



**Tithe an  
Oireachtais**  
**Houses of the  
Oireachtas**

***An Comhchoiste um Thalmhaíocht, Bia agus Muir***

**An Cion Polaitiúil maidir le hAthchóiriú an Chomhbheartais Talmhaíochta**

Aibreán 2018

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***Joint Committee on Agriculture, Food and the Marine***

**Political Contribution on the Reform of the Common Agricultural Policy**

April 2018

**32/AFM/16**



## Summary Position

The Joint Committee on Agriculture, Food and the Marine (the Committee) in its first contribution on the future of the Common Agricultural Policy (CAP) (April 2017) highlighted a number of issues facing European agriculture including -

- Supporting Producers: Making Farming Pay
- Protecting the Environment: Maintaining the Countryside
- Supporting Rural Communities: Sustainable Rural Communities and
- Resourcing the CAP

The Committee also participated in discussions in Paris in April 2017 and agreed a joint declaration with the colleagues from the Senates of France, Italy and Poland. This Declaration was included in the second political contribution of the Committee (September 2017).

For this third contribution, the Committee addresses four themes including the financial elements, environmental elements, support for young farmers and subsidiarity.

The Communication from the European Commission, *The Future of Food and Farming* (the Communication), places emphasis on the environment and sustainability, while also highlighting food security, thriving rural communities and ensuring fair incomes for farmers.

Particular items of concern for the Committee include-

- resourcing of the CAP post-Brexit
- the payments structure under a new, results-based delivery model
- the impact of supporting environmental measures under the CAP
- the impact of subsidiarity
- the importance of specific measures supporting sequestration and biodiversity, including afforestation and Areas with National Constraints (ANCs)
- the support mechanisms in place for young farmers and the role for precision agriculture
- CAP simplification and subsidiarity in practice, particularly with reference to the CAP Strategic Plans.

The above themes are explored in detail under the following headings in the Appendix to this communication –

**(1)** financial measures

**(2)** environmental measures

- (3) Measures supporting young farmers including measures to incentivise the retirement of previous generations and careers in industries that support precision agriculture.
- (4) the use of subsidiarity to address climate change issues

#### Decision of the Joint Committee

- I. The Committee again considered the issue of the new Common Agricultural Policy at its meeting of 7 November 2017, and again at its meeting of 29 March 2018.
- II. The Committee, at its meeting of 17 April 2018, agreed to submit this third political contribution on the *Reform of the Common Agricultural Policy*.
- III. The Committee welcomes the proposed Communication and welcomes the approach of the Commission in relation to consultation with all stakeholders. The Committee requests the opinion and recommendations of the Committee as detailed in this contribution be considered and responded to in a timely manner.



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Pat Deering T.D.  
Chairman  
19 April 2018

## Appendix

### Detailed consideration forming the opinion of the Committee

#### 1. Financial Measures

This Contribution expands on the issues raised in earlier contributions with regard to resourcing with Multi Annual Financial Framework (MFF) in particular -

- the Financing of the CAP under the MFF
- the Efficiency of Resourcing under the CAP

The Committee notes the Reflection Paper on the Future of EU Finances. The Committee has also considered the Communication and attended meeting in Brussels in December 2017 to discuss the issues arising with Commissioner Hogan, MEPs, senior Irish officials and key stakeholders.

It is clear that the agri-food sector must continue to receive support particularly, when Europe is opening up more to the world through trade, and at a time where there are critical challenges in relation to climate change and food sustainability.

The Committee agrees that resourcing for the CAP should not be reduced. Given the options available for CAP resourcing, the Committee suggests that an increase to the proportion of Gross National Income (GNI) contributed to the EU should be considered. This could be in the range of an increase from 1% to 1.3%. Alternatively, there could be a mandatory percentage increase, followed by a voluntary percentage for those Member States that can contribute more.

The Committee also agrees that any decision to change the level of resourcing for CAP should not be made until the future EU-UK relationship is known. The Committee also believes there is value in maintaining the involvement of the United Kingdom in the following Brexit, and perhaps opening up some aspects of the policy to other non-EU Member States.

#### **The Financing of the CAP under the MFF**

In its consideration and engagement on the issue of financially resourcing the CAP, the Committee heard there are three central threats to the CAP budget:

1. the departure of the UK from the EU
2. the political imperative for funding other priorities, and
3. the desire of other Member States to have what they view as a fairer share of the CAP budget.

In relation to the MFF post-2020 and the impact of the UK's withdrawal from the EU, two issues arise namely,

- The '**Brexit Bill**', which refers to the shortfall in the current MFF for 2014-2020 resulting from the UK's departure, and
- the '**Brexit Gap**', which refers to the gap left in the EU Budget after 2020, which is estimated at €10 million per annum.

The Committee believes that suggestions of a 50/50 payment structure by the European Commission is not realistic and may be detrimental to Member States that are net beneficiaries. Instead, an increase to the funding by the Member States, on a collective and / or opt-in basis, may be more suitable. At its meeting of 29 March 2018, the Committee heard that Ireland is prepared to make additional contributions to the EU budget, noting that the CAP is a core policy of the European Union and at the heart of the European ideal. The Committee welcomes this approach to the MFF provided the current level of CAP resourcing is maintained.

The Committee is aware of proposals to increase the percentage of GNI contributed to the EU Budget. The Committee believes the position taken by the European Parliament, to increase payments from 1% GNI to 1.3% GNI, may be more beneficial for the MFF overall. Specifically, this would ensure a more robust and well-resourced CAP.

### **Efficiency of Resourcing under the CAP**

The Committee also recognises the need to promote the efficiency of the payments system. This could be applied through the structure of payments and supports to a new delivery model as proposed by the Commission. The Committee notes the position of the European Court of Auditors, particularly on how the current CAP "reflects a culture of spending rather than a culture of performance". In addition, the Committee also notes the observation of Commissioner Oettinger, which was also highlighted by the Minister for Agriculture, Food and the Marine, that there is an expectation the CAP Budget will be reduced by 5% or by up to 10%. Therefore, encouraging efficiencies must be a key aspect of reform.

As a general principle, the Committee believes that a high-performing CAP that rewards the reaching of output targets as well as policy targets such as emissions reduction and organic practices is the objective. Measures which may assist in the delivery of this objective include -

- ***Direct Payments***

The Committee recognises that the structure of the direct payments system at a time when resources could be reduced by 5-10% is an important issue. The Committee is of the view that resources should be targeted better and in a way to ensure that smaller farmers are better supported. The Committee is also of the opinion that eligibility

criteria and definitions need to be reassessed and clarified as part of any new CAP reform.

- ***Results-Based Payments***

The Committee is supportive of a value-added and results-based CAP. The Committee recognises the potential for the CAP to reward practices and efficiencies that make a positive contribution to the environment, such as a reduction in CO2 emissions. Additionally, any measures that ensure efficiency and high performance in the agri-food sector are to be welcomed. Ireland has experienced significant growth in food production and food exports and the Committee also recognises that this production can create additional challenges for the environment.

In particular, the Committee heard that in the dairy and beef sectors, Ireland is the most efficient and fifth most efficient producer in terms of emissions respectively. The Committee supports a results-based payment system based on output as well as environmental measures. However, the Committee also considers that a results based payment system should also be focused on efficiency and sustainability as well as output of emissions.

- ***Family Farms***

The Committee supports the view that direct payments be targeted to those who need them the most and accordingly supports a cap on direct payments, in order to free up additional resourcing to support lower incomes and funding for new projects that improve knowledge-sharing and efficiencies.

- ***External Convergence***

While there are many arguments in favour of external convergence, in these challenging times for the resourcing of the CAP, the real-value of payments must also be a consideration. The Committee is of the opinion that the cost-of-living in each Member State continue to be a factor in the level of direct payments.

- ***Other Supports***

In its report on the Tillage Sector in Ireland, the Committee referred to the level of tariffs on fertilisers:

“The consequence of this analysis is that the most economically efficient response to the problem is to reduce or eliminate the tariff outright. This would reduce farm input costs at the expense of some domestic fertiliser production and tariff revenues. It is essential that we recognise that the **revenue earned through tariffs is, to some extent, being spent through the CAP** under the guise of ensuring food security. Therefore, the benefit to the state through the

revenue generated by the tariff is offset through the requirement of subsidising agricultural production through the CAP. This argument is of greater significance to the Member States which are net contributors to the CAP.”

In providing assistance to the tillage sector, the environmental impacts of fertilisers must also be considered and the CAP should also encourage and support organic farming.



## 2. Environmental Measures

The Communication states that the CAP must lead the transition to a more sustainable agriculture, with particular emphasis on climate change. This has also been highlighted by the Department of Agriculture, Food and the Marine.

The level of greenhouse gas emissions from Irish agriculture is among the highest agricultural percentages of total emissions in the EU. However, it is also noted that Ireland has no heavy industry and that improving processes is relatively complex as many of the processes in the agri-food sector are biological processes. Additionally, there are challenges related to nitrates and ammonia in ensuring biodiversity, water quality and controlling pollution.

Nevertheless, farmers are the custodians of the environment in rural areas and there are a number of initiatives in place which are aimed at sustainability and the management of carbon footprints.

### **Efficiency and Sustainability**

The Committee believes that negotiations on the CAP post-2020 present an opportunity to put dynamic and innovative measures in place to address environmental issues in the sector, including the enhancement of biodiversity and water quality, the control of nitrates and ammonia emissions. However, a reduction in the budget may impact the ability of the agri-food sector to adopt measures aimed at mitigating climate change supports.

The Committee also heard that Ireland has the most efficient dairy industry in Europe and the fifth most efficient beef industry. The agri-food sector remains Ireland's largest indigenous industry and there is a strong focus on efficiency and sustainability, with the scale of emissions firmly linked to the scale of production. By way of example, although exports have increased, the level of emissions was 3.5% lower in 2015 than in 1990.

Carbon auditing of farming is a measure that could be incentivised more at European level. The Irish example of Origin Green, Smart Farming and Dairy Sustainability Ireland may operate as models to be expanded upon and shared at EU level.

While the exchange of knowledge and practices should still be encouraged and built into the new CAP, there is a strong argument that measures to address climate change must be devolved to Member States provided certain principles are adhered to.

### **Specific Issues for consideration**

- ***Organic Farming***

Organic practices have a relatively low impact on pollution. The full evaluation of agricultural practices, food waste and sustainable diets should form part of the new CAP,

particularly in the context of ensuring food security and positively contributing to alleviating the impact of climate change. The assessment of externalities connected to productivity should also be considered, such as the impact of losses in biodiversity and soil quality and the possible economic cost in the future.

An important point is that climate change and environmental measures should not be solely focused on reducing green house gas emissions and the impact on water pollution, soil degradation or biodiversity loss should also be measured.

- ***Renewable Energy***

The Committee also considered the potential for renewable energy in agriculture. In relation to anaerobic digestion (a process through which effluent such as slurry is broken down through a digestion process to produce biogas and high-quality fertiliser, the Committee believes there is scope to generate both for renewable energy and an alternative fertiliser to nitrates.

Additionally, the Committee considered solar panels. The installation of solar panels and collectors could reduce the reliance of farms and processing facilities on traditional energy sources and allow renewable energy to offset emissions.

- ***Forestry and Carbon Sequestration***

Carbon Sequestration presents an opportunity for the agri-food sector to mitigate emissions. The Committee recognises the role of forestry in this regard and the inclusion of related measures as part of the CAP reform process.

- ***Supporting Scientific Approaches***

The Committee heard that there are scientific advances in combatting climate change. For example, trials in smart grass were found to reduce methane emissions by 90%. This presents an opportunity for CAP to be aligned with research and development in other sectors

- ***Areas with Natural Constraints***

The issue of natural constraints and habitat protections is an environmental matter that could be reviewed in the context of the new delivery model. The Committee believes that farmers should be rewarded for enhancing and preserving natural resources and accordingly, should continue to receive funding and supports under the new CAP.

### **3. Measures Supporting Young Farmers**

#### **Key Issues**

Noting that the average age of farmers in Ireland is 57 years, the Committee is concerned at the level of interest and opportunity for young people in farming. The Committee heard that this is a challenge worldwide as more young people move to cities and pursue careers outside of agriculture.

The Committee also considered this issue in the context of CAP Reform and the recent report of the European Court of Auditors on the issue. The Committee is concerned that the objective of the young farmers scheme in achieving generational renewal of European agriculture has not been achieved, with a number of problems highlighted including the number of farms in the European Union decreasing from 14.7 million in 2005 to 10.5 million in 2013.

Additionally, incentives for older farmers to retire and hand over their farms to the younger generation are conditioned on the demographics in rural areas, particularly in ensuring that there is somebody available to take over the farm.

#### **Measures that Encourage Generational Renewal**

The Committee notes the position of the European Court of Auditors, particularly that the current CAP “reflects a culture of spending rather than a culture of performance”.

The Committee believes that a high-performing CAP that rewards the reaching of output targets as well as policy targets such as emissions reduction and organic practices is the objective solution.

#### **Flexibility for Member States**

The Communication has highlighted a potential role for subsidiarity in addressing the issue of generational renewal:

“... there is a need to improve the consistency between EU and national actions. The CAP should give flexibility to Member States to develop tailor made schemes that reflect the specific needs of their young farmers. The new delivery system will facilitate Member States' actions to assist young farmers. The CAP strategic plans could include support for skills development, knowledge, innovation, business development and investment support. Producer Organisations can play a valuable role here. To increase learning opportunities abroad for young people living in rural areas, Erasmus exchange possibilities for young farmers should be bolstered.”<sup>1</sup>

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<sup>1</sup> European Commission, COM(2017)713, *The Future of Food and Farming*, p.23

### **Technology and Precision Agriculture**

The Committee also supports the concept of Smart Farming. The Committee acknowledges the trend of younger people to pursuing careers in Science, Technology, Engineering and Mathematics (STEM), and supports the objective of encouraging them to apply those skills in the agricultural sector. The European Court of Auditors made reference to this in its Report, quoting Commissioner Hogan in referring to generational renewal as “an issue that goes far beyond a reduction in the average age of farmers in the EU. It is also about empowering a new generation of highly-qualified young farmers to bring the full benefits of technology to support sustainable farming practices in Europe”.

The Committee supports a focus on knowledge transfer, innovation and technology. Additionally, the Committee considers a 2017 Study of the European Parliament on Precision Farming and the opportunities this provides, noting the following:

“Although it does not constitute an autonomous technological field, the digitisation of agriculture, based on a number of technologies coming concurrently from outside the agricultural sector, such as global positioning systems, cloud computing, drones and the Internet of Things (IoT), raises significant legal and socio-ethical questions.”<sup>2</sup>

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<sup>2</sup> European Parliament Research Service, *Precision agriculture in Europe, Legal, social and ethical considerations*, p.4

#### **4. Subsidiarity and Simplification**

The proposal is to allow the Member States the flexibility to apply the CAP in a manner that works for them. The Committee supports this approach provided it does not jeopardise the objectives of the common policy.

The Committee believes that the EU should continue to set common principles and goals under which the CAP operates. The Commission would also assess Member State's performance under the CAP and make recommendations to ensure objectives are achieved.

The Committee also believes that a more simple straightforward CAP is central to ensuring that it reaches its full potential. This can be achieved by maximising the involvement of Europe's farming community.