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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Agriculture, CAP, Food Sovereignty of the EU: reconnecting food and society
- Information from the Italian delegation

With a view to an ‘any other business’ item at the meeting of the Council (‘Agriculture and Fisheries’) on 26 February 2024, delegations will find in the Annex a note from the Italian delegation on the above-mentioned issue.

Note of the Italian delegation**Agriculture, CAP, Food Sovereignty of the EU: reconnecting food and society**

Over the past 30 years, the CAP has radically changed in its nature and, consequently, its distorting effects - generating imbalances between products and Member States, leading to out-of-market production surpluses - are now entirely marginal. At the same time, the weight of compensatory payments has gradually increased, conditional upon the adoption of good agronomic and environmental practices, as well as that of the resources aimed at rural development.

As of today, the basic payment remains the only direct support for farmers, with an average EU amount of around €120 per hectare. With such a low level of support, it is not acceptable to claim that Europe supports its farmers. Likewise, the current threshold of environmental commitments and the excessive complexity of the procedures and restrictions required for accessing direct payments under the so-called voluntary eco-schemes cannot be overcome.

Short- and medium-term actions for a fairer and simpler CAP

In order to tackle the critical issues mentioned above, it is of the utmost importance to review the 2023-27 CAP.

However, the decision-making process to set up any real mid-term review would require a timeframe that is incompatible with the agenda of the next few months, which envisages the European elections and the end of the mandate of the incumbent EU Commission.

However, this does not preclude the identification of a number of issues in respect of which it may be possible to take action even in the short term, as well as to set some milestones for the post-2027 CAP. A series of possible actions is proposed herein below.

a) State aid: temporary framework for agricultural emergencies and moratorium on agricultural debt

As for the COVID-19 pandemic and the energy crisis, a similar course of action would be required to concretely address the difficulties faced by the European agriculture, including in particular Italian agriculture, which are afflicted by persistently high interest rates and rising production costs. This scenario is even more challenging to manage given the difficulty of countering the aforementioned shortcomings with an adequate increase in the prices of products sold by farmers along the supply chain from the farm to the end-consumer.

In detail, the Commission should adopt the following actions:

- adopt a temporary framework to deal with the crisis in the agricultural sector;
- ensure a European moratorium on farmers' debts in the various Member States;
- increase the "de-minimis" aid in the agricultural sector to 50,000 euros.

b) Direct payments

- Environmental objectives should be pursued with methods other than setting-aside soils. Farmers are fully aware that they have to preserve their land capital in good condition, therefore alternative methods to preserve the integrity of the soil must be encouraged. In order to ensure both food supply and economic sustainability, the setting-aside obligation should be removed (GAEC 8). The removal should be implemented initially, during the next few years, by derogation from the current CAP legislation, and, subsequently, on a permanent basis with the next CAP. Nevertheless, in the presence of a land rich in areas of particular environmental value (hedges, trees, uncultivated land, ditches, bushy areas, etc.) it makes no sense to oblige the farmer to set aside part of his farmland.
- Similarly, GAEC 7 (rotation) needs to be thoroughly revised. In order to adapt the various commitments to the soil and climate conditions of each territory, more flexibility must be given to Member States.

- The CAP must be endowed with adequate financial resources, aiming at supporting farmers' income, ensuring food security and maintaining a vibrant rural community. The current allocation is inadequate to ensure the necessary balance between economic and environmental sustainability.
- A change in the rules of the CAP every five year, as it has been the case over the past 20 years, does not allow to meet the break-even for agricultural investments, not even with respect to minimal start-up investments.
- It is therefore advisable to ensure stability of rules and incentives by stabilizing the direct payments tool, whose budget must be considerably increased with the next CAP.
- In order to contribute to the generational change and the grafting of fresh and innovation-oriented entrepreneurial forces, an increase in aid for young people should be envisaged, as an exception to the current CAP, and their decisive reinforcement in the post-2027 CAP should be pursued.

c) Eco-schemes

- In light of the results achieved after the first year of implementation, a thorough review of eco-schemes at both national and EU level should be conducted, notably in relation to the possibility of rewarding the production of public goods and positive externalities produced by the agricultural sector.

d) Sectorial intervention

- The quantification of the EU subsidy for the sectorial intervention towards extra virgin olive oil is based on the percentage of the value of marketed production, which should not fall below 15% throughout the current programming period.

- The aid to the expenditure actually incurred by fruit and vegetable operators should be increased from the current 50% to 60%, while the financial contribution to be borne by the producer and/or organization should be reduced, in order to ease the economic burden for producers.
- The time limits set for authorizations and replanting of vineyards should be eliminated or extended to at least 8 years, in order to allow vine growers more time to plan their investments, given the difficulties linked to the current socio-economic scenario.
- Among the interventions to be financed in the wine sector, it is necessary to include the grubbing up of a vineyard due to phytosanitary issues, its replanting, covering also the costs for lost income.
- To establish a system whereby Member States are enabled to implement exceptional measures necessary to address emergency issues, as has been done in the past with the activation of crisis distillation, so that Member States can promptly adopt such tools without awaiting the adoption of a specific act by the Commission.

e) EU Market Interventions

- Given the different crises faced by EU agriculture, the existing market intervention instruments need to be strengthened, also by opening EU and national wide stocks of agricultural products. Member states should be authorized, on the basis of specific needs, to support stocks interventions with union resources and also state aids.

f) Rural development

- Europe must promote and ease the activation of a special plan to promote generational change and the spread of innovation and services for agricultural enterprises in order to make them more efficient, viable and sustainable. To this end, the incentives envisaged for farmers under 40 should be extended beyond the first five years after the start-up of the agricultural farm, to better support the growth of the enterprise and its competitiveness.

- Simplified access for small farms (through standard costs) to start-up investments should be envisaged and access to land should be made eased for young people.
- Risk management instruments should be strengthened, both by increasing the financial endowment dedicated to insurance and mutual funds, and by innovating the tools, including direct payments (e.g. contributions to replenishment of advance capital). The above should be achieved in particular by adopting anti-cyclical compensation formulas. It is ultimately necessary to promote the role of supply chain contracts to give stability to the system and allow medium-term planning.
- Regarding financial aspects, it is necessary to adopt urgent transitional rules to govern the transition between the 2014-2022 period and the 2023-2027 period.

g) Crisis management

In order to address the continuous necessity of intervention in the management of EU-wide crises impacting on farmers' income (e.g. climatic, sanitary, phytosanitary, etc.), the endowment of the CAP crisis reserve should be of a suitable amount, to be financed with resources outside the CAP, in order to avoid further reductions in direct payments.

h) Simplification

The current CAP framework provides for an excessive bureaucratic burden. A radical simplification is needed, not only by reviewing procedures wherever possible, but also through their systematic digitalization.

The procedures for amending strategic plans must be substantially simplified, providing that:

- CAP Strategic Plans contain only general planning elements, eliminating all details that have relevance only at the national implementation level;

- The period for observing and monitoring livestock number to be shortened by at least three months (at present, such period lasts for the entire calendar year), so that CAP advance payments can be made more quickly;
- The timeframe for the entry into force of changes to CAP Strategic Plans must be shortened, to ensure that beneficiaries can adhere to the various commitments without losing an entire crop year. In particular, changes to the Plans must come into effect upon notification to the European Commission, without the need to await the respective decision, both for the first and second pillars.
- In the spirit of simplification, checks related to the reduction of phytosanitary products should be conducted through the “Quaderno di campagna” (register of phytosanitary treatment), which contains data declared by farmers and information from certified databases. Administrative checks will be limited to verifying the consistency of the respective data.

i) Trade relations

The progressive widening of the gap between European standards and those of the countries from which the EU imports threatens the competitiveness of our farmers, leading to differences in costs that have become very significant.

These differences directly penalize farmers, through the resulting relocation of production, and fuel the onset of negative externalities at a global level, in terms of social responsibility objectives and fight against climate change. In light of the above, the current prefigured arrangements in the trade negotiations with MERCOSUR could lead to unacceptable results.

As a matter of procedure, however, effective reciprocity rules for trade in agricultural products (so-called mirror clauses) must be introduced in all treaties. No trade agreement between the European Commission and non-EU countries should be concluded without ensuring the same standards that apply in the EU market, in terms of health, food and environmental safety, labor safety and workers' rights.

Consistently with this principle, the European Commission is called upon to review all so-called “import tolerances” on imported foodstuffs, for all plant protection products that are not authorized on the EU market, in order to preserve the public's health and not to disadvantage European farmers.

j) Competition and market transparency

The “Unfair Commercial Practices” Directive operating in the agri-food sector, despite being a steppingstone towards solving the issue, did not constitute a definitive solution. The negotiation weights and the practice of commercial relations still do not sufficiently promote the disclosure of harmful behavior for the weaker players in the supply chain, especially with farmers. Thus, it is worthwhile to strengthen the regulatory framework of the Directive, sustaining the bargaining power (and/or to provide for compensation) of the weaker components of the supply chain and ensuring enhanced transparency of the product's origin on the label.

k) Nature Restoration and Soil Monitoring Directive

The proposed Nature Restoration Regulation must be revised so as not to place additional burdens on the agricultural sector. Likewise, the commitments in the Soil Monitoring Directive must be aligned with the interventions in the CAP Strategic Plans.

l) Nitrates Directive

The use of naturally derived products as an alternative to chemical-based fertilizers has been debated at European level for some time. Indeed, the opportunity to seek alternatives to the use of chemical fertilizers is of great importance in the pursuit of environmental sustainability. It represents, as a matter of fact, a common goal to ensure the economic and social viability and resilience of agricultural systems and rural areas. In this regard, the EU Joint Research Centre (JRC) has completed a research project aimed at supporting the definition of the harmonized criteria which could be applied to allow the use of manure-derived nitrogen fertilizers.

Within this context, the Commission should recognize the benefits of using nitrogen fertilizers of organic origin, such as digestate obtained from the anaerobic digestion of agricultural and livestock by-products, in full compliance with the principles of the circular economy.

m) Sanitary and phytosanitary aspects

In order to adequately face the numerous animal health and phytosanitary emergencies, the European Union should be equipped with specific resources to support common initiatives and compensate damaged farmers, especially if the spread of these pathologies is favored by the excessive presence of wild animals.
