meet at a level where producer prices cover production costs.

    b. A crisis mechanism, which is activated when the index leaves the state "balanced market". The crisis mechanism works as follows:

        i. The current market state deviates by -7.5 percent of the state "balanced market":
            - The Monitoring Body proclaims an early warning phase, private storage is opened and/or incentive programmes are activated for a defined period of time
            - This phase is maintained until the market returns to the "balanced" state.

        ii. The current market state deviates by -15 percent of the state "balanced market":
            - The Monitoring Body proclaims that there is a crisis and starts the voluntary volume adjustment scheme according to *Article …* (volume reduction programme)
            - The voluntary volume adjustment scheme is prolonged until the market returns to the "balanced" state
            - Enforcing a market responsibility penalty on all producers that increase their production during the reduction period.

        iii. The current market state deviates by -25 percent of the state "balanced market":
            - Reduction of supply of raw milk by a defined percentage during a set period of time for all producers
            - Application of a market responsibility penalty to all producers who do not take part in the reduction programme

- This phase is maintained until the market returns to the "balanced" state.

c. The sources of funding of the crisis mechanism are the following:
   - Public crisis fund
   - The market responsibility penalties of the farmers increasing their production volumes during the voluntary adjustment scheme, according to *Article ... .2* (volume adjustment programme)
   - The market responsibility penalties of the producers according to Article 1.b.iii.
   - A producer levy set per kilogramme of supplied milk, to be paid during a defined period of the year in which the crisis takes place. An additional collection period can be set in case more financial resources are necessary.

2. In order for this to be possible, the Commission would need to adopt delegated acts defining the following points:

   a. The calculation of the market balance index as well as the determination of the "balanced market" state, i.e. the situation where supply and demand of raw milk meet at a level where producer prices cover production costs. The calculation of costs must take into account all costs, including a fair income for the producer.

   b. The lengths of the following periods:
      i. Early warning phase according to Article 1.b.i.
      ii. Universal reduction phase according to Article 1.b.iii.
      iii. Period of the collection of the producer levy according to Article 1.c.

   c. The percentage of the volume to be cut during the universal reduction phase, according to Article 1.b.iii.

   d. The amount of the market responsibility penalty paid by producers that increase their production during the reduction period according to Article 1.b.ii.

   e. The amount of the market responsibility penalty collected from all producers who do not take part in the universal reduction programme according to Article 1.b.iii.

   f. The amount of the producer levy per kilogramme of supplied milk, which will be used to finance the crisis mechanism according to Article 1.c.

Draft amendment: New article on volume adjustment programme in times of crisis

Possible location for new article on volume adjustment programme within the Common Market Organisation Regulation (EU) 1308/2013:

- *Part V, Chapter I, Section 1: Market disturbance, near Article 219*

New: **Article volume adjustment programme (to be added in the CMO)**
Programme to reduce the production of agricultural products in periods of market imbalances

1. If the market falls into a state of a significant imbalance, the Commission can financially compensate the producers of the sectors listed in Article 1(2), who, during a defined period and on a voluntary basis, have reduced their production compared to the same period of the previous year (reference period). The reduction period can be prolonged if deemed necessary.

2. Each producer who supplies a larger amount than during the reference period has to pay a market responsibility penalty according to the extent of his oversupply.

3. In order for this to be possible, the Commission would need to adopt delegated acts laying down the following points:

    a. Determination of the maximal supply volumes to be reduced on EU level in the framework of the reduction scheme.

    b. Determination of the duration of the reduction period.

    c. Determination of the amount to be paid to producers for reducing their volumes as well as of the details for funding the measures.

    d. Determination of the amount of the market responsibility penalty for the producers who increase their supply during the reduction phase.

    e. Determination of the criteria producers need to fulfil in order to be eligible for the reduction bonus as well as of the criteria for approving submitted applications.

    f. Determination of specific conditions for implementing the programme.

B. Strengthening of producer pooling in producer organisations, including cooperative producers

Producer organisations that are pooling dairy farmers can place producers on an equal footing with processors – but only if the **degree of pooling is sufficiently high.** ➢ In percentage terms, this means a possible degree of EU-wide pooling totalling **30 percent of the EU milk volume.** ➢ At national level, **there should be no restrictions at all**. Processors have often reached a very high concentration on the market. Without adequate pooling on the producer side, this results in imbalanced market powers, putting the farmers at a disadvantage.

Proposed amendments for B – Regulation establishing a Common Market Organisation

Regulation (EU) Nr. 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products supplemented by „Omnibus regulation" (EU) Nr. 2017/2393	***Amendments proposed by EMB***
Article 149 *Contractual negotiations in the milk and milk products sector* (1) A producer organisation in the milk and milk products sector which is recognised under Article 161(1) may negotiate on behalf of its farmer members, in respect of part or all of their joint production, contracts for the delivery of raw milk by a farmer to a processor of raw milk, or to a collector within the meaning of the third subparagraph of Article 148(1). (2) The negotiations by the producer organisation may take place: a) whether or not there is a transfer of ownership of the raw milk by the farmers to the producer organisation; b) whether or not the price negotiated is the same as regards the joint production of some or all of the farmer members; provided that, for a particular producer organisation, all of the following conditions are fulfilled: i) the volume of raw milk covered by such	*Article 149* *Contractual negotiations in the milk and milk products sector* (1) A producer organisation in the milk and milk products sector which is recognised under Article 161(1) may negotiate on behalf of its farmer members, in respect of part or all of their joint production, contracts for the delivery of raw milk by a farmer to a processor of raw milk, or to a collector within the meaning of the third subparagraph of Article 148(1). (2) The negotiations by the producer organisation may take place: a) whether or not there is a transfer of ownership of the raw milk by the farmers to the producer organisation; b) whether or not the price negotiated is the same as regards the joint production of some or all of the farmer members; c) provided that, for a particular producer organisation, ~~all of~~ the following condition~~s~~ ~~are~~ is fulfilled: i) the volume of raw milk covered by such

negotiations does not exceed 3,5 % of total Union production, ii) the volume of raw milk covered by such negotiations which is produced in any particular Member State does not exceed 33 % of the total national production of that Member State, and iii) the volume of raw milk covered by such negotiations which is delivered in any particular Member State does not exceed 33 % of the total national production of that Member State;	negotiations does not exceed ~~3,5 %~~ 30% of total Union production, ~~ii) the volume of raw milk covered by such negotiations which is produced in any particular Member State does not exceed 33 % of the total national production of that Member State, and~~ ~~iii) the volume of raw milk covered by such negotiations which is delivered in any particular Member State does not exceed 33 % of the total national production of that Member State;~~
d) provided that the farmers concerned are not members of any other producer organisation which also negotiates such contracts on their behalf; however, Member States may derogate from this condition in duly justified cases where farmers hold two distinct production units located in different geographic areas;	~~d) provided that the farmers concerned are not members of any other producer organisation which also negotiates such contracts on their behalf; however, Member States may derogate from this condition in duly justified cases where farmers hold two distinct production units located in different geographic areas;~~
e) provided that the raw milk is not covered by an obligation to deliver arising from the farmer's membership of a cooperative in accordance with the conditions set out in the cooperative's statutes or the rules and decisions provided for in or derived from these statutes; and	~~e) provided that the raw milk is not covered by an obligation to deliver arising from the farmer's membership of a cooperative in accordance with the conditions set out in the cooperative's statutes or the rules and decisions provided for in or derived from these statutes; and~~
f) provided that the producer organisation notifies the competent authorities of the Member State or Member States in which it operates of the volume of raw milk covered by such negotiations.	f) provided that the producer organisation notifies the competent authorities of the Member State or Member States in which it operates of the volume of raw milk covered by such negotiations.
(3) Notwithstanding the conditions set out in of point (c)(ii) and (iii) of paragraph 2, a producer organisation may negotiate pursuant to paragraph 1 provided that, with regard to that producer organisation, the volume of raw milk covered by the negotiations which is produced in or delivered in a Member State having a total annual raw milk production of less than 500 000 tonnes does not exceed 45 % of the total national production of that Member State.	~~(3) Notwithstanding the conditions set out in of point (c)(ii) and (iii) of paragraph 2, a producer organisation may negotiate pursuant to paragraph 1 provided that, with regard to that producer organisation, the volume of raw milk covered by the negotiations which is produced in or delivered in a Member State having a total annual raw milk production of less than 500 000 tonnes does not exceed 45 % of the total national production of that Member State.~~
(4) For the purposes of this Article, references to producer organisations include	(4) For the purposes of this Article, references to producer organisations include

associations of such producer organisations.	associations of such producer organisations.
(5) For the purposes of applying point (c) of paragraph 2 and paragraph 3, the Commission shall publish, by such means as it considers appropriate, the amounts of raw milk production in the Union and the Member States using the most up-to-date information available.	(5) For the purposes of applying point (c) of paragraph 2 ~~and paragraph 3~~, the Commission shall publish, by such means as it considers appropriate, the amounts of raw milk production in the Union and the Member States using the most up-to-date information available.
(6) By way of derogation from point (c) of paragraph 2 and paragraph 3, even where the thresholds set out therein are not exceeded, the competition authority referred to in the second subparagraph of this paragraph may decide in an individual case that a particular negotiation by the producer organisation should either be reopened or should not take place at all if it considers that this is necessary in order to prevent competition from being excluded or in order to avoid seriously damaging SME processors of raw milk in its territory.	(6) By way of derogation from point (c) of paragraph 2 ~~and paragraph 3~~, even where the threshold~~s~~ set out therein ~~are~~ is not exceeded, the competition authority referred to in the second subparagraph of this paragraph may decide in an individual case that a particular negotiation by the producer organisation should either be reopened or should not take place at all if it considers that this is necessary in order to prevent competition from being excluded or in order to avoid seriously damaging SME processors of raw milk in its territory.
For negotiations covering more than one Member State, the decision referred to in the first subparagraph shall be taken by the Commission without applying the procedure referred to in Article 229(2) or (3). In other cases, that decision shall be taken by the national competition authority of the Member State to which the negotiations relate.	For negotiations covering more than one Member State, the decision referred to in the first subparagraph shall be taken by the Commission without applying the procedure referred to in Article 229(2) or (3). In other cases, that decision shall be taken by the national competition authority of the Member State to which the negotiations relate.
The decisions referred to in this paragraph shall not apply earlier than the date of their notification to the undertakings concerned.	The decisions referred to in this paragraph shall not apply earlier than the date of their notification to the undertakings concerned.

Justification: There is no adequate pooling of producers in the EU – i.e. collective negotiation of prices. It is therefore necessary to effectively promote producer pooling by increasing the pooling ceilings. Dairy farmers must be allowed to join together in an appropriate way so that they are able to act on the market with the same power as processors. Expressed in percentage terms, this means a potential pooling of 30% of EU volume. At national level, there should be no limits at all. This is because processors have achieved concentrations in the market that cannot be countered with the same market force without appropriate pooling on the part of producers. For example, the Arla Foods dairy in Denmark already has a national market share of 95 percent. Producer organisations with a national degree of pooling of 33 percent would not be able to negotiate with this overpowering market opponent as equals and obtain fair prices. For this reason, dairy farmers in the EU should be given the opportunity to get support during negotiations from similarly strong producer organisations.

In addition, cooperative milk has to be included in collective negotiations (see point 128 below).

Regulation (EU) Nr. 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products	***Amendments proposed by EMB***
(128) In order to ensure the viable development of production and a resulting fair standard of living for dairy farmers, their bargaining power vis-à-vis processors should be strengthened, which should result in a fairer distribution of added value along the supply chain. In order to attain those CAP objectives, a provision should be adopted pursuant to Article 42 and Article 43(2) TFEU to allow producer organisations constituted by dairy farmers or their associations to collectively negotiate with a dairy contract terms, including price, for some or all of their members' raw milk production. In order to maintain effective competition on the dairy market, this possibility should be subject to appropriate quantitative limits. In order not to undermine the effective functioning of cooperatives, and for the sake of clarity, it should be specified that, when a farmer's membership of a cooperative entails an obligation, in respect of all or a part of that farmer's milk production, to deliver raw milk, the conditions of which are set out in the cooperative's statutes or in the rules and decisions based thereon, those conditions should not be the subject of negotiations through a producer organisation.	*(128)* In order to ensure the viable development of production and a resulting fair standard of living for dairy farmers, their bargaining power vis-à-vis processors should be strengthened, which should result in a fairer distribution of added value along the supply chain. In order to attain those CAP objectives, a provision should be adopted pursuant to Article 42 and Article 43(2) TFEU to allow producer organisations constituted by dairy farmers or their associations to collectively negotiate with a dairy contract terms, including price, for some or all of their members' raw milk production. ~~In order to maintain effective competition on the dairy market, this possibility should be subject to appropriate quantitative limits. In order not to undermine the effective functioning of cooperatives, and for the sake of clarity, it should be specified that, when a farmer's membership of a cooperative entails an obligation, in respect of all or a part of that farmer's milk production, to deliver raw milk, the conditions of which are set out in the cooperative's statutes or in the rules and decisions based thereon, those conditions should not be the subject of negotiations through a producer organisation.~~

Justification: Producers supplying their milk to cooperative dairies also need to have the opportunity of being represented by producer organisations. Like producers who supply to private dairies producers of cooperatives do not receive cost-covering prices either. The most important cooperative processors (Arla, FrieslandCampina, DMK) are also privately organised in many aspects. It is important to give cooperative producers the possibility of pooling – as 58 percent of the EU milk volume is processed in dairy cooperatives. It is not just the remaining 42 percent of EU milk that is produced under unfair market conditions. The same holds true for those 58 percent.

C. Modified contractualisation

We can only expect contract negotiations to be fair if both bargaining parties are on an equal footing. Otherwise, the weaker party will be at a disadvantage. An indispensable criterion is **a cost-covering price including a fair income for the producer and that cooperatives are not excluded from the contractual obligation.**

Proposed amendments for C – Regulation establishing a Common Market Organisation

Regulation (EU) Nr. 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products supplemented by „Omnibus regulation" (EU) Nr. 2017/2393	***Amendments proposed by EMB***
Article 148 *Contractual relations in the milk and milk products sector* (2) The contract and/or the offer for a contract referred to in paragraph 1 and 1a shall: a) be made in advance of the delivery, b) be made in writing, and c) include, in particular, the following elements: i) the price payable for the delivery, which shall: – be static and be set out in the contract, and/or – be calculated by combining various factors set out in the contract, which may include market indicators reflecting changes in market conditions, the volume delivered and the quality or composition of the raw milk delivered,	*Article 148* *Contractual relations in the milk and milk products sector* (2) The contract and/or the offer for a contract referred to in paragraph 1 and 1a shall: a) be made in advance of the delivery, b) be made in writing, and c) include, in particular, the following elements: i) the price payable for the delivery, which shall: – be static and be set out in the contract, covering production costs including a fair producer income, and/or – be calculated by combining various factors set out in the contract, which may include market indicators reflecting changes in market conditions, the volume delivered and the quality or composition of the raw milk delivered, covering production costs including a fair producer income,

„Omnibus regulation“ (EU) Nr. 2017/2393 amending Regulation (EU) Nr. 1308/2013 establishing a common organisation of the markets in agricultural products	***Amendments proposed by EMB***
Article 148 (3) By way of derogation from paragraphs 1 and 1a, a contract and/or an offer for a contract shall not be required where raw milk is delivered by a member of a cooperative to the cooperative of which he is a member if the statutes of that cooperative or the rules and decisions provided for in or derived from these statutes contain provisions having similar effects to the provisions set out in points (a), (b) and (c) of paragraph 2.	*Article 148* ~~(3) By way of derogation from paragraphs 1 and 1a, a contract and/or an offer for a contract shall not be required where raw milk is delivered by a member of a cooperative to the cooperative of which he is a member if the statutes of that cooperative or the rules and decisions provided for in or derived from these statutes contain provisions having similar effects to the provisions set out in points (a), (b) and (c) of paragraph 2.~~

Justification: Members of cooperative dairies should also have a right to formal, written contracts.

D. Revision of market intervention

According to the Commission proposal, the existing provisions on public intervention, private storage and extraordinary measures will remain unchanged.

However, it is necessary to **amend the provisions on public intervention**.

- Intervention can **be used in the event of seasonal surpluses**. However, it is not effective in tackling chronic instabilities – volumes bought in exert downward price pressure later on/ strongly hamper price recovery. Instead, a crisis mechanism is needed to counteract chronic vulnerability to crises;
- Demand: **Reduction in intervention volume** from currently 109,000 tonnes skimmed milk powder per annum and **simultaneous increase of intervention price for milk powder to a level corresponding to at least 30 ct/kg** of raw milk;
- Larger milk volumes should only be placed in intervention storage if demand for dairy products sees unexpected decline, as in the case of Russian embargo;
- **No sale of skimmed milk powder below value;**
- **Alternative uses** for powder currently stored in intervention (animal feed);
- **Under normal circumstances, production must be aligned with sales opportunities.**

Proposed amendments for D – Regulation establishing a Common Market Organisation

Regulation (EU) Nr. 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products	***Amendments proposed by EMB***
Article 7 *Reference thresholds* (1) The following reference thresholds are fixed: e) as regards the milk and milk products sector: i) EUR 246,39 per 100 kg for butter; ii) EUR 169,80 per 100 kg for skimmed milk powder;	*Article 7* *Reference thresholds* (1) The following reference thresholds are fixed: e) as regards the milk and milk products sector: i) EUR 246,39 per 100 kg for butter; ii) Skimmed milk powder: reference threshold per 100 kg corresponding to raw milk price of 30 cents/kg;

Regulation (EU) Nr. 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products	***Amendments proposed by EMB***
Article 16 *General principles on disposal from public intervention* (1) Disposal of products bought in under public intervention shall take place in such a way as to: a) avoid any disturbance of the market,	*Article 16* *General principles on disposal from public intervention* (1) Disposal of products bought in under public intervention shall take place in such a way as to: a) avoid any disturbance of the market, and avoid sale (of skimmed milk powder) below value,

Regulation (EU) Nr 1370/2013 of the Council determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products	***Amendments proposed by EMB***
Article 3 *Buying-in prices and applicable quantitative limitations* (1) Where public intervention is open pursuant to point (a) of Article 13 (1) of Regulation (EU) No 1308/2013, buying-in shall be carried out at the fixed price referred to in Article 2 of this Regulation and shall not exceed the following quantitative limitations for each period referred to in Article 12 of Regulation (EU) No 1308/2013 respectively: c) for skimmed milk powder, 109 000 tonnes.	*Article 3* *Buying-in prices and applicable quantitative limitations* (1) Where public intervention is open pursuant to point (a) of Article 13 (1) of Regulation (EU) No 1308/2013, buying-in shall be carried out at the fixed price referred to in Article 2 of this Regulation and shall not exceed the following quantitative limitations for each period referred to in Article 12 of Regulation (EU) No 1308/2013 respectively: c) for skimmed milk powder, ~~109 000~~ * tonnes.

** We recommend a quantitative limiation for skimmed milk powder between 50,000 to 80,000 tonnes.*

Justification: Intervention can not serve as crisis instrument for a chronically imbalanced market. Restricting the intervention volume of milk produced would place a focus on using intervention in a meaningful way to reduce seasonal excess volumes.

The Council may also take quantitative restriction measures in problematic market situations in accordance with Article 43(3) TFEU. For example, the limitation for skimmed milk powder was doubled to 218,000 tonnes in implementing Regulation No 2016/591 of 15 April 2016.

III) Commission proposal for CAP Strategic Plans Regulation COM/2018/392 final - 2018/0216 (COD)

In Articles 5 and 6 of its proposal, the Commission looks into crisis resilience and promoting the position of producers in the value added chain as objectives of the CAP strategic plans. There is little that national CAP strategic plans can do, however, if the instruments specified in Chapter II – and in particular Point A (crisis management for adjusting production quantities) – are not implemented throughout the EU beforehand. This is because the plans do not involve an EU framework with EU-wide effect.

In addition, the proposals of the Commission in Article 70 which, among other things, refer to financial contributions for insurance premiums, do not contain any elements that could reduce the chronic crises in the dairy market (even at a local level).

Insurance schemes do not deal with the causes of the crises. Consequently crisis situations and therefore claims for compensation being paid by the insurance companies on the part of producers may be repeatedly expected due to surpluses and the ensuing low milk prices. This does not provide a worthwhile model for insurance companies, unless the farmers pay exceptionally high premiums which in turn would excessively reduce their regular income and be counterproductive for them.

While collective insurance solutions supported by the state, such as the Margin Protection Programme in the US, provide short-term compensation for a fall in prices, they tend to lead to continued excess production, and therefore run counter to market stabilisation.

For this reason, it is essential for the amendments set out in Chapter II to be incorporated in the Common Market Organisation Regulation, creating an effective crisis mechanism that applies throughout the EU. The risk management measures proposed by the EU Commission for the CAP strategic plans cannot function effectively as THE EU crisis management elements for the future common agricultural policy. As a complementary element they can, however, have a positive impact. An example is the EU platform for risk management in the Commission proposal. But this would also require amendments regarding the Commission plans for the CAP strategic plans.

How must the current Commission proposal for the regulation relating to the CAP strategic plans be modified to have a stabilising impact as well as being an EU-wide crisis management mechanism?

Proposed amendments to the proposal for CAP Strategic Plans Regulation COM/2018/392 final - 2018/0216 (COD)

Commission proposal	***Amendments proposed by EMB***
Article 6 *Specific objectives* 1. The achievement of the general objectives shall be pursued through the following specific objectives: (a) support viable farm income and resilience across the Union to enhance food security;	*Article 6* *Specific objectives* 1. The achievement of the general objectives shall be pursued through the following specific objectives: (a) support cost-covering farm income including a fair pay for producers and resilience across the Union to enhance sustainable production and food security;

Commission proposal	***Amendments proposed by EMB***
Article 59 *Objectives in other sectors* The Member States shall pursue one or more of the following objectives in the other sectors referred to in point (f) of Article 39: (a) planning of production, adjusting production to demand, particularly in terms of quality and quantity, optimisation of production costs and returns on investments and stabilising producer prices; those objectives relate to the specific objectives set out in points (a), (b), (c) and (i) of Article 6(1);	*Article 59* *Objectives in other sectors* The Member States shall pursue one or more of the following objectives in the other sectors referred to in point (f) of Article 39: (a) planning of production, adjusting production to demand, particularly in terms of quality and quantity, optimisation of production costs and returns on investments and stabilising producer prices through promotion of cost-covering prices including a fair producer income; those objectives relate to the specific objectives set out in points (a), (b), (c) and (i) of Article 6(1);
(h) crisis prevention and risk management, aimed at avoiding and dealing with crises in the markets within one or more sectors referred to in point (f) of Article 39; those objectives relate to the specific objectives set out in points (a), (b) and (c). Article 6(1).	(h) crisis prevention and risk management, aimed at avoiding and dealing with crises in the markets within one or more sectors referred to in point (f) of Article 39; those objectives relate to the specific objectives set out in points (a), (b) and (c). Article 6(1). *See new article volume adjustment programme (to be added in CMO)*

Commission proposal	***Amendments proposed by EMB***
-	*Article 61 a (new)* In order to achieve the objectives specified in Article 59 letter h, the proposed instruments must comply with the following conditions: 1. Prevent a sharp fall in the income of EU producers and 2. Not further exacerbate market imbalances (e.g. through incentives for increased production)

Justification: Risk management instruments must not stimulate any excess production, thereby continuously maintaining prices for all producers at a level far below that which covers costs. In particular the aim must be to stabilise the market to permit financially sound investments to be made.

Commission proposal	***Amendments proposed by EMB***
Article 70	*Article 70* *New 2a* These risk management instruments must comply with the following conditions: 1. Prevent a sharp fall in the income of EU producers and 2. Not further exacerbate market imbalances (e.g. through incentives for increased production)

Justification: Risk management instruments must not stimulate any excess production, thereby continuously maintaining prices for all producers at a level far below that which covers costs. In particular the aim must be to stabilise the market to permit financially sound investments to be made.