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DRAFT REPORT

on the Future of Food and Farming
(2018/XXXX(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/XXXX(INI))

The European Parliament,

- having regard to the Commissions Communication ‘The Future of Food and Farming’ COM(2017) 713 final adopted on 29 November 2017,
- having regard to Art. 38-39 of the Treaty on the Functioning of the European Union (TFEU), which establishes the Common Agricultural Policy and its objectives,
- having regard to Regulation (EC) No 2393/2017 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 material (Omnibus)¹,
- having regard to the Special Report N° 16/2017 “Rural Development Programming: less complexity and more focus on results needed” and N°. 21/2017 “Greening: a more complex income support scheme not yet environmentally effective”,
- having regard to the “Reflexion paper on the Future of EU finances” (COM (2017) 358),
- having regard to the European Conference on Rural Development Cork 2.0 Declaration “A Better Life in Rural Areas” 2016,
- having regard to the Opinion of the European Economic and Social Committee of 31 May 2017 on ‘A possible reshaping of the Common Agricultural Policy’,
- having regard to the Opinion of the Committee of the Regions “The CAP after 2020” 2017,
- having regard to Sustainable Development Goals (SDG) of the United Nations most of which are relevant for the Common Agricultural Policy (CAP),
- having regard to COP21 Paris Agreement 2015 and notably the commitments taken by the European Union as "nationally determined contributions" (NDCs) order to achieve the 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

¹ OJ L 350 29.12.2017 p. 0015

and the opinion of the Committee xxxx (A8-0000/2018),

- A. whereas the Commission's communication "The Future of Food and Farming" acknowledges that the Common Agriculture Policy (CAP) is the most integrated policy in the EU and is enabling the EU farm sector to respond to citizens' demands regarding food security, safety, quality and sustainability but also environmental care, climate change action and high animal welfare standards;
- B. whereas the overriding objective of the European Union of a multifunctional agriculture driven by family farms remains key in order to deliver positive externalities and public goods as demanded by European citizens;
- C. whereas over the years the CAP has undergone regular re-programming in line with new challenges while today another step in this continuous process of modernisation and simplification is necessary building on previous reforms;
- D. whereas the New Delivery Model (NDM) is the core of the Communication on the CAP post 2020, and is welcomed if it ensures real simplification, at EU level but also at the Member State or regional levels, and flexibility for farmers, without adding new constraints on Member States and thus a new layer of complexity;
- E. whereas the CAP has to play an important role in overcoming stagnation and volatility of farm incomes which despite concentration and intensification of production as well as increasing productivity, are still lower than in the rest of the economy;
- F. whereas farmers have been confronted with increased price volatility over the last few years, mirroring price fluctuations on the global markets and uncertainty caused by macroeconomic developments, external policies, sanitary crises and higher frequency of extreme weather events in the EU;
- G. whereas a fair standard of living across regions and Member States as well as affordable prices for citizens and consumers and access to quality food and healthy diets must be ensured 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 the system of entitlements is based in many Member States on historic references which are now nearly twenty years old and which serve as an obstacle to generational renewal and access for young farmers to farm land given the fact that new entrants do not possess entitlements and are thus disadvantaged;
- I. whereas new challenges arise such as increasing global trade and thus the need for fair and sustainable conditions for the exchange of goods and services at the global level in the framework of the WTO and in line with the existing EU social, economic and environmental standards which should be promoted;
- J. whereas the focus on research and development both for product and process innovation is welcomed but insists that more must be done to transfer research results into farming practice facilitated by EU-wide 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 COP21 and UN SDG;
- L. whereas the ECA has underlined that the green payments introduced in the 2013 reform create additional 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, special animal breeds and conservation crops as well as organic agriculture, less favoured areas and commitments in the context of "Natura 2000";
- N. whereas fair competition within the Single market within the sector and with other players in the food chain, both up and downstream, must be ensured while incentives to prevent crises with active management tools at sectorial level and by the public authorities must be further strengthened;
- O. whereas the new challenges for European agriculture within the EU's political priorities as stated in the "Future of Europe" require that the next Multiannual Financial Framework (MFF) provide sufficient public funds to cover both existing and new challenges;
- P. whereas any change of the current CAP must be imposed in a way that ensures stability for the sector and planning security for the farmers by means of adequate transitions periods and measures;
- Q. whereas the European Parliament must fully play its role in setting a clear policy framework to maintain a common ambition at European level and a democratic debate on strategic issues having an impact on the daily life of all citizens when it comes to use of natural resources, the quality of our food and the modernisation of agricultural practices;

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

1. Welcomes the intention to simplify and modernise the CAP but underlines that the integrity of the Single Market and a truly common policy must be the overriding priorities;
2. Points out that already today existing flexibility for Member States in defining basic rules bears the danger of 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 a uniform approach to all programming efforts and eligibility criteria, should cover both of the CAP's pillars and notably ensure 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, notably 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 on 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 standards and with the same criteria across all Member States irrespective of enhanced flexibility for Member States in programme design and management and notably with view 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 in 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 architecture with two pillars where notably Pillar 1 is dedicated to income support for farmers while at the same time compensating for the provision of public goods based on uniform criteria but allowing Member States to take specific approaches to reflect local conditions;
9. Considers that the current CAP architecture can deliver its objectives only if sufficiently funded and thus calls for maintaining the CAP budget in the MFF at least at current levels in order to achieve the ambitions of a revised and efficient CAP after 2020;
10. Believes that more targeted support for family-farms is necessary and that this can be achieved by introducing a compulsory higher support rate for small farms and, at the same time and reflecting economies of scale, support for larger farms should be digressive, with the possibility for capping to be decided by the Member States;
11. Underlines the necessity to identify 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 replacement of the existing system for calculating direct payments in Pillar I, often based on historic entitlements, with an EU-wide uniform method of calculating payments so as 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 along with the amounts received by a Member State under Pillar II;
14. Believes that, under the condition that a level playing field in the Single Market is guaranteed, Voluntary Coupled Support (VCS) payments should be maintained as a tool to counteract specific difficulties, especially those arising from the structural

competitive disadvantage of less favoured and mountainous regions as well as those which are more temporary in nature, arising, for example, from a shift away from the historic entitlement scheme;

15. Recalls that generational renewal is a challenge faced by farmers in many Member States and that consequently each National Strategy must address this issue through a comprehensive approach including top-ups in Pillar 1 and targeted measures in Pillar II and also via new financial instruments and national measures, to incentivise farmers to pass on their farming operations;
16. Underlines the importance of rural development, including LEADER, to support multi-functional agriculture also with a view to fostering additional entrepreneurial activities and possibilities to generate income like agro-tourism, community supported agriculture and the provision of social services in rural areas;
17. Calls on the Commission to introduce a new comprehensive legal framework allowing for the integration of the different types of environmental actions currently existing (cross compliance, greening and GAEC) as well as agro-environmental measures under Rural Development so farmers can deliver effectively and with less bureaucracy on environmental care, biodiversity and climate action, while ensuring adequate control by Member States taking into account local conditions;
18. Believes that this new framework should be underpinned by the possibility of allocating a minimum amount of the total available budget to Agro-Environmental Measures (AEM) 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 extension as a pre-condition in programme design and implementation in all Member States while fostering know-how transfer and best practice models exchange between Member States;

A strong position for farmers in the global food system

20. Calls on the Commission to maintain the current Common Market Organisations (CMO) including the respective sector plans (wine, fruit and vegetables, school fruit scheme) with the overall aim of strengthening the sustainability and competitiveness of the sectors while allowing access for all farmers;
21. Insists on the necessity for the future CAP to support farmers more efficiently 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 to strengthen the position of the producers within the food supply chain in particular guaranteeing them a fair share of the added value by fostering inter-sector cooperation and strengthening transparency in the markets as well as crises prevention;
23. Calls on the Commission to allow and encourage - especially in the dairy sector - active

crisis management instruments such as voluntary sector agreements to manage supply in quantitative terms amongst producers, producers organisations and processors and to examine the possibility of extending such instruments to other sectors;

24. Asks for an in-depth review of the current crisis reserve mechanism in order to create an independent financial instrument placed outside of the budgetary principle of annuality, thus allowing budgetary transfers from one year to the next to allow quick and effective responses to crisis situations including those involving animal and plant health and disease issues as well as food safety;
25. Believes that while trade agreements are, overall, beneficial to the EU agricultural sector and necessary to reinforce the EU position on the world agricultural market, they pose a number of challenges that require reinforced safeguard mechanisms to ensure a level playing field between EU farmers and the rest of the world;
26. Calls for initiatives to promote EU production, safety and environmental standards as well as quality production schemes through both labelling and marketing activities on the internal and third-country markets;

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

27. Stresses that the EP and the Council should, via the co-decision procedure, set the general objectives, measures and financial allocations and also determine the adequate level of flexibility to allow the Member States to cope with their specificities and needs in line with the Single Market;
28. Regrets that the whole process of the CAP post 2020 programming exercise - consultation, communication, impact assessment and legislative proposals - is starting with a significant delay close to the end of the 8th Legislature, jeopardising a final agreement 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;
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.