

Opinion of the European Economic and Social Committee on The future outlook for agriculture in areas with specific natural handicaps (upland, island and outermost areas)

(2006/C 318/16)

On 19 January 2005 the European Economic and Social Committee decided to draw, under Rule 29(2) of its Rules of Procedure, on *The future outlook for agriculture in areas with specific natural handicaps (upland, island and outermost areas)*.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 11 July 2006. The co-rapporteurs were Mr Bros and Mr Caball i Subirana.

At its 429th plenary session, held on 13 and 14 September 2006 (meeting of 13 September 2006), the European Economic and Social Committee adopted the following opinion by 173 votes to six with 16 abstentions.

1. Conclusions and recommendations

1.1 The EESC considers that the existence of these areas with specific natural handicaps (upland, island and outermost areas) must be recognised both publicly and politically, so that coherent, targeted policies in line with the real needs of these regions can then be implemented.

1.2 At a time when rural development and regional competitiveness programmes are being negotiated between the European Commission and the European regions or Member States, the European Economic and Social Committee wishes to emphasise the importance and the needs of farming in areas with specific natural handicaps (upland, island and outermost areas).

1.3 Bearing these handicaps in mind, the Committee calls on the European Commission to propose policies that are genuinely specific to these areas, in order to coordinate the different policies currently applying to them and to develop synergies between existing measures.

1.4 Even though the second pillar of the CAP — rural development — is indispensable and thus a key political priority, it has to be said that this was one of the main variables whereby agreement could be reached on the financial perspective. Noting this cut in budgetary resources, the Committee calls on the Commission and the Council to steer appropriations for rural development towards the weakest areas in the greatest need; in other words, areas with permanent natural handicaps.

1.5 The Committee calls on the Commission and the Member States, when drawing up rural development and regional programmes under the Structural Funds, to ensure that

these programmes in areas with natural handicaps are both complementary and consistent.

1.6 The EESC proposes that, in the same way that platforms such as Euromontana already exist to promote mountain regions, this type of cooperation should be boosted in island and outermost regions, especially for agricultural policy issues, and should actively involve civil society.

1.7 Given the precarious situation and the importance of farming in these areas, the EESC considers that creating a European monitoring centre for such areas (upland, island and outermost areas) is of the utmost importance. The aim is to develop a European vision of farming in these areas that acts as a point of reference for following up, analysing and disseminating information on the state of farming there and as a meeting place for reflection and dialogue between administrations, civil society and the different European organisations and which puts forward European initiatives to maintain and develop farming in these areas.

1.8 The EESC would, however, point out that there are many other disadvantaged rural areas besides the upland, island and outermost areas discussed in this opinion, areas with comparable problems in terms of location, production costs and climate. This applies in particular to 'other disadvantaged areas' and 'areas with specific handicaps'. The EESC will look at these issues in a subsequent opinion.

1.9 In demarcating the other disadvantaged areas, objective location-related handicaps to agricultural use should also figure prominently. Sufficient account should also be taken of specific regional features.

2. Justification

2.1 Background

- EESC opinion on *The future of upland areas in the EU* ⁽¹⁾
- EESC opinion on rural development ⁽²⁾
- European Parliament resolution of 6 September 2001 on 25 years' application of Community legislation for hill and mountain farming ⁽³⁾
- EESC opinion on the outermost regions ⁽⁴⁾
- EESC opinion on the strategy for the outermost regions ⁽⁵⁾
- EESC opinion on *The problems of agriculture in the EU's most remote regions and islands* ⁽⁶⁾.

3. Common section: areas with permanent natural handicaps

3.1 The regulations on rural development and regional policy have now been adopted. It has not been easy to allocate the funds, given the cut in the budget for these policies. The agreement on the financial perspective 2007-2013 resulted in lower amounts being allocated to rural development in the old Member States and in regional policy funds being spread more thinly.

3.2 After many years, some upland and outermost regions suffering from permanent natural handicaps are now recognised in the common agricultural policy and in regional policy, but island regions do not enjoy the same recognition.

3.2.1 Upland areas are important in Europe: they cover one-third of its territory and account for some 18 % of the EU-25's population. The accession of Romania and Bulgaria will bring extensive upland areas within the EU's borders. European upland areas are extremely varied, both in their physical characteristics such as topography and climate, and in their socio-economic characteristics, such as demography, accessibility and connections to neighbouring areas. They differ in terms of land use and the role played by farming, in terms of social cohesion and, even more importantly, their level of economic development.

3.2.2 EUROSTAT uses the following five criteria to define what constitutes an island: 1) the island must cover an area of at least one square kilometre; 2) the distance between the island and the mainland must be at least one kilometre; 3) there must be a permanent resident population of at least 50 inhabitants; 4) there must be no permanent physical link between the island

and the mainland; and 5) no EU capital city may be situated on the island.

3.2.3 Any island on which an EU capital is based is excluded according to the EUROSTAT definition. Before enlargement, therefore, the United Kingdom and Ireland were excluded, but two relatively small islands — Cyprus and Malta — have, since May 2004, become EU Member States. The EESC suggests that the definition be reviewed to include these two Member States. This has been acknowledged by the EU in its proposal on the new Structural and Cohesion Funds and in the Treaty establishing a Constitution for Europe, which already refers to this point.

3.2.4 The outermost regions — i.e. the French overseas departments, the Azores, Madeira and the Canary Islands — are full members of the European Union, but at the same time present their own unique characteristics. These regions are all in a similar situation and are characterised by a series of geographical, physical and historical factors that have a considerable influence on their economic and social development.

3.2.5 Other specific areas that are smaller, such as peri-urban ⁽⁷⁾ areas, wetlands or polders, can face particular handicaps, to which special attention should be paid in a more decentralised framework for implementing European policies. The Committee could address these issues in a subsequent opinion.

3.3 These areas suffer from permanent natural handicaps including isolation — which results in higher marketing, supply and service costs and makes access to markets more difficult — and higher infrastructure, transport and energy costs.

3.4 Hence the particular importance of preserving agriculture in disadvantaged areas in the interests of economic development, social life, cultural heritage (farmers make up a high percentage of the population in these areas), balanced territorial development and the environment.

3.5 The recent changes to the CAP are many and far-reaching and will inevitably affect the sustainable development of all European regions and, in particular, areas with specific natural handicaps, due in particular to the weakening of the second pillar in the case of the older Member States. A dual trend can be seen in these developments: on the one hand, a European response to the negotiations taking place at the WTO (World Trade Organization) and the quest for competitiveness on international markets; on the other hand, the unrealised wish to strengthen measures and support for protecting the environment, animal welfare and rural areas.

⁽¹⁾ OJ C 302 of 14.3.2003, rapporteur Mr Jean-Paul Bastian.

⁽²⁾ OJ C 302 of 7.12.2004 and CES 251/2005, OJ C 234 of 22.9.2005, rapporteur Mr Gilbert Bros.

⁽³⁾ INI2000/2222, OJ C 072 of 21.3.2001.

⁽⁴⁾ OJ C 221 of 17.9.2002, rapporteur Mr Philippe Levaux.

⁽⁵⁾ OJ C 24 of 31.1.2006, rapporteur Ms Margarita López Almendáriz.

⁽⁶⁾ OJ C 30 of 30.1.1997, rapporteur Mr Leopoldo Quevedo Rojo.

⁽⁷⁾ OJ C 74 of 23.3.2005.

3.6 The theoretical aim of the 2003 CAP reform was to improve competitiveness and to adapt farm production to market needs. If left to market forces alone, however, farming in disadvantaged areas would die out. A proactive policy is therefore needed to keep farming alive in these difficult areas.

3.7 It is hard to assess the impact of the reform of the 'first pillar', adopted on 29 September 2003, involving decoupling, cross-compliance and modulation, because the Member States and regions have adopted different strategic decisions as to what action to take. It is clear, however, that the reform entails the risk that some forms of production will cease and/or relocate (because there is no obligation on farmers to be productive in order to receive direct aid), for example in the case of livestock breeding and the fattening-up of animals for sale.

3.8 At a time when the Commission is negotiating rural development and regional policy programmes with the European regions and the Member States, particular attention must be paid to areas suffering from permanent natural handicaps in order to ensure the territorial cohesion that is crucial to the success of the Lisbon strategy. Basing public policy solely on strategies to improve competitiveness would thus run counter to the stated aims. This appears, however, to be the direction that some EU Member States wish to take.

3.9 Farming must continue as an economic activity based on farmers' desire to do business. This does not mean turning disadvantaged areas into museums for outdated farming practices or into areas where the environment is the sole or predominant concern. The farming sector has succeeded in developing and modernising to meet consumers' and the public's expectations. This dynamic must be continued so as to make the best use of farmers' capacities for innovation and enterprise. Farming in disadvantaged areas must continue down this path and allow an agri-food sector to develop on the basis of local production in order to keep such areas economically viable. State aid for regions has a special role to play here.

4. Upland regions

4.1 Introduction: the specific characteristics of upland farming and the challenges for rural development

4.1.1 **Upland farming** in Europe has a number of specific characteristics. Although upland areas are not the same throughout Europe, neither in terms of environment, soil and climate nor from an economic and social point of view, there

are common constraints (or handicaps) on farming in these areas due to the slopes, the uneven terrain and a generally harsh climate. These constraints limit choices of production to pasturage and livestock breeding. These factors also make it harder for farming here to adapt to competition and entail higher costs that prevent it from producing competitive low-cost products. This type of agriculture does, however, present a number of benefits for the sustainable development of upland areas.

4.1.2 Rural development issues in upland areas essentially concern the scarcity of useable land, competition with other activities such as forestry or urban development, the abandonment of agricultural land, the overgrowth of landscapes, the development of tourism, accessibility (or isolation), services of general interest and the management of water and natural resources, and in particular the preservation of biodiversity. Ultimately, they concern the safety of goods and persons thanks to the positive roles played by farming and forestry in combating natural risks such as landslides, flooding, avalanches or fires.

4.2 *The need for a harmonised EU definition*

A reminder of the position set out in the EESC opinion on The future of upland areas in the EU ⁽⁸⁾:

There are thus significant discrepancies [in the classification of upland areas] between Member States. Whilst a certain amount of subsidiarity should be retained in the final designation of the areas concerned, it would therefore be advisable to standardise the concept of an upland area by adapting the current EU definition and specifying a range for each of the three criteria (slope, altitude and climate).

4.2.1 As a result of the report produced by the European Court of Auditors and the study requested by the European Commission entitled *Mountain Areas in Europe: Analysis of mountain areas in EU member states, acceding and other European countries*, published in January 2004 on the Internet at: http://europa.eu.int/comm/regional_policy/sources/docgener/studies/study_en.htm, the Commission is now in a position to produce a standardised definition of upland areas.

4.3 *The European Union must have a specific policy for upland areas*

4.3.1 Upland farming has a unique effect on the environment and on the land itself. Farmers provide considerable benefits for the local economy, the environment and for society as a whole.

⁽⁸⁾ Ibid 1.

These are its 'positive externalities' or its 'multifunctional nature'. Farming is an effective form of land-use planning and natural resource management and is of central importance to successful landscaping. These aspects are particularly crucial in upland areas, due to their considerable water resources, upland-specific biodiversity and the tourist attraction of almost all upland areas. Upland farming also helps to preserve certain animal and plant species, either by making direct use of them (breeds of cattle or sheep exported throughout the world because of their traditional country flavour, or specific plant breeds such as perfume-producing flowers, or certain cereals that consumers are now rediscovering) or as a consequence of farming (maintenance of rough grazing land, etc.). Agriculture in these areas also helps to ensure a wide range of farm and food produce for the markets, not least because it often supplies typical and very well-known regional products for which there is less competition and this also helps to preserve traditional know-how. Lastly, this form of farming contributes to employment in rural areas and is closely linked to non-farming rural activities, because in many regions a large proportion of people hold down several jobs at once.

4.3.2 Unless we take the view that these positive externalities could be charged for as services rendered, which is generally not the case today, an overall reduction in support for upland farmers would have an immediate impact on them, speeding up the abandonment of farms and consequently of their task of maintaining the countryside. This is a matter of general interest, which concerns all public decision-makers and society as a whole. If there is a real desire to prioritise sustainable development, this issue cannot be ignored.

4.3.3 The need to preserve productive farming in upland areas is particularly pressing for the rural economy, to help transform it and thus to create added value in these areas, which will lead to employment, growth, etc. Furthermore, produce from upland areas is often an integral part of the particularly rich cultural heritage of these areas, whose survival depends on local products, such as the *artisou* cheese from Margeride⁽⁹⁾ (which forms the basis of the artisou cheese festival), Mahon cheese or Rute aniseed.

4.3.4 Upland farming faces a number of specific and permanent constraints. The implementation of the first pillar of the CAP, which has traditionally been based on farm production levels, has meant that upland areas consequently receive less support under the first pillar than lowland areas. Assistance under the second pillar is in practice of equal importance to that provided under the first pillar in these areas. A specific policy for upland areas must ensure that account is taken fully and consistently of the specific problems facing upland farms,

⁽⁹⁾ More information on this cheese: <http://www.artisoudemargeride.com>.

both agricultural and pastoral. This policy starts from the premise that society must give itself the means to promote dynamic upland agriculture, which is able to perform the tasks of agricultural production and countryside maintenance that are deemed crucial to the spatial planning and future development of these areas.

4.3.5 Under the European network for rural development, the Committee calls on the Commission to set up a thematic working party for upland-related issues.

4.3.6 Mountains in the Mediterranean suffer from both upland handicaps and those resulting from the Mediterranean climate (such as drought, forest fires, storms, etc.). This specific characteristic should be taken into account at European level so that policies can be adapted at regional level.

4.4 *Attaching priority to upland areas when allocating appropriations under the second pillar*

4.4.1 At a time when rural development budgets are falling or staying at the same level in the old Member States and the new Member States are tempted to allocate appropriations to the areas that are most productive in the short term, the European Commission must ensure that EU appropriations are allocated to the areas with permanent natural handicaps that need them year after year.

4.5 *Consolidating compensation measures for upland farmers is crucial*

4.5.1 Compensation for natural handicaps and consequently for higher production costs is the most important measure that can be adopted to support upland farming. No one today questions the importance of this measure, even if sufficient means are not provided to meet its aims.

4.5.2 Farm production conditions in upland areas are basically characterised by major constraints linked to altitude, slopes, snow and difficulties in communication. The consequences of these constraints fall into two categories. They result in higher equipment costs (buildings and materials) and transport costs and also reduce the productivity of certain factors (land ownership, capital, labour) depending on the type of production and the degree of handicap.

4.5.3 Lower productivity in upland farming is linked to the shorter active lifespan of vegetation, which falls from eight months in the lowlands to less than six at an altitude of 1000 metres. This means that at least one-third more fodder is required to feed an animal and, to compound the problem, this is on land that is already less productive per fodder unit.

4.5.4 The Compensatory Allowance for Permanent Natural Handicaps (CAPNH) is the main support mechanism for achieving these aims. A ceiling on the allowance would be desirable to limit the growth of holdings that are already medium to large, in order to maintain a sufficient number of farms, thereby preventing desertification.

4.6 *Other measures supporting upland farming must be pursued and built on*

4.6.1 Extensive grassland farming policy

4.6.1.1 In earlier programming periods, agri-environmental measures helped to implement a policy aimed at supporting grassland production in areas with extensive farming. This approach must be continued by means of measures that are simple and accessible to the greatest number of farmers, supplemented by other measures that are more geared towards areas facing specific environmental issues.

4.6.1.2 Limiting agri-environmental support to this type of area would in fact run counter to the aim stated in the measure, insofar as it would almost inevitably lead to farmers leaving the profession and to the countryside returning to a state of neglect, which would hamper the prevention of natural risks, the multi-functional role of the areas concerned and the preservation of biodiversity. It should be noted that, in any event, agri-environmental measures that will enter into force in 2007 have actually become more selective than before, because they now include a mandatory unremunerated basic amount linked to farms' implementation of cross-compliance.

4.6.2 Support for investment

4.6.2.1 There are a number of factors causing higher building costs in upland areas, such as buildings having to withstand snowfalls and heavy winds, remoteness, the greater excavation work required and keeping animals stabled for longer periods, thus requiring higher volumes of fodder and waste to be stored. Higher mechanisation costs are due to the specific characteristics of the equipment needed for working on steep terrain, to the wear and tear it suffers as a result of the climate and the small production runs for such equipment. Just like compensation for natural handicaps, support for investment is a prerequisite for farms' survival and should thus be stepped up in upland areas.

4.6.3 Getting young people into farming and subsidised loans

4.6.3.1 The trend in upland farming, as in farming everywhere, is for fewer people to join the profession due to the lack

of prospects, the onerous nature of the work and the heavy financial burden when operating capital has to be transferred; when three farmers cease their activities, only one is replaced, in upland areas as elsewhere.

4.6.3.2 Nevertheless, due to the fragile nature of upland farming systems and the higher levels of investment required than in the lowlands, it is more important than elsewhere to encourage new generations to replace those leaving the profession and take up farming. This aim is of direct concern to farming, but it also very much in the general interest, as emphasised above.

4.6.4 Compensation for the higher costs of services

4.6.4.1 Higher costs of services (artificial insemination, harvesting, etc.) are largely due to the lower density of upland holdings, which makes transportation longer, and to transport conditions, which are more difficult and cause more wear and tear to vehicles. In order to meet the aim of preserving farms in upland areas, support must be given to these services, in particular to milk collection, the cost of which is currently borne by farmers. In the context of upland areas, the argument that support of this nature would distort competition does not really hold water, because market rules are not applied in all areas in the same, undifferentiated way.

4.6.5 Support for the agri-food industry

4.6.5.1 In order to ensure the best return on upland farm produce, industrial processing and marketing tools must be available locally. But the agri-food industries are also affected by the constraints imposed by the mountainous nature of the land, the distance from markets, higher transport costs, and higher construction and maintenance costs. Such a measure would also lead to new jobs being created, which is particularly important in rural areas.

4.6.5.2 This is why permanent support for these activities is appropriate and necessary. The agri-food industry must be given broad access to regional aid.

4.6.6 Support for investment in agri-tourism

4.6.6.1 Agri-tourism is highly developed in some of Europe's upland areas, in Austria for example, and provides additional income that is crucial to the survival of farms there. Conversely, tourism exists in these areas, and not only on farms, because of the attraction of the landscapes and cultures that have largely been shaped by farming.

4.6.7 Support for the European Charter for Quality Food Products

4.6.7.1 Most upland farms cannot compete with lowland farms by selling mass-produced, run-of-the-mill goods at the same price (or often at a lower price because of producers' remoteness). In order to boost farmers' incomes, it is crucial in upland areas even more than elsewhere to strive to ensure the quality, authenticity and the originality of products and to establish mechanisms for improving production and structures in the agri-food sector, thus achieving greater added value. Many designations of origin come from upland areas.

4.6.7.2 Adequate protection of high-quality agri-food products from upland areas — meaning that consumers can buy with confidence and that producers are properly remunerated — is a major issue for the future of upland farming. This is why the Committee is a signatory to the European Charter for Mountain Quality Food Products⁽¹⁰⁾ and hopes that the Community institutions support this initiative.

4.7 *Integration of agricultural and regional policies to ensure they have a greater impact on upland areas*

4.7.1 For example, one of the aims of European regional policy is territorial cohesion, which is barely referred to in the CAP and has a rural dimension which could be enhanced. These two policies taken together, if coordinated, could have a substantial and positive effect on sustainable development in upland areas.

4.8 *Other points to be considered*

4.8.1 There must be a concerted approach to dealing with large predators.

4.8.1.1 Extensive sheep farming in European upland areas was able to emerge and develop when large predators were eradicated. Their reappearance (wolves in the Alps and bears in the Pyrenees) once again threatens this form of extensive farming, in which herds are not constantly watched over.

4.8.1.2 Initiatives have been put forward proposing fair solutions that could reconcile the practice of pastoralism in upland areas with protecting large predators, in particular in Italy and Spain (effective means of protection, compensation for losses, compensation for additional work involved in cohabiting with predators, etc.), which should be further developed. These experiences should be built on in other European upland areas.

⁽¹⁰⁾ See the Internet site <http://www.mountainproducts-europe.org/sites/euromontana>.

4.8.2 Forestry is an essential complement.

4.8.2.1 The total surface area of upland forest is estimated to be some 28 million hectares in the EU-15 and 31 million hectares in the EU-25 and is growing at a faster rate than European forestry as a whole. Forestry is often a source of additional income for upland farmers. Against the current backdrop of making better use of biomass, in particular for energy, this could provide an additional opportunity for the sustainable development of upland regions, provided the planting of new forestry areas is managed rationally. Selecting species and varieties that have the right mechanical properties would also present an opportunity for upland regions and for the timber markets, whilst helping to restrict imports from third countries, which can cause ecological disasters.

4.8.2.2 In functional terms, upland forest ecosystems also have their own specific characteristics. Furthermore, they play a key role in regulating surface and underground water and are particularly sensitive to external impacts (pollution, excessive wild animal populations, storms, insects) and to fires, which are more difficult to prevent and bring under control in such areas, where access is difficult and/or fire can spread very quickly.

4.8.2.3 The ecological stability of upland ecosystems is not only important to these areas; it also protects the regions located below them.

4.8.3 The Committee welcomes the European Community's adoption of the agricultural protocol to the Alpine Convention. Under this initiative, the European Commission must support international cooperation of this type for all European upland areas.

5. Islands

5.1 *Definition*

5.1.1 More than 10 million people, or 3 % of the European Union's total population, live on Europe's 286 islands, which occupy an area of 100 000 km² (or 3.2 % of its total area). These 286 islands are grouped into archipelagos and it can thus be said that there are 30 island regions. The Balearic Islands, for example, formed by four islands according to the EU's definition, make up a single island region. Generally speaking, farming on these 286 islands is less developed in economic terms than in mainland Europe. Island regions generate 2.2 % of the EU's total GDP, achieving only 72 % of the EU average.

5.1.1.1 The islands under discussion here are basically those in the Mediterranean, because 95 % of Europe's island population lives on these islands, with only 5 % living on the Atlantic and northern islands. Just five Mediterranean island regions (Sicily, Corsica, Sardinia, the Balearic Islands and Crete) are home to 85 % of the EU's island population.

5.1.1.2 People often talk about the cost of island life, with this being understood to be the higher cost of living on an island; but it should be asked whether such a cost really exists. Is it really more expensive to consume and produce on an island than on the mainland? To answer 'yes' to this question, we would need to accept the premise that the natural environment has an impact on human activity and thus on farming; in which case it would make sense to talk about the cost of island life.

5.2 General comments

5.2.1 Although one region differs from another in specific respects, agriculture in the most remote regions has two features in common: duality and dependence. Modern, 'export-oriented', farming co-exists with traditional, quasi-subsistence farming and there is a high degree of dependence on external markets, both for supplies of inputs for the local market and as an outlet for local produce. The trade balance clearly reveals exports of one or two 'specialist' products and imports of a wide range of farm products for internal consumption.

5.2.2 At all events, rural development is facing a series of permanent common problems stemming primarily from the geographical and economic isolation of these regions, exacerbated by the other natural handicaps already mentioned.

5.3 Specific comments

One feature of these regions is that they have permanent handicaps which clearly distinguish them from mainland regions and which include:

5.3.1 General and agricultural handicaps:

- isolation from the mainland
- restricted usable land area
- restricted water supplies
- restricted sources of energy
- falling population, particularly of young people
- a shortage of skilled workers
- the absence of a favourable economic climate for businesses
- difficult access to high-quality education and health services
- the higher cost of sea and air transport communications and infrastructure

- difficulties in waste management.

5.3.2 Agricultural handicaps:

- monoculture and the seasonal nature of their agriculture
- territorial fragmentation, which makes their governance, administration and economic development more complicated
- restricted market size
- isolation from the major markets
- oligopolies in the supply of raw materials
- a shortage of processing and marketing infrastructures
- tough competition for land and water from flourishing tourism
- a shortage of slaughterhouses and processing plants for local products.

6. Outermost regions

6.1 Definition

6.1.1 The European Commission decided to adopt a joint approach to these regions through its programmes of options specific to the remote and insular nature of the outermost regions (POSEI): POSEIDOM for the French overseas departments (Martinique, Guadeloupe, Guiana and Réunion); POSEICAN for the Canary Islands and POSEIMA for Madeira and the Azores.

6.2 General comments

6.2.1 In the most remote regions agriculture is, over and above its relative importance in regional GDP (at all events above the Community average), a key sector for the economy (with considerable indirect impact on transport and other allied activities), social and labour relations stability, spatial planning, conservation of the natural and cultural heritage, and, for strategic reasons, security of supply.

6.3 Specific comments

6.3.1 Natural constraints and difficulties in obtaining capital goods and appropriate technology result in high production costs.

6.3.2 Their products are more expensive than those from mainland Europe and also have great difficulty in competing with imports on local markets because these regions are scattered, fragmented and lack adequate structures for processing and marketing. The increasing number of hypermarkets and major distribution networks does not exactly help to improve this situation.

6.3.3 Lack of economies of scale, with small and frequently fragmented local markets, the lack of partnership structures (cooperatives, etc.), few or no slaughterhouses and small processing plants.

6.3.4 The local processing industry also suffers from similar obstacles to development and does not have an adequate customer-base, which gives it only very limited scope to achieve added value.

6.3.5 The difficulties are similar for exports: scattered and fragmented supply-side structure, shortcomings in marketing systems and infrastructure, difficulties in gaining access to distribution centres at the place of destination and in reacting quickly enough to changes in the market.

6.3.6 Falling local population, especially amongst young people, due to people leaving for other economic sectors, especially tourism, or leaving the island regions altogether.

6.3.7 Farms — on which the role of women is crucial — are generally small and family-run, with considerable impact on part-time employment; extensive farming faces major obstacles (excessive fragmentation of land and mechanisation problems).

6.3.8 Lacking a substantial industrial base, economic development gravitates towards the tourist sector; this exacerbates the fragility of the natural environment and places agriculture in competition — where it is at a disadvantage — for the best land, water and labour. The relocation of the population towards the coastal zones creates problems of erosion and desertification inland.

6.4 *Agricultural handicaps*

6.4.1 Agricultural products such as tomatoes, tropical fruit, plants and flowers have to compete on the same markets with similar products from other countries that have concluded association agreements with the EU, such as the ACP group of countries, Morocco, or countries that benefit from preferential arrangements.

6.4.2 The POSEI agricultural programmes have not been used to the best effect, mainly because some of the measures have only come into force recently. Consequently, the ceilings that have been established, giving these programmes adequate financial resources to achieve their aims, should be respected.

6.4.3 The new scheme which is about to take effect under the future reform of the COM in bananas, maintaining the income of Community producers and sustaining employment, to ensure the future of the Community's banana sector.

6.4.4 The final outcome of the WTO negotiations (proposed changes to custom tariffs). Should this prove necessary, the appropriate measures must be taken to ensure farmers' employment and incomes in the sectors in question.

6.4.5 Bearing in mind the general situation of these regions, plant and animal health checks should be established and stepped up, and all necessary human and technical resources provided.

7. **Proposals for the island and outermost regions**

7.1 The Committee notes the importance of the strategic role played by farming in these regions as a factor for social, cultural, territorial and environmental balance, and for a balanced landscape.

7.2 Having studied the various documents referred to above, the Committee notes the existence of structural handicaps to farming in island and outermost regions.

7.3 For these reasons, the Committee considers it necessary to draw up a set of recommendations for the European Commission, urging it to implement specific measures to overcome the handicaps arising from insularity or remoteness, which affect 16 million people in Europe and, in particular, farming activities in these areas.

7.4 With regard to island and outermost regions, the Committee calls on the European Commission to:

7.4.1 **Grant the status of less-favoured agricultural area to all of these regions.** The specific handicaps to farming on the islands of Malta and Gozo ⁽¹⁾ set an important precedent for implementing this measure for all island and outermost regions.

7.4.2 **Establish a scheme allocating aid for transporting farm produce between these areas and mainland Europe** and also for inter-island transport. Subsidising transport costs should enable farm produce from the islands and the outermost regions to compete on an equal footing with other EU farmers in the European market.

⁽¹⁾ Treaty of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia to the European Union.

7.4.3 Establish a **plan that guarantees equal prices for basic agricultural inputs in these areas** (such as fuel, animal feed, machinery, etc.) to compensate for the higher production costs involved in farming in the island and outermost regions. Measures must be adopted to assist with importing basic animal feed products.

7.4.4 Include European co-financing in rural development plans and increase the percentages thereof; these plans should include the construction of and investment in the infrastructure needed to overcome the specific handicaps arising from an area's remoteness or the fact that it is an island, such as plans for irrigation using purified water, drainage systems, port and storage infrastructure, marketing aid, etc.

7.4.5 Establish **special measures for monitoring oligopolistic activities**, which are particularly prevalent in the islands, where the limited size of the local market favours the existence of a few distribution companies whose trade margins are sometimes considerable. Combating these practices will help a free market to develop in these areas.

7.5 Furthermore, with regard to measures aimed specifically at the EU's island regions, i.e. not the outermost regions, the Committee calls on the European Commission to:

7.5.1 Adopt **specific action programmes for EU island regions that are not outermost regions**. These special programmes, like those adopted for the outermost regions⁽¹²⁾, must enable island regions to achieve results similar to those achieved by the seven

outermost regions: during the 1994-1999 and 2000-2006 periods, those seven areas received 33 % more funding per capita from the Structural Funds than the other inhabitants of Objective 1 regions. This assistance helped to secure higher economic growth and a more marked fall in unemployment rates than in many other EU regions.

7.5.2 In the new programming period for regional policy (2007-2013), **increase the contribution from the European Funds to the total eligible costs, with a ceiling of 85 %**, as is already the case for the outermost regions and the most remote Greek islands⁽¹³⁾. The new Commission proposal⁽¹⁴⁾ (for the 2007-2013 period) for islands is clearly inadequate (ceiling of 60 %).

7.5.2.1 Local and regional authorities should be allowed to introduce the JEREMIE programme⁽¹⁵⁾ in the form of an investment fund, granting financial aid to young farmers who wish to grow food crops.

7.5.3 The Committee proposes that island regions should be dealt with separately under the new Structural Funds.

7.6 Given the consequences of there being no specific policy for defraying the costs of living on an island, the EESC calls for the stakeholders, i.e., government, civil society, etc., to unite their efforts by creating a platform that channels and coordinates all requests to solve problems, to ensure that farmers, both men and women, continue to live and work in all island regions.

Brussels, 13 September 2006.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

⁽¹²⁾ The POSEIDOM programme for the French outermost regions, POSEICAN for the Canary Islands and POSEIMA for the Azores and Madeira.

⁽¹³⁾ Regulation No. 1260/1999.

⁽¹⁴⁾ COM(2004) 492 final.

⁽¹⁵⁾ OJ C 110 of 9.5.2006, rapporteur Mr Antonello Pezzini.