



2018/0000(INI)

20.2.2018

DRAFT REPORT

on the future of food and farming
(2018/0000(INI))

Committee on Agriculture and Rural Development

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the future of food and farming (2018/0000(INI))

The European Parliament,

- having regard to the Commission communication of 29 November 2017 entitled ‘The Future of Food and Farming’ (COM(2017)0713),
- having regard to Articles 38 and 39 of the Treaty on the Functioning of the European Union (TFEU) establishing the common agricultural policy and its objectives,
- having regard to Regulation (EC) No 2017/2393 of 13 December 2017 amending Regulations (EU) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy, (EU) No 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy, (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products and (EU) No 652/2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material¹ (‘omnibus regulation’),
- having regard to the European Court of Auditors Special reports Nos 16/2017 entitled ‘Rural Development Programming: less complexity and more focus on results needed’ and 21/2017 entitled ‘Greening: a more complex income support scheme, not yet environmentally effective’,
- having regard to the Commission reflexion paper of 28 June 2017 on the future of EU finances (COM(2017)0358),
- having regard to the Cork 2.0 Declaration 2016, ‘A Better Life in Rural Areas’, issued at the European Conference on Rural Development,
- having regard to the opinion of the European Economic and Social Committee on ‘A possible reshaping of the Common Agricultural Policy’²,
- having regard to the opinion of the European Committee of the Regions entitled ‘The CAP after 2020’³,
- having regard to the UN Sustainable Development Goals (SDGs), most of which are relevant to the common agricultural policy,
- having regard to the Paris Agreement at the 2015 UN Climate Change Conference (COP21), and notably the commitments undertaken by the European Union as ‘nationally determined contributions’ (NDCs) in order to achieve the agreement’s

¹ OJ L 350, 29.12.2017 p. 15.

² OJ C 288, 31.8.2017, p. 10.

³ OJ C 342, 12.10.2017, p. 10.

worldwide goals,

- having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development (A8-0000/2018),
- A. whereas the Commission's communication on the Future of Food and Farming acknowledges that the common agricultural policy (CAP) is the most integrated policy in the EU and is enabling the EU farming sector to respond to citizens' demands regarding not only food security, safety, quality and sustainability, but also environmental care, climate change action and high animal welfare standards;
- B. whereas the European Union's overarching objective of multifunctional agriculture, driven by family farms, remains key to delivering the positive externalities and public goods that European citizens demand;
- C. whereas over the years the CAP has undergone regular re-programming in line with new challenges, but another step in this continuous process of modernisation and simplification, building on previous reforms, is now necessary;
- D. whereas the new delivery model (NDM) is at the core of the Commission's communication on the Future of Food and Farming, and is to be welcomed, provided that it ensures genuine simplification, not only at EU level but also at Member State and regional level, and flexibility for farmers, without adding new constraints on Member States and thus a new layer of complexity;
- E. whereas the CAP must play an important role in overcoming stagnation and volatility of farm incomes which, despite the concentration and intensification of production and increasing productivity, are still lower than in the rest of the economy;
- F. whereas over the last few years farmers have been confronted with increasing price volatility, which has reflected price fluctuations on global markets and uncertainty caused by macroeconomic developments, external policies, sanitary crises and more frequent extreme weather events in the EU;
- G. whereas it is essential to ensure a fair standard of living across regions and Member States, affordable prices for citizens and consumers, and access to quality food and healthy diets, while delivering on the commitments for environmental care, climate action, and animal and plant health and welfare;
- H. whereas there is a need for an updated and fairer system of payments, as in many Member States the current system of entitlements is based on historic benchmarks which are now almost 20 years old and which constitute an obstacle to generational renewal and hinder young farmers' access to farmland, as new entrants do not possess entitlements and are thus at a disadvantage;
- I. whereas the emergence of new challenges, such as increasing global trade, is necessitating fair and sustainable conditions for the global exchange of goods and services, within the framework of the WTO and in accordance with existing EU social,

economic and environmental standards, which should be promoted;

- J. whereas while the focus on research and development for both product and process innovation is to be welcomed, more must be done to translate the results of research into farming practice, facilitated by EU-wide agricultural extension services;
- K. whereas the agriculture and food sector must be incentivised to continue to contribute to the environmental care and climate action objectives of the EU set out in international agreements such as the Paris Agreement and the UN SDGs;
- L. whereas the European Court of Auditors has underlined the fact that the green payments introduced as part of the 2013 reform create added complexity and bureaucracy, are difficult to understand, and fail to significantly enhance the CAP's environmental and climate performance;
- M. whereas the objectives of the Cork 2.0 Declaration for a Better Life in Rural Areas stipulate vibrant rural areas, multi-functionality, biodiversity in and outside agriculture, rare animal breeds and conservation crops, as well as organic agriculture, less-favoured areas and commitments in the context of Natura 2000;
- N. whereas it is essential to ensure fair competition within the single market within the sector and with other players in the food chain, both up and downstream, and to further strengthen incentives to prevent crises with active management tools to be deployed at sectoral level and by public authorities;
- O. whereas the new challenges for European agriculture within the EU's political priorities, as stated in the Commission's reflection paper on the future of EU finances, require the next multiannual financial framework (MFF) to provide sufficient public funds to cover both existing and new challenges;
- P. whereas any changes to the current CAP must be introduced in such a way as to ensure stability for the sector and security of planning for farmers by means of adequate transition periods and measures;
- Q. whereas Parliament must play a comprehensive role in setting a clear policy framework to maintain common ambition at European level and democratic debate on the strategic issues which have an impact on the everyday lives of all citizens when it comes to the use of natural resources, the quality of our food and the modernisation of agricultural practices;

A new relationship between the European Union, the Member States, regions and farmers

1. Welcomes the intention to simplify and modernise the CAP, but emphasises that the integrity of the single market and a truly common policy must be the overriding priorities of reform;
2. Points out that even the flexibility that Member States currently enjoy in defining basic rules may risk distorting competition within the single market and granting unequal access to support for farmers in different Member States or even in different regions;

3. Considers that subsidiarity for Member States should only be granted within a common set of rules and tools agreed at EU level as part of a uniform approach to all programming efforts and eligibility criteria, should cover both of the CAP's pillars and ensure, in particular, a European approach in Pillar I and thus a level playing field;
4. Reminds the Commission of the need to fully respect the distribution of powers within each Member State, often set out in their constitutions, particularly in terms of respecting the legal competences of the EU's regions when implementing policies;
5. Welcomes the efforts of the Commission to establish programme design, implementation and control of an output-based approach in order to foster performance rather than compliance, while ensuring adequate monitoring via clearly defined, solid and measurable indicators at EU level, including an appropriate system of quality control and penalties;
6. Calls on the Commission to ensure that financial and performance control and audit functions are performed to the same standard and under the same criteria across all Member States, irrespective of enhanced flexibility for Member States in programme design and management, and with a view, in particular, to ensuring a timely disbursement of funds across Member States to all eligible farmers;
7. Calls on the Commission to grant more flexibility to Member States and regions within the framework of the agricultural *de minimis* rules;

A smart and efficient sector – delivering for citizens, rural areas and the environment

8. Considers it necessary to maintain the current two-pillared architecture, particularly Pillar I, which is dedicated to income support for farmers; considers it necessary, at the same time, to compensate for the provision of public goods on the basis of uniform criteria, while allowing Member States to take specific approaches to reflect local conditions;
9. Considers that the current CAP architecture can only deliver its objectives if sufficiently funded; calls, therefore, for the CAP budget to be maintained in the next MFF at at least the current level in order to achieve the ambitions of a revised and efficient CAP beyond 2020;
10. Believes that more targeted support for family farms is necessary and can be achieved by introducing a compulsory higher support rate for small farms; considers, moreover, that support for larger farms should be digressive, reflecting economies of scale, with the possibility for capping to be decided by the Member States;
11. Underlines the necessity of identifying the key elements of a transparent and objective system of penalties and incentives for determining farmers' eligibility for public funding, which should consist of voluntary and mandatory measures;
12. Calls for the existing system for calculating direct payments in Pillar I, which is often based on historic entitlements, to be replaced by an EU-wide uniform method of calculating payments, in order to make the system simpler and more transparent;

13. Stresses the need for a fair distribution of direct payments between Member States, which must take into account socio-economic differences, different production costs and the amounts received by Member States under Pillar II;
14. Believes that, provided that a level playing field in the single market can be guaranteed, voluntary coupled support (VCS) payments should be maintained, as a tool to counteract specific difficulties, particularly those arising from the structural competitive disadvantage of less-favoured and mountainous regions, as well as those which are more temporary in nature and arise from a shift away from the old entitlement scheme, for example;
15. Recalls that generational renewal is a challenge faced by farmers in many Member States and that each national strategy must therefore address this issue through a comprehensive approach, including top-ups in Pillar I and targeted measures in Pillar II, as well as by means of new financial instruments and national measures, in order to incentivise farmers to pass on their farming operations;
16. Underlines the importance of rural development, including the LEADER initiative, in supporting multi-functional agriculture and in fostering additional entrepreneurial activities and opportunities, in order to generate income from agri-tourism, and to secure community-supported agriculture and the provision of social services in rural areas;
17. Calls on the Commission to introduce a new and comprehensive legal framework which allows the integration of the various types of environmental actions at present, such as cross compliance, greening and the good agricultural and environmental conditions (GAEC) standards, as well as agri-environment measures (AEMs) for rural development, so that farmers can deliver effectively and with less bureaucracy on environmental care, biodiversity and climate action, while ensuring that Member States have adequate control and taking into account local conditions;
18. Believes that this new framework should be underpinned by the possible allocation of a minimum amount of the total available budget to AEMs, including organic agriculture, support for biodiversity and genetic diversity in animals and plants;
19. Calls on the Commission to foster innovation and modernisation in agriculture by supporting training and agricultural extension as a pre-condition in programme design and implementation in all Member States, while fostering the transfer of know-how and the exchange of best practice models between Member States;

A strong position for farmers in the global food system

20. Calls on the Commission to maintain the current common market organisation (CMO) framework, including the individual sector plans (wine, and fruit and vegetables) and the EU school fruit, vegetables and milk scheme, with the ultimate aim of strengthening the sustainability and competitiveness of each sector while enabling access for all farmers;
21. Insists on the critical need for the future CAP to support farmers more efficiently in order to cope with price and income volatility due to climate, health and market risks,

by creating additional incentives for flexible risk management and stabilisation tools while ensuring broad access;

22. Insists on the necessity of strengthening the position of producers within the food supply chain, in particular by guaranteeing them a fair share of the added value, by fostering inter-sectoral cooperation, and strengthening transparency in the markets and crisis prevention;
23. Calls on the Commission to allow and indeed encourage – particularly in the dairy sector – active crisis management instruments, such as voluntary sector agreements to manage supply in quantitative terms among producers, producers organisations and processors, and to examine the possibility of extending such instruments to other sectors;
24. Calls for an in-depth review of the current crisis reserve mechanism in order to create an independent financial instrument exempt from the budgetary principle of annuality, so as to permit budgetary transfers from one year to the next, thereby enabling quick and effective responses to crisis situations, including those involving animal and plant health, disease-related issues and food safety;
25. Believes that while trade agreements are beneficial to the EU agricultural sector overall, and necessary for strengthening the EU's position on the global agricultural market, they also pose a number of challenges that require reinforced safeguard mechanisms to ensure a level playing field between farmers in the EU and in the rest of the world;
26. Calls for initiatives to promote EU production, safety and environmental standards and quality production schemes, through both labelling and marketing activities on internal and third-country markets;

A transparent decision process for a solid CAP proposal 2020-2027

27. Stresses that Parliament and the Council should, via the co-decision procedure, set the general objectives, measures and financial allocations, and determine the level of flexibility needed to enable the Member States to cope with their specificities and needs in line with the single market;
28. Regrets the fact that the whole process of the CAP post-2020 programming exercise – consultation, communication, impact assessment and legislative proposals – is starting with a significant delay as the end of the eighth legislature approaches, jeopardising the possibility of a final agreement being reached before the European elections;
29. Calls on the Commission to propose, before the application of the NDM, a transitional period long enough to ensure a soft landing and to avoid any delay in farmers' annual payments and in the implementation of rural development programmes;

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30. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

On 29 November 2017 the Commission adopted its Communication on modernising and simplifying the Common Agricultural Policy (CAP) under the title ‘*The Future of Food and Farming*’. (COM(2017)713final).

This Communication has already been announced by President Juncker in 2016, it is included in the Commission Work Programme 2017 and was originally foreseen for spring 2017. The 26 pages of text kick-off the multi-stage process by which the 27 EU’s Institutions eventually have to agree on the legislation determining the CAP post-2020. The Communication thus aims to provide both basis and framework of the discussion between institutional and individual, public and private stakeholders across the EU27.

It will be followed by legislative proposals as legal basis for the next programming period 2020-2027 and accompanied by an Impact Assessment comprising the relevant evidence-base. The proposals will be published after the adoption of the Multi-annual Financial Framework (MFF) which is foreseen for May 2018.

The *original purpose* of the Communication is to

- present the main EU agricultural challenges (food explicitly not mentioned);
- highlight the contribution of the agriculture sector to the ten Commission’s priorities and to the Sustainable Development Goals (SDG) in synergy with other EU policies;
- specify policy priorities for the future CAP enhancing its EU added value;
- explore operational proposals for a simpler CAP, improved governance, better reflection of the diversity in EU agriculture, increased subsidiarity, limiting administrative burden for beneficiaries and strengthening the focus on results.

The Communication also sets out three *key objectives* for agriculture in contrast to the original Treaty-based objectives:

1. Fostering a smart and resilient agricultural sector;
2. Bolstering environmental care and climate action;
3. Strengthening the socio-economic fabric of rural areas.

A first step in the *CAP post-2020 programming process* was a broad on-line *public consultation* which received in excess of 320,000 online responses from all EU Member States with the vast majority submitted by individuals as well as over 1400 position papers.

The second step is the elaboration of the comprehensive *Impact Assessment* (IA) aiming to draw lessons from the implementation of the 2013-2020 programming period and specifically the aims for a “greener, simpler, fairer” CAP. Consequently, while reflecting broad ideas of the ongoing public debate, the IA will develop a set of *policy options* for development including an assessment how the policy objectives can best be met, including:

- Option 1 (baseline) will assess the impact of the CAP remaining as it currently stands, including the recently adopted Omnibus proposal.
- Option 2 will assess the impact of a “no CAP” scenario to test the consequences of the absence of policy intervention with respect to the economic, environmental and social EU-added value of the CAP.
- Option 3 sees Member States/regions programming CAP operations against EU priorities based on identified needs. The focus shifts to risk management, investments

- in restructuring and business development in agriculture and rural SMEs, climate and environment services and access to innovation, knowledge and ICT.
- Option 4 redefines the division of tasks between EU-, MS- and farm-level to enhance the income safety-net with better synergies between direct support including area payments and risk management, to better target climate and environmental action, and to simplify and modernise controls towards performance-based outcomes.
- Option 5 envisages strong redistribution of direct support towards small and environmentally friendly farms, and promotes short circuits.

The evidence base of the Communication and the IA is the following:

- DG AGRIs own Common Evaluation and Monitoring Framework (CEMF) for measuring CAP performance based on Member states indicators;
- EU-wide targets and indicators agreed for monitoring the SDGs (Communication “European Action for Sustainability” COM (2016) 739 final);
- EU27 Member states annual implementation reports will provide data on progress towards targets and corresponding budget envelopes;
- DG AGRI regular evaluation studies on CAP general 2013 objectives and input for the Outlook conference in late 2017;

From the wider European context, the main driver of CAP reform is the budget issue: The CAP continues to be the largest single spending item in the EU budget, accounting for around 38% of the total expenditure. In the next MFF, the EU needs to address significant new challenges, such as migration, security and growth while the UKs departure will reduce the available budget yet there is great reluctance among Member States to increase the overall size of the budget (1% GNI).

For **public and private stakeholders** the key issues raised in the Communication are therefore:

- National Strategy - design, adoption and implementation: Notably Governance structure (legal aspect such as relationship regions-central state, transparency and citizen participation), internal coherence (consistency with rural development programmes and sector plans), external coherence (e.g. European Structural and Investment Funds);
- Delivery model - output-orientated and performance-based funding programs: Control and audit (EU and national competencies), indicators (availability and definition, quality control, penalties), management models (simplified cost options), equal approach across Member states (eligibility, mandatory/voluntary, controls);
- Environmental and climate action - integrated approach to compensating environmental services by merging current CAP greening, cross compliance and good agriculture practice as well as rural development measures to allow for compensation of public goods including climate action and human and animal and plant health and welfare;
- Financial allocation - EU-support programmes: Transition models for reduced/targeted funding, differentiation between Member states (external convergence) based on objective criteria (see ESIF), co-funding by regions / Member states, entitlements reflecting socio-economic conditions within Members states regions (internal convergence);

Regarding the **forward perspective**, it is relevant to recall that the last CAP programming 2013-2020 exercise took two years from the initial publication of the Commission proposals

(June 2011) as part of the Multiannual Financial Framework (MFF) proposal 2014-2020 to political agreement (June 2013) and the final legislative approval (in December 2013) which necessitated transitional measures across sectors (until 2015). However, this did neither coincide with the end of the Commissions mandate nor the EPs legislative period.