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COVER NOTE

From: Chair of the Joint Committee on Agriculture, Food and the Marine

date of receipt: 9 October 2018

To: The President of the European Council

Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council
[9645/18 - COM (2018) 392 final]

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013
[9634/18 - COM (2018) 393 final]

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products, (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union and (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean islands

[9556/18 - COM (2018) 394 final]

- Letter from the Chairman of the Joint Committee on Agriculture, Food and the Marine of the Irish House of Oireachtas to the President of the European Council and the Committee's political contribution on the legislative proposals for the Common Agricultural Policy post 2020

Delegations will find enclosed the above mentioned letter and the political contribution of the Joint committee as part of the European Commission's political dialogue process with national parliaments.



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Our Ref: AFM-i-496-2018

5 October 2018

Mr Donald Tusk
President
European Council
Rue de la Loi/Wetstraat 175
B-1048 Brussels
Belgium

**Re: Political Contribution on Legislative Proposals for the Common Agricultural Policy Post 2020
COM(2018)392, 393 & 394**

Dear President Tusk

The Joint Committee on Agriculture, Food and the Marine has considered the above proposal and has agreed the attached contribution for consideration as part of the European Commission's political dialogue process with national parliaments.

Pat Deering T.D.
Chairman

Cuirfear fáilte roimh chamhfhreagras i nGaeilge



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**Houses of the
Oireachtas**

An Comhchoiste um Talmhaíocht, Bia agus Muir

Cion Polaitiúil

**Tograí Reachacha maidir leis an gComhbheartas Talmhaíochta Tar Éis 2020
COM(2018)392, 393 & 394**

Deireadh Fómhair 2018

Joint Committee on Agriculture, Food and the Marine

Political Contribution

**Legislative Proposals for the Common Agricultural Policy Post 2020
COM(2018)392, 393 & 394**

October 2018

32/AFM/21

Decision of the Committee

Introduction

The Joint Committee on Agriculture, Food and the Marine (the Committee) in its first contribution on the future of the Common Agricultural Policy (CAP) in 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 formed the second political contribution of the Committee (September 2017).

In April 2018, the Committee published its third contribution on the CAP, highlighting a series of issues it believes to be of fundamental importance following the publication of the European Commission Communication, *The Future of Food and Farming*. The Committee's contribution was submitted to the EU Institutions and highlighted to attendees at the Interparliamentary Committee Meeting held by the European Parliament AGRI Committee on 24 April 2018.

The Committee welcomes the three proposals for the upcoming CAP, including the proposed CAP Strategic Plan Regulation (the proposed Regulation), published on 1 June 2018, but raises a number of concerns which are highlighted below.

CAP Simplification

The Committee believes that in relation to the issue of simplifying the CAP, further guidance to Member States is needed. The Committee notes Article 6(2) of the proposed Regulation (supported by Recitals 64 and 70 to the proposed Regulation), which states

When pursuing the specific objectives Member States shall ensure simplification and performance of the CAP support.

Noting Article 95(1)(h) of the proposed Regulation, the Committee also notes the requirement to place CAP simplification within the remit of Member States, stating that the CAP Strategic Plan shall include

a description of the elements related to simplification and reduced administrative burden for final beneficiaries.

Of central concern is the potential for the strategic plans to lead to higher levels of administration, where 27 Member States are setting rules within a common framework, but

the implementation of those plans in complying with that common framework may result in higher levels of divergence.

Multiannual Financial Framework

The Committee believes a reduction to CAP funding should be avoided. In an Irish context, what is currently proposed equates to a cut of 3.98% for Pillar I and a cut of 15.4% for Pillar II. The Committee considers food security to be of paramount importance to the Single Market and recommends that the current levels of funding are maintained in the next CAP. The Committee also believes that the impact of inflation should be further considered.

It is also suggested that maintaining CAP funding could be achieved through allowing Member States to maintain the current level of Pillar I funding if they decide to fund a larger element of Pillar II by themselves, i.e. higher than 15%. However, the Committee believes that further economic analysis of this provision may be necessary.

Direct Payments and the Basic Payment

The structure of direct payments must continue to include a core payment and the Committee welcomes the proposal for continuing this approach. However, the Committee also believes that there are aspects of the proposal which may, at a practical level, pose a number of challenges in its implementation.

Central to this are the issues of capping payments, mandatory reduction of payments over €60,000 and the absolute cap of €100,000 on direct payments. The Committee is concerned as to how these may be implemented in practice, as they may undermine the proposal while also undermining efficient systems of payment developed by the Member States. An additional concern is whether payments should be based on entitlements, on a per hectare approach or with both approaches available to Member States.

For example, frontloading through a per hectare approach may have significant benefits for smaller farmers, with higher payments focused on the first set number of hectares. Additionally, the Committee believes that the use of the current reference year model needs to be reviewed at EU and Member State level to assess its operability during the current discussions, with a view to having this addressed for the next CAP.

The Committee also notes that this system may adversely impact collective farms, i.e. farms supporting a number of families, as well as presenting practical difficulties in its implementation. This potential negative impact should be reviewed throughout the negotiations.

The Committee also believes that factoring in labour costs and unpaid work could lead to an undermining of the proposal's objectives and suggests that this is reviewed as to its administrative feasibility. The Committee however, suggests a straightforward cap to payments of €60,000 with no qualifying requirements. At a minimum, the ability to do this

should be provided for at Member State strategic plan level to ensure that there are no loopholes, considerations of salaries etc. as this would be unworkable and in effect mean that the cap is not meaningful.

In August 2018, the Irish Parliamentary Budget Office published an analysis of the impact a cap of €100,000 would have on direct payments, concluding that the greatest impact would be on counties where there is less reliance on direct payments through CAP.¹ However, against an overall budget of €1.24 billion per annum, the potential impact is projected as being in the region of €6.6 million, not accounting for degressivity.

The Committee welcomes the prospect of capping arrangements allowing for redistribution of funds to those who are more vulnerable and in need for greater levels of support, in particular the mandatory redistributive element. However, the Committee considers that a cap of €100,000 may not be ambitious enough, and believes that enacting a lower cap would in turn make more funds available for vulnerable sectors and areas. The Committee notes that Member States have an option to apply 100% degressivity for payments over €60,000: an effective cap on payments at this amount, but suggests that a lower overall cap on payments of €60,000 as the default at EU level may be more suitable, with a requirement for approval from the European Commission for higher payments.

Environmental Measures

The Committee reiterates its view, expressed in April 2018, that a well-resourced CAP is integral to environmental measures. The Committee notes the additional requirements of the proposals and believes that these should be reflected by maintaining the current budget at the very least. The proposals support three core environmental objectives by:

- Contributing to climate change mitigation and adaptation, and sustainable energy;
- Fostering sustainable development and efficient management of natural resources, such as water, air and soils; and
- Contributing to the protection of biodiversity, enhance eco-system services and protecting natural habitats and landscapes

The Committee suggests a number of measures including the incentivisation of renewable energy for farmers, anaerobic digestion, supports to improve soil fertility and the promotion of agroforestry, could be expressly encouraged by CAP.

The Committee reiterates its view that measures which promote carbon auditing at European level may offer potential, while high levels of knowledge-sharing and innovation should continue to be encouraged.

¹ Parliamentary Budget Office, Briefing Paper 9 of 2018, *An Overview of the Common Agricultural Policy (CAP) in Ireland and potential regional and sectoral implications of Future reforms*, available at https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-08-17_an-overview-of-the-common-agricultural-policy-cap-in-ireland-and-potential-regional-and-sectoral-implications-of-future-reforms_en.pdf, accessed 2 October 2018.

Young Farmers

The Committee believes that an EU-wide definition for young farmers is important, but also believes that Member States should retain an element of flexibility in this regard. In addition to formal education requirements, the Committee considers that vocational elements to training and skills should be included in the CAP Strategic Plans, and that provision should be made for incentives in the areas of precision agriculture and the use of technology.

The Committee reiterates its view, expressed in April 2018, that there is a need for incentives for older farmers to retire so the management of their farms can be assumed by the younger generation. Advice services for succession planning among farmers should also be explored.

The Committee welcomes the 2% portion for young farmers allocated under Pillar I, but suggests that more detail should be included on specific measures likely to be approved by the European Commission in CAP Strategic Plans.

Genuine Farmer

The Committee is of the opinion that the definition of a genuine farmer in Article 4(d) of the proposed Regulation is too restrictive and may result in certain farmers (who rely on small holdings to reach a minimal income) being excluded from payments. In particular, the Committee believes more guidance on what is a 'pluri-active farmer' and what is meant by 'principal business activity' should be provided in order to ensure there is no contradiction in the final legislation that may restrict Member States allowing such farmers to access supports.

The second part of the definition, also in Article 4(d) of the proposed Regulation, raises concerns for the Committee, as it could lead to more administration in the direct payments system. The Committee suggests that flexibility should be given to the Member States to agree broad definitions for genuine farmers rather than determine who is not a genuine farmer.

CAP Strategic Plans

The Committee welcomes the greater levels of subsidiarity envisaged for Member States under the proposals. However, the Committee has concerns about the operation of the strategic plans in practice, including the timescales for preparation of the plans by Member States and their consideration and approval by the European Commission.

The Committee suggests that the approval and amendment process be clarified, in particular on whether essential elements of Strategic Plans can be approved or amended in order to ensure that farming incomes at a basic level are not impacted. However, the Committee also suggests that more information on how the approval and amendment process may operate in practice would be useful.

Risk Management

Article 70 of the proposed Regulation provides for the establishment of risk management tools, which are primarily confined to insurance premiums or mutual funds that can be set up by farmers. The Committee is concerned that the proposed Regulation makes this mandatory on Member States and believes that while risk management measures, such as insurance, should be considered, their inclusion within the proposed Regulation should be re-evaluated.

EU Added Value

With greater levels of subsidiarity envisaged in the proposals, the Committee is of the view that areas where the EU can add value could be explored over the period of the next CAP. For example, the Committee suggests that such added value could be enhanced in areas such as preventative measures for farming accidents, as well as farming techniques and efficiencies in production. These are particular areas where knowledge-sharing may be of benefit.



Pat Deering T.D.
Chairman
2 October 2018