Farm input supply chain: structure and implications

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The European Parliament adopted a resolution on the farm input supply chain: structure and implications.

EU agriculture is currently highly dependent on input imports – mainly fossil fuels, but also animal feed and scarce soil-improving minerals such as phosphate – and is therefore vulnerable to price hikes. Upward pressure on input prices is expected to rise further as a result of resource scarcity, growing demand for food in emerging economies and policies which make it harder for EU farmers to gain access to cheaper feed available on the global market.

High volatility in prices: the resolution notes that high volatility in agricultural commodity and farm input prices has increased insecurity in farm incomes and in long-term investments by farmers, especially for isolated regions, mountain regions, island regions and the most remote regions. **Total input costs for EU farmers climbed on average by almost 40%** between 2000 and 2010, while farm gate prices increased on average by less than 25%, according to Eurostat. The increase in input costs within that decade reached 60% for energy and lubricants, almost 80% for synthetic fertilisers and soil improvers, over 30% for animal feed, around 36% for machinery and other equipment, almost 30% for seeds and planting stock and nearly 13% for plant protection products.

Transparency and observance of competition rules: Members call on the Commission and Member States to **improve the transparency of farm input prices** and guarantee that competition rules apply and be enforced throughout the upstream and downstream food market chain. They call for **greater scrutiny and better analysis**, at EU and global level, of the economic fundamentals which explain rising food prices.

The Commission is particularly asked to:

- refine its analysis of the reasons behind extreme market fluctuations and seek greater clarity on the interactions between speculation and agricultural markets, as well as energy markets and food commodity prices;

- encourage more efficient agronomic practices and improved, sustainable agricultural resource management, with the aim of producing stable and productive agriculture, reducing input costs and nutrient wastage and increasing innovation, resource efficiency and effectiveness and sustainability within farming systems;

- better evaluate the impact of EU legislation on the sustainability and competitiveness of European agriculture.

Parliament calls on national and European competition authorities to **address the abuses of the dominant position** of agribusiness traders, food retailers and input companies and to apply EU antitrust legislation, in particular in the fertilisers sector.

The Commission is asked to **undertake an in-depth study** into the differences in approach between the 27 national competition authorities and policies and to encourage solutions which involve all partners in the food production chain and which prevent dominant positions of one or a mere few parts of the input or output chain. Members believe it is necessary to introduce a system for the effective control of such

practices, either by administrative or by legal means, and to **create a mechanism for the assessment and monitoring** of Member States by the Commission, while also introducing penalties of a sufficiently deterrent and timely nature.

The resolution calls for the **new CAP** to include specific support measures for better and more efficient resource management and for sustainable practices which reduce input use and costs and improve farmers' ability to adapt to price volatility, including measures to support short input and food chains. Welcoming the Commission's increased focus on Europe's bioeconomy, Members call for a substantial part of the next research framework programme should be earmarked for R&D in the efficient use and management of farm-inputs management and improving agronomic efficiency.

Energy: Members call on the Commission and Member States to promote investments in energy saving and renewable energy production (wind, solar, biomass, biogas, geothermic etc) on-farm or in local partnership projects with a special focus on using waste and by-products.

The Commission is called upon to:

- recognise **processed manure** as a substitute for artificial fertiliser in the Nitrates Directive, in order for manure to be considered as an energy source;

- make sure that public support measures for **biomass and agro-fuels** – including biogas – do not contribute to unsustainable competition for resources between food and energy production, which must be organised sustainably;

- help generate **new revenue for farmers** by facilitating the integration of energy and heat produced from renewable farm sources into private and public energy systems and grids;

Amendments on soil improvers and plant protection products: the resolution calls for efficient measures and incentives such as **crop diversification**, including planting of legumes and crop rotation adapted to local conditions, in the CAP reform after 2013, given the positive effect they have on climate change mitigation, soil and water quality and the ability of farmers to reduce their input costs.

Members call on the Commission and Council:

- to include investments in precision farming in an optional EU-wide list of 'greening' measures to be rewarded within the CAP;

- to encourage – subject to thorough investigation of their possible usage, adequate treatment of potentially harmful substances and strict controls – the recycling of nutrients (especially phosphate and nitrogen) from waste streams;

- to better evaluate the impact of the loss of plant protection products on the competitiveness and sustainability of European agriculture.

Animal feed: the resolution stresses again the need to introduce in the new CAP suitable measures and instruments to **support those farmers cultivating protein crops**, thereby potentially reducing the EU's crop protein deficit and price volatility while also improving agricultural practices and soil fertility.

Members stress that, while increasing domestic protein crop production will yield some benefits, it is unlikely to have a significant impact on the import of feed from outside the EU. They believe therefore that other avenues will need to be explored in the short term to address the protein deficit in the EU, and points specifically to the fundamental role of soya imports.

They repeat their calls for the Commission to swiftly submit to Parliament and the Council a report on the possibilities and options for increasing domestic protein crop production in the EU.

Seeds: Parliament calls on the Commission and the Member States:

- in the context of the forthcoming revision of Regulation (EC) No 2100/94 on Community plant variety rights, to maintain the possibility for farmers to use farm-produced and farm-processed seed, given the economic, cultural and environmental benefits and contribution to agro-biodiversity this practice can bring;

- to support research projects that study the breeding of plant varieties which retain their characteristics in the long term in addition to promoting measures to encourage the cultivation of local fodder crops such as flax, triticale and spring vetch (Vicia Lathyroides), etc.;

Members call on the Commission to consider setting up a European bank for seeds in order to store and preserve the genetic variety of plants, combat biodiversity loss, and link crop diversity to the cultural heritage of the Member States.

Land prices and land rent: Members want the Commission to conduct a study into the impact that land lease and increased costs for land purchase and lease are having on farming sectors in the EU Member States. The resolution stresses that **Single Farm Payment entitlements**, where based on historical values or when tradable without land, can be bought up at inflated values by investors and speculators for the purposes of an income stream as opposed to active farming. It calls on the Commission, Parliament and the Member States and regions to ensure that CAP reform adequately addresses these problems, and that payment entitlements are available for all farmers for the purposes of active production.

Water: Parliament calls on the Commission to work, as part of the CAP reform and the Water Framework Directive, towards **better irrigation and water drainage and storage systems** for agriculture that use water more efficiently and that include improving water storage capacities in soils, water harvesting in dry areas and water drainage in moist areas.

The Commission is asked to work towards solutions to drainage problems. Members draw the Commission's attention to the positive effect that precision farming has on water use (through GPS-based monitoring of soil conditions and weather forecasts) and demand that investments in these and other innovative solutions which decrease the use of inputs such as water, fertilisers and plant protection products can be covered by ‘greening’ options of the future CAP.

They also call for greater support for training farmers in efficient water management, drainage and irrigation.