



Press Release

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EU measures to stabilise farmers' income: low uptake coupled with overcompensation, say Auditors

EU instruments helping farmers to insure their income against falling prices and production losses have only partially met their objectives, and their uptake remains low and uneven, according to a new report from the European Court of Auditors. In addition, some exceptional measures have not been properly targeted and can lead to disproportionate compensation payments, say the auditors.

The EU's common agricultural policy (CAP) contains a range of measures whose purpose is to guarantee a stable and adequate income for farmers. Direct payments to the 6.4 million farmers in the 28 Member States account for €41 billion a year. Alongside these direct payments, the CAP includes specific instruments for preventing and managing risks and crises in the agricultural sector. For example, insurance and mutual funds can be used to stabilise farm income. There are also exceptional measures which are intended to stabilise the market as a whole in the event of serious disturbance, such as when Russia decided in 2014 to ban certain agricultural imports from the EU.

The auditors looked specifically at whether these tools had been implemented efficiently and were delivering results. They focused in particular on the EU's support for insurance and the exceptional measures introduced for the fruit and vegetables sector following the 2014 Russian sanctions.

The auditors acknowledge that the CAP contains a variety of income safeguards. Direct payments play a significant role in this regard. On average, they account for a quarter of farm income, allowing farmers to cope better with falling prices or lower production, and thus reducing their need to insure. At the same time, the CAP increasingly promotes preventive measures, especially by encouraging farmers to adopt good agricultural and environmental practices. The auditors found, however, that this activity has little impact on farmers' behaviour, since insured farmers may have less incentive to apply a resilient business strategy or adapt to climate change.

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at eca.europa.eu.

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Most of the €2.6 billion which the EU has budgeted to help farmers insure against price volatility and production losses has had little impact, the auditors say. The money reaches a very small share of farmers, as fewer than 10 % of those who insure do so with EU support. Most farmers do not even consider mitigating risk as they expect to receive substantial public aid anyway in case of a crisis. In addition, EU support for insurance is not channelled to those in real need. In the two Member States making most use of it (Italy and France), the auditors observed a concentration in the wine sector. In this sector, where insured capital can reach €115 000 per hectare, many beneficiaries, given their financial capacity and risk profile, would have insured their production even without EU subsidies.

“There is currently limited evidence of the EU added value of this support for stabilising farmers’ income”, said Samo Jereb, the Member of the European Court of Auditors responsible for the report. “Measures should be further targeted, so that they can be used by those farmers which need them most and in a way that does not conflict with the development of a more preventive and resilient EU agriculture.”

Regarding the €513 million spent for fruit and vegetables in 2014-2018 in response to the Russian ban, the EU did not set objective parameters to consider its use. For instance, 61 % of the support went to apple producers (mainly in Poland), although apple exports remained roughly constant or were even growing. Exceptional measures have also been applied to other fruit (such as peaches and nectarines) to address structural overproduction within the EU, rather than one-off market disturbances. Lastly, the auditors note that EU support for withdrawing products for free distribution has been costly. In some cases, the rates paid have largely exceeded market prices and thus allowed overcompensation. In addition, the auditors found that most products withdrawn for free distribution schemes have ultimately returned to the market in a different form (as juice in Greece and Spain, for example), while only a fraction reach people in need.

Against the backdrop of recent legislative proposals for the future CAP, which seek to increase the focus on risk management, the auditors recommend that the European Commission:

- encourage farmers to better prepare for crises;
- better design and monitor its support for insurance;
- clarify the criteria for triggering and ending exceptional measures; and
- adjust compensation for withdrawal operations.

Notes to Editors

Special report 23/2019 “Farmers’ income stabilisation: comprehensive set of tools, but low uptake of instruments and overcompensation need to be tackled” is available on the ECA website (eca.europa.eu) in 23 EU languages.

In November 2018, the ECA issued its [opinion on the Commission’s legislative proposals for the future CAP](#).

By the end of 2020, the ECA also plans to issue a special report on the exceptional measures the EU took to counteract the 2014-2017 dairy market disturbances. Some €740 million was spent in this sector, partly to compensate farmers for sanctions by the Russian Federation. The related [audit preview](#) was published in October 2019.

The ECA presents its special reports to the European Parliament and the Council of the EU, as well as to other interested parties such as national parliaments, industry stakeholders and representatives of civil society. The vast majority of the recommendations we make in our reports are put into practice.

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