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NOTE

From:	Presidency
To:	Council
Subject:	Europe 2020 Strategy Mid-Term Review: Contribution from the Agricultural Sector - <i>Policy debate</i>

With the view to structuring the policy debate on the Europe 2020 Strategy Mid-term Review at the Council ("Agriculture and Fisheries") on 13/14 October 2014, delegations will find in the Annex a questionnaire from the Presidency.

1. INTRODUCTION

The Europe 2020 strategy is the EU's strategy for smart, sustainable and inclusive growth. The March 2014 European Council assessed the implementation of the strategy based on the Commission's Communication (6713/14) and looked forward to the planned review of the strategy in 2015 (EUCO 7/14). In May 2014, the Commission launched a public consultation to feed into its work on the review. The 18-month programme of the Council (11258/14) sets out the contribution that the Council will make to the review of the strategy, which will be addressed in all relevant Council formations, each focusing on aspects within its competence.

To measure progress in meeting the Europe 2020 goals, the Europe 2020 strategy sets five headline targets: employment, research and development, climate and energy, education, social inclusion and poverty reduction. The EU is on course to meet or come close to its targets on education, climate and energy, but not on employment, research and development or on poverty reduction. The Presidency believes these three are particularly relevant for agriculture and they are addressed below.

The Presidency will convey the outcome of the Ministers' discussion to the General Affairs Council in December in order for it to prepare the December European Council.

2. EMPLOYMENT

Labour in agriculture has been constantly declining, and will continue to do so with the increase in productivity everywhere and the continued structural change in the sector which have led to a decrease in the number of farms and in the labour force.

Whilst the number of those directly employed in agriculture tends to decline, the CAP can contribute significantly to maintaining jobs and generating growth along the food chain through, for example:

- the strengthening of a competitive agricultural sector, with a positive trade balance for the Union;
- the indirect maintenance of jobs, services and presence of population in rural areas through farm income support;
- the funding of investments, business start-ups and local development in rural areas, with direct job creations;
- paying farmers for their services in providing public goods related to managing the environment;
- supporting the diversification of economic opportunities in rural areas, notably in the food chain and rural tourism;
- a growing support to research, innovation and advisory services;
- the development of a modern and diversified food system (e.g. increased safety requirements, development of quality chains, support to processing and new technologies, incentives for high added-value niche markets etc.).

Thus, in order to maximise the contribution of the CAP to the employment target, focus should be placed on how best to strengthen the competitiveness of the agricultural sector, how to maintain jobs and services in the sector, and how best to support local development in rural areas beyond the agricultural sector. Further opportunities for maintaining or creating jobs will result from paying for the services provided by farmers to the wider public such as landscape preservation and safeguarding the natural and cultural heritage.

All these questions need to be critically assessed, in particular in view of youth unemployment. Agriculture needs to become an attractive sector in order to allow for a "generational swap-over". In the face of an ageing farming population - only 14% of farmers in the EU are under 40 years of age - it is important to rejuvenate agricultural activity by encouraging the creation and development of new economic activity in the agricultural sector by young farmers.

In fact, the barriers for newcomers entering the sector could be summarised as follows:

- economic barriers: low income compared to other economic sectors
- market barriers: difficulty of accessing the main factors of production (access to credit, access to land and to adequate training of human capital)
- the lack of networks between farms, led by young farmers who invest in innovation.

3. POVERTY REDUCTION

Incomes within the agricultural sector are historically low compared to the average income in other sectors. This is exacerbated by the general increase in prosperity which reduces the proportion of the household budget spent on food. Productivity increases in agriculture can help to counteract this trend and make the agriculture sector more attractive to young people.

In addition, the last economic crisis uncovered an interesting fact regarding the of the agricultural sector: the sector remained resilient to the crisis -exports as well as production remained fairly unaffected. During the crisis years, more people than expected stayed in the agricultural sector due to a lack of alternative employment opportunities. This also caused a slowdown in the decline of the number of farms in the countries most affected by the last economic crisis.

Thus the crisis led to lower overall productivity in the agricultural sector due to this increase in the labour force but at the same time offered employment for people at risk of unemployment and poverty.

4. RESEARCH AND DEVELOPMENT

Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly €80 billion over 7 years (2014-2020). Compared to the previous research programmes, Horizon 2020 aims at coupling research and innovation and at developing cross-thematic activities avoiding the traditional research in "silos". The goal is to ensure Europe produces world-class science, to turn research results into innovation and to make it easier for the public and private sectors to work together in this respect.

Agricultural research and innovation under Horizon 2020 are now closely coordinated with the CAP (via innovation support under Rural Development through the European Innovation Partnership "agricultural productivity and sustainability"). This approach allows innovation measures at local level to be bolstered, resulting in a more knowledge-based EU agriculture and forestry sector. It also brings together the resources of large private research entities and the farming sector and unlocks the leverage potential of private investment.

In the light of the numerous opportunities for funding research and development in agriculture, it is essential to set priorities for research and development in the sector, in order to target the funding and ensure its effectiveness in the coming programming period for both Rural Development and Horizon 2020.

5. QUESTIONS

Against this background, Ministers are invited to address the questions below. The first two questions will be addressed in all relevant Council formations, each focusing on aspects within its competence, while the third question is specific to agriculture.

- 1. Do Ministers think that the Europe 2020 strategy has made a difference and has been implemented effectively at EU, national and local levels? What were the main hurdles? How can we improve the effectiveness of policy measures to achieve the 2020 targets?*
 - 2. How could the strategy best be linked to other policies/processes in the area under the competence of the Agri-Fish Council?*
 - 3. How can the CAP contribute best to achieving the Europe 2020 targets, especially with respect to employment and, in particular, increasing youth employment?*
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