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NOTE

From:	General Secretariat of the Council
To:	Council
Subject:	Permanent grassland <i>- Information from the Lithuanian delegation on behalf of the Estonian, Latvian and Lithuanian delegations</i>

Delegations will find in the Annex an information note on permanent grassland, to be presented by the Lithuanian delegation on behalf of the Estonian, Latvian and Lithuanian delegations under "Any other business" items at the "Agriculture and Fisheries" Council on 26 September 2022.

Joint non-paper by Estonia, Latvia, Lithuania regarding permanent grassland

We, Ministers of Agriculture of Estonia, Latvia and Lithuania, would like to draw attention to the issue of permanent grassland, which is particularly important and sensitive in our countries in the context of the ongoing negotiations with the Commission for approval of the CAP Strategic Plans.

Commitments to maintain permanent pastures/grassland root since the Accession of our countries to the EU. Decisions taken then were based on structure of agriculture sector, technological development, etc., at that time. Nevertheless, situation has evolved significantly over 20 years of development and moving towards transition to competitive and sustainable agriculture.

Our countries have moved from the Soviet planned economy system towards farming based on market economy and private ownership. This challenging transition process included land reform and restoration of property rights, which continued also after the Accession. It led to establishment of new agriculture farms, their consolidation and modernisation, enabling cultivation of new areas of land, previously not involved in agriculture. The CAP support contributed greatly to development and wealth of the sector; on the other hand, support for early retirement of small farmers as well as market disturbances over the years contributed to the reduction of farmers involved in herbivore production. One of the reasons was the milk crisis of 2016, when many dairy farmers ceased their activities and reoriented to growing grain or transferred the land to someone else, who was already engaged in grain farming.

At the time of the Accession, we had larger numbers of herbivores and bigger area of pastures, but due to developing changes in the structure of agriculture with every subsequent CAP reform farms became more sustainable and modern, herbivore numbers have reduced together with the need for permanent grassland. Today cattle, both dairy and meat, farms also usually have at least some arable land, as the modern sustainable husbandry needs high-quality fodder (cultivated grassland of forage legumes like alfalfa and red clover, maize, etc.), what leads to a combination of grassland conservation with arable farming. Thus, permanent grassland ratio may change not only due to the decrease of the area of permanent grassland itself, but also due to transition to organic farming, permanent gardens, the exclusion of existing grassland from declared areas due to administrative peculiarities, etc.

Commitments related to maintenance of permanent grassland, made during the Accession to the EU and subsequent revisions of the CAP do not adequately take into account changing situation of agriculture sector in our countries over the time.

With all due respect to objectives of the Green Deal, transition to sustainable and resilient agriculture sector as well as protection of biodiversity in agrarian landscape, we believe that these objectives can be achieved otherwise than blindly sticking to one instrument in a toolbox. They can be achieved equally effective by proper planning, designation of priority areas outside NATURA 2000, ensuring both habitat connectivity and landscape diversity. Other aspects increasing net carbon removals outside a declared utilized agricultural area (such as afforestation, peatland restoration and rewetting, expansion of landscape elements valuable for the habitat connectivity, etc.) should be taken into account as well. This should not impede development and competitiveness of agriculture sector of our countries, thus fostering social tensions among farmers.

We are open to a broader debate, involving farmers and environmentalists, on the most effective ways to achieve these objectives, but it is important that the Commission is prepared to hear and take on board the arguments put forward.

Furthermore, the geopolitical reality has changed drastically after the outbreak of war in Ukraine. Food security and food affordability has become particularly important. The aim of the CAP to ensure food production for the EU became relevant more than ever.

Putin's regime is making efforts to create energy crisis in Europe starting a gas war, seeking instability of pro-Ukrainian governments. It is our primary duty to avoid any additional tensions in our societies. Quite some tension and a feeling of unfairness across the EU is already among farmers due to still unfinished external convergence of direct payments not ensuring level playing field for all, unjustified aims of the Commission to significantly reduce the use of plant protection products and fertilisers, to mention just a few. Adding restrictions to sustainable development of farming due to blind requirements to maintain permanent grassland would aggravate the situation even more.

The issue, highlighting specificity of the Baltic countries, has been repeatedly expressed in the course of the subsequent CAP reforms and remains among key ones today. Efforts of the Commission services to find favourable solutions in the process of approval of the CAP plans are much appreciated but has not led to any feasible result so far. Therefore, we call to revisit the issue on the political level.

We believe that the Commission can show flexibility regarding the application of GAEC 1, first of all the methodology of calculation the areas of permanent grassland should be adapted to the national specificity of Estonia, Latvia and Lithuania and the structure of agriculture.

Suggested solutions to resolve the issue could include the following:

- provided option for a Member State to impose an obligation to other farmers, not only to those who converted their permanent grassland in the past, to establish an area of permanent grassland in order to ensure the maintenance of permanent grassland at the Member State level.

- provided option for a Member State to adjust the reference area of permanent grassland (e. g. by allowing reducing it by the areas converted by the farmers who are restructuring farming activities and are changing specialisation from herbivore to crop farming; by the areas of permanent grassland converted to crop areas with a task to establish or develop farms of young farmers; by the areas of permanent grassland converted to crop areas by farmers complying with the requirements as regards organic farming and small farmers allowing them to adjust to market conditions and to improve their viability, etc.).
 - the agricultural area in calculation of ratio for the claim year could be fixed at the level of 2018 in the case of an increase in the total agricultural area in the Member State in the claim year.
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