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DRAFT REPORT

on the EU protein deficit: what solution for a long-standing problem?
(2010/2111(INI))

Committee on Agriculture and Rural Development

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the EU protein deficit: what solution for a long-standing problem? (2010/2111(INI))

The European Parliament,

- having regard to the Commission communication of 17 November 2010 entitled ‘The CAP towards 2020: meeting the food, natural resource and territorial challenges of the future’ (COM(2010)XXXX),
- having regard to Council Decision 93/355/EEC¹ of 8 June 1993 concerning the conclusion of a Memorandum of Understanding on certain oil seeds between the European Economic Community and the United States of America within the framework of the GATT, which adopted the Blair House Agreement setting a ceiling on oilseed and protein crop production in the European Union and on specific tariffs for such crops,
- having regard to the November 2009 report submitted to the Commission by LMC International entitled ‘Evaluation of Measures applied under the Common Agricultural Policy to the protein crop sector’
http://ec.europa.eu/agriculture/eval/reports/protein_crops/index_en.htm),
- having regard to Council Regulations (EEC) No 1431/82² and (EC) No 1251/1999³, which laid down special measures in the protein crop sector and introduced the maximum guaranteed area⁴, Council Regulation (EC) No 1782/2003⁵ and Articles 76 to 78 of Council Regulation (EC) No 73/2009⁶, which provided for the phasing-out of specific support for protein crops, and Commission Regulation (EC) No 1121/2009, which set out detailed rules regarding the protein crop premium,
- having regard to Council Directive 96/25/EC⁷, which sets out rules for the marketing and labelling of feed materials,
- having regard to Article 68 of Council Regulation (EC) No 73/2009, which allows Member States to grant support for protein crops on their territory, and has been used specifically by France, Spain, Poland and Finland,
- having regard to the recommendations concerning the role of research and local knowledge, including the role of leguminous protein plants, made in the International Assessment of Agricultural Knowledge, Science and Technology (IAASTD) report on the global food supply, carried out by the United Nations Development Programme, the Food and Agriculture Organisation (FAO) and the World Bank,

¹ OJ L 147, 18.6.1993, p. 25.

² OJ L 162, 12.6.1982, p. 28.

³ OJ L 160, 26.6.1999, p. 1.

⁴ Texts adopted of that date, P6_TA(2009)0191.

⁵ OJ L 270, 21.10.2003, p. 1.

⁶ OJ L 30, 31.1.2009, p. 16.

⁷ OJ L 125, 23.5.1996, p. 35.

- having regard to the studies requested by Parliament's Committee on Agriculture and Rural Development and presented at the workshop held on 11 October 2010,
- having regard to Rule 48 of its Rules of Procedure,
- having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on the Environment, Public Health and Food Safety (A7-0000/2010),

a. Basic facts on the protein deficit: supply, demand and international trade

- A. whereas total EU protein crop production currently occupies only 3% of the Union's arable land and supplies only 30% of the protein crops consumed as animal feed in the EU, with a trend over the past decade towards an increase in this deficit,
- B. whereas, historically, this significant deficit in protein crop production goes back to previously established international trade agreements, especially with the United States, which allowed the EU to protect its cereal production and in return allowed duty-free imports of protein crops and oilseeds into the EU (GATT and 1992 Blair House Agreement),
- C. whereas 70% (45 million tonnes) of the protein crops consumed in the EU today, especially soy beans, are imported, mainly from Brazil, Argentina and the USA, the bulk of them being used for animal feed,
- D. whereas these imports represent the equivalent of 20 million hectares cultivated outside the EU, or more than 10% of the EU's arable land, which in some countries has led to unsustainable farming on sensitive grassland and deforestation of rainforest areas, with negative effects such as soil erosion and the depletion of water resources and biodiversity,
- E. whereas the high degree of imports of protein crops for animal feed has made the entire EU livestock sector extremely vulnerable to price volatility and trade distortions, reflecting the consequences of increasingly liberalised agricultural markets,
- F. whereas, as a consequence of the small percentage of protein crops produced in the EU, research and development, training and the acquisition of practical experience in domestic protein crop production have been neglected, leading to a low level of innovation and regionally adapted seed production in the EU,
- G. whereas farmers' knowledge of sustainable practices which link crop and livestock production through balanced crop rotation and adequate use of grassland areas is being lost, and whereas domestic protein crop quality consequently does not offer the quality of compound feed needed in the various animal production sectors,

b. Basic statements on the advantages of reducing the protein deficit

- H. whereas rebalancing the supply and consumption of cereals, proteins and oilseeds in the EU could have major economic benefits for farmers and the food and feed industry, as well as improving food quality for consumers, if the political framework for the upcoming CAP reform fully addressed the new challenges highlighted in the Commission's

communication,

- I. whereas, if they are included in measures designed to combat climate change, enhance soil fertility, improve water management and preserve the diversity of crop varieties, protein crops and their extended use in crop rotation offer a wide range of agro-environmental advantages which address these new challenges,
 - J. whereas, in the context of climate change, the production of protein crops substantially reduces greenhouse gas emissions through the assimilation and fixation of nitrogen in the soil (amounting to up to 100 kgN/ha per month) and the subsequent reduction in the use of nitrogen fertiliser,
 - K. whereas, in terms of soil fertility, a higher percentage of protein crops cultivated on arable land as part of increased crop rotation systems contributes to more balanced nutrient storage, enhanced disease resistance and better soil structure (including increased energy efficiency for soil treatment),
 - L. whereas, in terms of water management, in particular the use in animal feed production of leguminous crops – such as permanent grass-clover mixtures or mixtures of cereals and protein crops – and permanent soil coverage can substantially reduce the run-off of nutrients, especially nitrates and phosphates, into groundwater and reduce the need for artificial irrigation systems,
 - M. whereas, in terms of agricultural biodiversity, the extended use of protein crops that are adapted to European climatic conditions, such as beans, peas, lentils, lupins, chick peas, alfalfa/lucerne, *Phacelia spp*, *Lotus corniculatus* and sainfoin, will substantially stabilise and enhance diversity within the production system, thereby strengthening plant health and making sustainable use of locally adapted crop varieties, many of which currently cannot be marketed or exchanged under European seed marketing legislation,
 - N. whereas, in terms of protein production and global food security, a better balance needs to be achieved between crop and animal protein production, especially as regards the amount of energy, water and external inputs currently consumed for intensive animal protein production as opposed to protein crop production for human consumption,
 - O. whereas, besides using native protein crops, the quality of non-imported compound feed can also be improved through the use of potato starch and by-products of oilseeds such as sunflower and rapeseed,
 - P. whereas the ban on the use of animal protein in animal feed made of swill, bone and meat meal must remain in place as long as there is no guarantee that forced cannibalism or transmission of diseases can be ruled out,
- c. Basic statements in response to the Commission's communication: preparing the ground for recommendations and demands**
- Q. whereas the Commission communication, as published on 17 November 2010, clearly highlights the need to enhance protein crop production within a more integrated crop rotation system (*reference to pending official publication to be included*),

- R. whereas various studies carried out by the FAO, the Commission and competent authorities within the Member States have pointed out that improved use of protein crops in EU agriculture has the potential to make the supply of animal feed more reliable by making use of agro-environmental measures,
- S. whereas the Commission report on the impact of CAP measures in the protein sector revealed that there are three main areas in which it is advantageous for farmers to grow protein crops: on-farm animal feed production using mixed crops such as cereals and beans; protein production for human consumption; and organic farming,
- T. whereas at present Member States may provide specific support for protein crop production as part of agro-environmental programmes and the 'Article 68' measures to improve the quality of production systems and of food,
- U. whereas, instead of further encouraging cereal and maize monocultures for feed and energy production, the use of extended crop rotation systems, on-farm mixed cropping and grass-clover mixtures has greater environmental and agronomic benefits, since the growing of leguminous crops as part of a rotation system can prevent diseases and regenerate the soil,
- V. whereas recent developments in food prices and the dramatic volatility of commodity prices have raised major concerns about the functioning of the European and global food supply chains, in which imported animal feed has played a major role,
1. Calls on the Commission to ensure that its legislative proposals for CAP reform include adequate measures and instruments which integrate protein crop production into improved crop rotation systems so as to overcome the current protein deficit, improve farmers' revenues and address the key challenges agriculture is facing, such as climate change, the loss of biodiversity and soil fertility and the protection and sustainable management of water resources;
 2. Calls on the Commission swiftly to submit to Parliament and to the Council a report on the scope for increasing domestic protein crop production in the EU, including the potential for substituting imports, the potential effect on farmers' revenues, the contribution it would make to climate change mitigation, the effect on biodiversity and soil fertility, and the potential for reducing the necessary external input of mineral fertilisers and pesticides;
 3. Calls on the Commission to carry out a study on deficits in terms of research and the breeding and supply of protein crop seeds, and to make proposals on ways to improve extension services and training for farmers in the use of crop rotation and mixed cropping for on-farm feed production, storage, cleaning and the preparation of feed;
 4. Calls on the Commission to propose a framework for rural development measures which introduce improved, decentralised facilities for the production of animal feed, based on local and regional crop varieties, the storage of those varieties and seed selection and development;
 5. Calls on the Commission to carry out an appraisal evaluating the effects of current import

tariffs and trade agreements on the various oilseed and protein crops, and to review the current strategies adopted in multilateral trade negotiations as regards so-called ‘non-trade aspects’, which include the agri-environmental effects of increased crop rotation;

6. Calls on the Commission, in cooperation with the Member States, to revise the definition of good agricultural practices, including the use of mandatory crop rotation with domestic protein crops as a precautionary measure against crop disease and price volatility in the animal production sector;
7. Calls on the Commission to submit a report to Parliament on the current use of slaughter offal, swill, meat and bone meal and other animal protein sources in the Member States, including, an overview (dates etc.) of calories used, and to propose options for the treatment and use of such protein sources in biogas plants, incineration and animal feed; urges the full application of the precautionary principle in relation to the possible use of animal proteins in any kind of animal feed;
8. Calls on the Commission to introduce a framework programme for decentralised agricultural research as part of research on agriculture and rural development and on-farm training programmes on improving the breeding of locally adapted protein plants;
9. Calls on the Commission to introduce a top-up payment for farmers cultivating protein crops, including clover grass, as 10% of their rotation;
10. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

The EU Protein crop deficit

A recent study published by the European Commission* on the protein crop sector reveals a remarkable decrease in protein crop production in the European Union in the past ten years. The main dried pulses excluding soybeans decreased by 30%, and soybean production by 12%. This trend increases an already existing alarming dependence of the Union on the imports of protein crops, which are mainly used for animal feed and carries major risks especially for the EU livestock sector, as price volatility on international markets has substantially increased. *(LMC international report).

Overall EU protein crop production currently only occupies 3% of the Union's arable land (excluding fruit and vegetables). In spite of public support for the sector since 1978, production of dried pulses, which temporarily increased during the 1980s, has again decreased to roughly one million ha in 2008. More than 40 million tonnes of crop proteins, mainly soy beans and corn gluten feed are imported annually, representing 80% of the EU's crop protein consumption. In terms of land use abroad for crop protein imports into the EU, this represents ten per cent of the EU's arable land, or 20 million ha.

Historical reasons for the deficit and its consequences

The deficit in protein crop production goes back to previously established international trade agreements (the General Tariff and Trade Agreement (GATT) and the Blair House Agreement), which allowed the EU to protect its cereal production and in return allowed duty-free imports of oilseed and protein crops into the EU. Protein crop production was therefore at a severe competitive disadvantage and fell sharply accordingly. Farmers and local processing business therefore lost interest in protein crops and also lost practical knowledge of cultivating and adding value to them. Breeders stopped developing disease resistant and highly performing varieties. European research in this field has also substantially declined reflecting the low demand in seeds and technical support. The EU is phasing out support for protein crops and drying facilities for lucerne/alfalfa and other leguminous fodders. The most worrying fact is that throughout Europe, practical experience in protein crop production as part of extended crop rotation is being lost, including on-farm selection, storage, processing and on-farm use as animal feed. Finally, also traders in oil and protein crops are now fully focussed on protein crop imports and show little interest in domestic production.

Reducing the EU's protein deficit - an important element of CAP reform

The European Commission and member states have pointed at advantages of a more balanced supply and consumption of domestic protein crops as part of an integrated strategy responding to new challenges like climate change, agricultural biodiversity loss, depletion of soils, and pollution of groundwater and price volatility for agricultural products on the world market. The extended use of protein crops in crop rotation offers major agro-environmental and climate mitigation advantages. Regarding climate change, leguminous varieties such as field peas, broad and field beans, lupins, lentils, chicken peas, but also lucerne/alfalfa and clover can substantially reduce green house gas emissions through assimilation and fixation of nitrogen in the soil and thus reduce of the use of nitrogen fertiliser by up to 100kg N per ha and month. With a higher percentage of protein crops in crop rotation, soil fertility and structure, nutrient storage as well as health of following crops is improved. Permanent grass-clover mixtures for animal feed, mixtures of cereals and proteins cover soils better and so

reduce nutrient run-off into groundwater and rivers, as well as offering better conditions for bees and other pollinating insects. Extended crop rotation reduces the need for crop protection intervention and can contribute to the conservation of diversity in wild and cultivated species and varieties.

Protein crops and enlarged crop rotation - reduced production costs and increased environmental advantages

The extended use of leguminous crops in crop rotation substantially reduces the need to apply nitrogen fertiliser which contributes not only to reduce greenhouse gas emissions in its production but also overall production costs for farmers. With a global trend towards rising crude oil prices, costs for agricultural inputs including fuels are also increasing continuously. Crop rotation including protein crops can reduce fuel consumption in soil treatment, as the content of humus and soil moisture is better preserved and requires less tilling. A recent study published by the European Parliament (PE 438.591) and a study of the French Commission on sustainable development of the French Government (Dec 2009 no 15) estimates a reduction of costs for fertiliser use in France of up to 100 Mio € per annum. In short, the following advantages of protein crop production within extended crop rotation have been identified in the mentioned studies:

Increase of nitrogen fixation, creation of a balanced C/N ratio in the soil and improvement of humus content, reduction of pesticides treatments and use of herbicides as a consequence of reduced plant disease and herb invasion; improved soil structure.

Quality of protein crop production and compound feeding stuff

The efficiency of using protein crops in animal feed production strongly depends on the content of essential amino acids in the various crops and the composition of compound feedstuffs. Soybeans are currently considered to deliver the highest integrated content of these acids with a very good balance of nutrients especially for pork and poultry production.

Therefore today the soy content of compound feedstuffs is around 50% for egg and poultry production is based on soy beans. In the production of pork meat and beef the soy content of compound feeds fluctuates around 28% and 21% respectively.

Possibilities for substituting imported soybeans and other non-domestically produced animal feed products strongly depend upon new incentives for farmers to grow these crops and on adequate infrastructure for processing into animal feed. The European Commission should therefore look into possibilities to overcome the current low level of research, seed selection and marketing, knowledge of production, storage and use of these crops for on-farm feed production.

Specific support, research, extension services and training

In order to offer farmers new incentives to grow and use protein crops along with cereals and oil seeds and their by-products, the reform of the CAP should include horizontal measures which do not offer a specific crop premium but which encourage farming practices responding to the new challenges and at the same time overcoming the protein deficit of the Union. Article 68 of regulation 73/2009 has been used by a number of member states for specific support for protein crop production as a contribution to agro-environmental practices. However this option should become EU-wide practice to respond to the new challenges. The Commission should consider a top-up payment with compulsory rotation of at least four different crops including at least one protein crop, as well as increased support for non-arable permanent grassland areas including specific grass-leguminous fodder mixtures. These

measures would not only reduce greenhouse gas emissions, but also contribute to a higher level of plant and animal health. The Commission should also consider specific support of investments in regional, local or on-farm facilities for storage, cleaning, and on-farm processing of protein crops as part of rural development programmes. It is also important to carry out a study on current deficits in research and seed production, including the needs of improved extension services and to consider a decentralised approach to research programmes which takes into account farmers' local knowledge and sustainable farming systems. The Commission might also consider to re-establish an agricultural research unit in the General Directorate for agriculture and rural development.

Towards a better balance between animal protein and crop protein production

A very high percentage of protein crops is currently produced for animal feed, while the human consumption of grain legumes has continuously decreased in the EU. Regarding the commitments of the EU to actively contribute to global food security and to actively combat climate change, future agriculture and rural development policy should work towards not only a more balanced animal protein and crop protein production so as to reduce green house gases and run off of nutrients into watersheds, but should also motivate consumers, public procurement authorities and catering services to chose a more balanced, environmentally friendly and diverse choice of food in their diet.

At the same time the Commission should take legislative initiatives to reduce food waste throughout the food chain, including slaughter offal and swill the use or disposal of which is still not adequately regulated. The Commission should firmly apply the precautionary principle in this field, but should also take legislative initiatives to reduce food waste and to improve the overall balance of animal and crop production in view of the new challenges.