

DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Céadaoin, 19 Eanáir 2022

Wednesday, 19 January 2022

Tháinig an Comhchoiste le chéile ag 5.30 p.m.

The Joint Committee met at 5.30 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Martin Browne,	Victor Boyhan,
Matt Carthy,	Paul Daly,
Michael Collins,	Tim Lombard.
Michael Fitzmaurice,	
Joe Flaherty,	
Paul Kehoe,	
Brian Leddin,	
Michael Ring.	

I láthair / In attendance: Deputy Danny Healy-Rae.

Teachta / Deputy Jackie Cahill sa Chathaoir / in the Chair.

Cost and Supply of Fertiliser in the European Union: Directorate-General for Agriculture and Rural Development

Chairman: I remind members, witnesses and those in the public gallery to turn off their mobile phones.

I welcome Mr. Fabien Santini, deputy head of unit at the European Commission's Directorate-General for Agriculture and Rural Development, DG AGRI. I thank him for appearing before the committee to engage with us on the cost and supply of fertiliser in the European Union. I also welcome the other representatives from DG AGRI.

Witnesses giving evidence within the parliamentary precincts are protected by absolute privilege in respect of the evidence they give to the committee. This means that a witness has a full defence in any defamation action for anything said at a committee meeting. However, witnesses are expected not to abuse this privilege and may be directed to cease giving evidence on an issue at the Chair's direction. Witnesses should follow the direction of the Chair in this regard and are reminded of the long-standing parliamentary practice to the effect that, as far as is reasonable, no adverse commentary should be made against an identifiable third party or entity. Witnesses who are to give evidence from a location outside the parliamentary precincts are asked to note that they may not benefit from the same level of immunity from legal proceedings as a witness giving evidence from within the parliamentary precincts and may consider it appropriate to take legal advice on the matter. Privilege against defamation does not apply to the publication by witnesses outside the proceedings held by the committee of any matter arising from the proceedings.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or any official by name or in such a way as to make him or her identifiable. Parliamentary privilege is considered to apply to the utterances of members participating online in a committee meeting when their participation is from within the parliamentary precincts. There can be no assurance in relation to participation online from outside the parliamentary precincts, and members should be mindful of this when they are contributing.

The issue we are to discuss is very important to our agrifood industry. The cost of fertiliser has escalated in the past six months. It has increased in this country by 250%. The availability and cost of fertiliser are considerable causes of concern for our farmers. Our grass-growing system is significantly dependent on fertiliser and our cost base will be adversely affected. We would like Mr. Santini to outline to us why the huge increase in cost has occurred, the cause of that and the steps the Commission is taking to bring it back to somewhere near normality. Will fertiliser be available to farmers in the growing season, which starts in the next couple of weeks in this country? I invite Mr. Santini to make his opening statement to the committee.

Mr. Fabien Santini: It is a pleasure to be with the committee this afternoon. I am the deputy head of unit for the governance of agrifood markets in DG AGRI. We are dealing with the agriculture and farmer side on these issues. We will try to contribute to the members' questioning on these issues. After my opening statement, I will be happy to answer questions.

The issues of fertiliser prices and fertiliser availability are of serious concern to the European Commission. The Commissioner for Agriculture, Mr. Wojciechowski, repeated several times, including at the last sessions of the Council of Agriculture Ministers, most recently last

Monday, that the issue arises because of the potential impact on farmers and the agrifood supply chain. The cost and supply of chemical fertilisers are directly impacted by the situation of energy markets. The production of chemical fertilisers is an energy-intensive activity. There is a significant correlation between the circumstances of energy markets and the circumstances pertaining to fertilisers. Many citizens and sectors of our economy, not only agriculture, have been feeling the impacts of rising energy prices in recent months. Agricultural markets are not escaping. The recovery of the EU, US, Chinese and other economies, which is good news after the pandemic and the difficult times we have gone through, means higher demand for energy and other inputs.

Some of the energy markets have seen price increases that remain reasonable. The oil price is back to \$80 or \$85 per barrel on the world market, a level seen before the pandemic. If it was not at that level, it was close to it. The prices of other commodities in the energy market, such as gas, have suffered a much more spectacular increase. Since last year, there has been a fourfold increase, and a sixfold increase at certain moments. We have seen a linked increase in the electricity price.

Energy markets in general are of concern in the EU economy as a whole and were on the agenda of Heads of States at the two last European Council meetings, in October and December. Therefore, it has been discussed more widely.

On fertiliser, nitrogen fertiliser prices in particular are strongly influenced by natural gas prices because one of the main feedstocks in the production of nitrogen fertiliser is natural gas. In this regard, it is used as a source of both energy and carbon. Nitrogen fertiliser prices have increased significantly over the past year. According to World Bank statistics, the world price of urea increased by 263% between December 2020 and December 2021, and that of diammonium phosphate increased by 92%. Phosphate and potash fertiliser prices are also under pressure - but less so than nitrogen fertiliser prices since they depend less on natural gas - because they also involve an energy-intensive production process. They also have seen increased demand. Pressure has been exerted by some supply-chain disruptions linked to Covid and geopolitical tensions. Overall, the World Bank's fertiliser index for December 2021 shows a 165% increase over December 2020. This means the price is two and a half times higher than one year previously.

Regarding how fertiliser prices affect farm accounts, we have the data from the Farm Accountancy Data Network, which gives accountancy information for 80,000 farms in Europe. We can see that the cost of fertiliser represents a reasonably modest share of the cost of production of EU farms, amounting to an average of 6% to 7%. The average is hiding different situations. For example, specialist cereal growers use much more fertiliser, on average. For field-crop specialist farms - that is the name of the category of the Farm Accountancy Data Network - the share of the cost of fertiliser in the overall cost of production reaches 13%. The data for Ireland show that the share of fertiliser in the cost of production incurred by Irish farmers, at 9%, is higher than the EU average, which is 6% to 7%. It is 18% for field-crop specialist farms in Ireland by comparison with 13% in the rest of the EU. Even with dairy, beef and sheep specialist farms - grazing livestock farms - there is a differential. The cost of fertiliser is 9% of the cost of production on these farms, while the EU average is only 3.5%.

In a market economy, price signals, for both inputs and outputs, comprise information necessary to allow farmers to make better production and investment decisions. They adjust decisions based on the price relationship. However, when the volatility is sudden and strong, it is more difficult to adjust and there is different timing for the decisions. The volatility is

sudden and strong. It is more difficult to adjust and there is different timing for the decisions. The Common Agricultural Policy, CAP, in general addresses these difficulties by supporting EU farmers through direct payments, which have a strong income stabilisation impact when compared with other regions of the world that do not benefit from this kind of support. A variety of risk management tools, insurance, income stabilisation tools and mutual funds are available in the rural development programmes. Farmers also can protect themselves against the volatility of both input price and output price through hedging tools, for example, forward contracts. They can do that directly and very often they do so through producer organisations or co-operatives, which organise these hedging tools. It is a protection against the volatility in markets and provides some stability. We should encourage EU farmers to use these tools to smooth this volatility.

Farmers are not bound to fully bear the full volatility of prices themselves. Sooner or later - the same is true for reduced income - extra costs will be passed through the food supply chain to consumers, through price transmission mechanisms. The European Commission pays particular attention to having a well-functioning food supply chain to ensure this transmission is happening. All the burden lies on one stage in the food supply chain, very often the farm stage, being characterised by more atomisation of the producer and less concentration on other stages of the chain.

We did a lot. We paid particular attention and did not spare our efforts to improve the functioning of the food chain. I will give some examples. Many elements related to the option for farmers to co-operate by derogation from traditional competition rules. For example, rules on contractualisation were improved. We adopted the directive on unfair trading practices to prevent stronger actors in the chain from abusing their dominant position. We also favour market transparency in order that everybody has the same level of information and can make their decisions based on the same amount of information. All these elements aim to reinforce the position of farmers in a food supply chain where other stages, in particular retail and processing, are often more concentrated.

Clearly, the recent sharp increase in price of fertilisers, as shown by the figures I quoted earlier and which the Chairman also mentioned in his opening statement, go beyond what are considered normal fluctuations. For the moment, very strong increases in fertiliser prices have been offset by the very good level of agricultural prices. We have several indices for agricultural prices. The main indices show that agricultural prices have increased by 10% last year and by close to 30% in the last two years. That needs to be put in the context of the increase in energy and fertiliser prices, and other costs. Farmers can still absorb at least part of this cost.

As the Chairman mentioned in his preliminary words, there have been also some concerns over the supply of fertilisers for the next applications from next spring. The expectation so far is that sufficient fertiliser supplies will be available for the forthcoming spring operations and that there will also be a sufficient incentive for our farmers to maintain production levels.

The economic optimum for the application rate for fertilisers is a function of the relative prices of the fertilisers and the output price expected from the crops or other agricultural products that are being produced, because Ireland has a grass-based system for which the animal product prices are also important.

As we saw, both these indices have increased in the last year but fertiliser prices increased more than the price of crops. According to all the estimates we have seen, we expect that the economic optimum for farmers would be to apply slightly less fertiliser than usual in the com-

ing year, with a possible modest yield impact. In parallel, advisory services are here to help farmers to optimise their application rate of fertiliser in view of this evolution of prices. Farmers may also decide to adjust their rotations and choose crops with less need for chemical fertilisers. Given these elements, we do not expect this situation to represent a risk to the overall EU food supply and food security this year.

We will need to remain vigilant on this and follow economic projections from, for example, the European Central Bank. It remains of the view that the factors that have led to supply chain bottlenecks should ease this year and that we will return to more moderate price trends.

The Commission keeps a close eye on the markets and stands ready to intervene in case it is necessary to do so. As an example of what has already been done, President Von der Leyen discussed the current situation of energy markets with the Heads of Government at the European Council. The Commission presented a toolbox of measures to mitigate the current spike in energy and fertiliser prices at the end of last year.

The reformed CAP will continue to support our farmers through direct payments, risk management tools and rural development. If necessary, as was in the case in the past when the market was disturbed, exceptional measures can be triggered. These were instrumental to the success of our agrifood sector during the Covid pandemic, ensuring that a food crisis was not added to the health crisis during such difficult times.

Furthermore, the EU state aid rules regime provides that member states may support farmers in this exceptional situation. EU member states may quickly act by granting what we call *de minimis* aid. Among others, the state aid temporary framework, adopted during the Covid pandemic, may provide options to the member states. It has just been extended until the end of June 2022. The overall state aid amount per undertaking active in the primary production of agricultural products has recently been increased by €65,000, that is, from €225,000 up to €290,000. Where it can be shown that the market is already under pressure due to the Covid situation, this should allow member states to address this difficult situation for our farmers in the short term. Some member states have already used this opportunity.

It is important to take a longer term perspective of this situation. This episode demonstrates how the EU agrifood sector is especially vulnerable due to its heavy dependence on fertilisers, and therefore on fossil fuels. We must tackle this vulnerability by reducing our dependence on key imports, especially from unstable sources or unreliable third countries. In the context of the EU industry strategy in general, the Commission continues to work with member states on strengthening what we call our open strategic autonomy by reducing our dependence on certain imports, as well as identifying such imports. Regarding fertiliser, phosphate rock has been listed in the EU's list of critical raw materials since last year.

Specifically concerning food security, in addition to this general reflection on how to ensure our open strategic autonomy, we established a new European food security crisis mechanism expert group in December. In the context of that expert group and the mechanism, the Commission will map vulnerabilities and dependencies specifically linked to the food chain and will discuss them and ways to mitigate them with the member states and all stakeholders of the food supply chain in order to be better prepared for any event that would put food security at risk. The first meeting of this expert group, which is scheduled in the coming weeks, will look at the issue of high input costs, including fertilisers. This has already been announced by the Commission to the member states.

This issue is not only a question of input prices and food security. It is also important for our overall wider Green Deal objectives, where we are committed to reducing nutrient losses. By 2030, we have the target to reduce by 20% the use of fertilisers for the purpose of the Green Deal. We have with this episode a bigger incentive to use less gas and mineral-based fertilisers and to use them more efficiently. We must, therefore, act decisively under the new CAP to accelerate this transition to a more sustainable agriculture, including for fertilisation practices. I will list some examples of actions: greater use of precision farming for better optimisation; the use of more bio-based nutrients and organic fertilisers; the use of more adaptive crop rotation practices that are less dependent on mineral fertilisation, for example, with a higher share of pulses and nitrogen fixing plants; and, as I said earlier, we must encourage farmers to use more risk management tools that are available on the market and through the CAP supports.

I would conclude that the current situation provides an excellent reason to use the opportunities of the reformed CAP, at a time when member states are presenting their CAP strategic plans, to improve the sustainability of food production through reduced use and greater efficiency in relation to fertilisers.

Chairman: I thank Mr. Santini. I will raise one issue with him. He talked about producers having forward contracts. These contracts are being promoted very strongly here by dairy processors. It is actually a very serious situation for dairy farmers now, some of whom have three-year contracts. The price of the product they are selling has gone up by 25% to 30%. They are losing roughly 10 cent per litre on the price of those contracts and they now have the full impact of this very significant increase in the cost of production. They have the worst of both worlds being in fixed-price or three-year contracts because they have the price as it was in 2021, which is fixed for three years going forward. They are now operating on a higher level of cost of production.

I sit on a board of a co-operative. We discussed this matter the other night. There are serious questions about these farmers' viability. Their price is fixed at approximately 30 cent per litre. These contracts were set at 30 or 31 cent per litre. The milk price now is approximately 40 cent per litre. They are, therefore, losing very significantly on the price. As we said, the cost of production has increased very substantially. These farmers find themselves in a very unenviable position where they have a fixed price with costs having escalated beyond anyone's expectation. Mr. Santini can comment on that later.

I will open the floor up to members now for questions. Senator Lombard was the first speaker to indicate.

Senator Tim Lombard: I welcome the representatives from the Commission, who are here this evening to discuss this really serious issue of fertiliser prices and how we will deal with that going forward.

I want to ask about the tariffs pertaining to fertiliser. In his comprehensive statement, I do not believe Mr. Santini mentioned the dumping tariffs that are in place at the moment in the European Union. Could he go over the amounts that these tariffs will involve and what plans the European Commission has for dealing with them going forward? Dumping tariffs are part of our policy with the European Commission over the years. It is unusual, to say the least, that we would have a scenario whereby we have a tariff on a product coming into the European Union that has significantly increased in price.

To give Mr. Santini an idea of how prices have increased in Ireland, today I quoted urea

fertiliser at €905 per tonne. I quoted the same product this day last year for €314 per tonne. I quoted calcium ammonium nitrate, CAN, today for €700 per tonne. I got it for €205 last year. That is a dramatic increase. If we were to take an average dairy farmer in Ireland with 79 cows, we would be talking about an increase of nearly €25,000 alone in the incoming product of fertiliser for the year. It is very hard to see how we are going to have price inflation to cover that. It is, therefore, a really significant issue. Mr. Santini might go over what he believes can be done and how the tariff issue can be looked at going forward.

Supply of product coming into the European Union or Ireland is probably one of the key issues here. What work has the Commission done to ensure that there will be a suitable product supply coming into the European Union and Ireland? Let us take into consideration the fact that two thirds of all fertiliser will be spread between now and 1 June. Either it is sorted now or it will not be sorted. That is our growing period and that is a really significant time lag when it comes to Ireland.

Mr. Santini referred to work pushing forward for food security and where that will go. What work has been done in respect of fodder security going forward? I refer to feed for the animals. We can have a reduction in spreading of compound fertilisers of anything up to 20% in Ireland and probably the same across Europe. What work has been done to make sure we have enough fodder in the European Union and Ireland? We are very much aware that in 2018, we had an issue regarding fodder. We had to import it from France. I am very concerned about what forward thinking the Commission has done to ensure we will not have the same scenario. Any cutback in product will result in a cutback in the amount of fodder available and the knock-on effect could have a real issue regarding our national herd.

Mr. Santini touched on the issue of finance and the availability of certain funds. The biggest issue for farmers is the ability to get finance to buy fertiliser over the next six-week period. In terms of banking institutions, co-operative societies and the State, what ability does the farmer on the ground now have to access finance to ensure he or she gets the product? Without that, he or she is then stuck in this scenario that he or she cannot get the grass growth that is required.

The Chairman rightly mentioned the issue of fixed milk prices. Mr. Santini mentioned that issue but the real issue here is that the farming community did not have the ability to forward buy fertiliser for three years. They were given a 60-day or 80-day period of quotation while they were selling their milk for a three-year period. There is a body of work the Commission needs to do about that. If farmers should have the ability to move their risk by selling milk on for a three-year period, surely the opposite should be applicable regarding buying in the concentrates required for the product itself over a three-year period. This engagement with the Commission is really important because when we talk to our agricultural community, this is the single biggest issue at the moment. We have a price increase that will not cover this. We need a banking institution that will step in to cover the financial concerns. The time bomb is ticking. From now until 1 June, two thirds of all our fertiliser will be spread. The real issue here is what research is being done regarding supply and if we do not have that supply, what research is being done regarding the fodder issue? Where are we going with the tariffs? What is being done at European Union level on the tariffs? Where are we going to go to finance this product? If we cannot finance it, we cannot have a sustainable industry going forward.

Mr. Fabien Santini: I will start with the forward contracts, because both the Chairman and the Senator have raised this. I referred to these forward contracts in my opening statement as a possibility to hedge the risk of the volatility of the price of fertilisers. Of course, if one is only hedging for the output of the milk price but not for the costs, one might end up in a very difficult

situation. I understand that I cannot intervene in that particular case. I do not know if there is a possibility in Ireland to go beyond the 60 days or 80 days mentioned by the Senator. There are possibilities to hedge, and maybe not just for one contract. It could also be around access to future markets. Tools such as this at least allow for protection against the volatility of the price of fertiliser, as it would allow for protection against the volatility of the price of milk. In the particular case that was referred to, the forward contracts for the selling of milk is not protecting the farmers. It is protection for a possibility in the decrease of the price but, unfortunately, as has been said, the prices have increased in milk. In Ireland in particular there has been a very steep increase in the spot markets in milk recently.

We are really insisting on the risk management strategy by the farmers. There are tools available to the member states, there are tools available for the farmers, and there are tools available for the producer organisations and co-operatives. Of course, what needs to be elaborated is the strategy of managing risk that is prudent but which does not put the farmers in a trap of losses, as seems to be the situation with the case just referred to. I do not know all of the details of the particular co-operative mentioned. I would be interested to understand how this can be. It is not satisfactory, and this is not reflective of a well-functioning food supply chain. As I have said, we are insisting that when adding a well-functioning food supply chain where the volatility of both input prices and output prices are smoothened, farmers are not excluded from any profitability. On the contrary, it is slow continuity, a good flow, and good working of farming activity.

With regard to the tariffs, the EU has relatively high self-sufficiency rates in fertilisers. The main problem is the cost of the raw material of the gas that is imported - it is not the fertiliser. Depending on the year, 70% to 90% of nitrogen fertilisers are produced in the EU. While it is not overwhelming, we have relatively satisfactory self-sufficiency rates of fertiliser production. In the EU we have provisions on anti-dumping, which are derived from World Trade Organization roots. Dumping is something we need to fight. As DG AGRI officials, we are asked to take anti-dumping measures to avoid unfair competition from third country providers. This is a very lengthy process where one must demonstrate that damage is due to a dumping practice in another country. In the case of nitrogen fertilisers, in 2019 the investigation reached a conclusion that for certain nitrogen fertilisers coming from certain origins - the US, Trinidad and Tobago, and Russia - there are anti-dumping practices that deserve to be compensated by an anti-dumping duty. If my memory is correct, they are expressed in euro per tonne and not as a percentage. It is between €30 and €40 per tonne depending on the case. When prices increase, the duty relevance decreases because they are expressed as euro per tonne and not percentages. They are not *ad valorem*. The initial request was for *ad valorem* but the Commission considered that to protect the farmers in precisely these kinds of situations it was important not to have an *ad valorem* issue.

These measures protect against anti-dumping practices, whatever the price calculation. If one can demonstrate that there is damage through anti-dumping practices, normally they stay. There is a provision in the regulation dealing with anti-dumping duties that where one can demonstrate that this damage is not demonstrable anymore because of the evolution of the situation of the markets, one can ask for a suspension of these anti-dumping duties. That is the case currently. There are several organisations that consider that the situation is such that these anti-dumping practices are not deserving of an anti-dumping duty in place any longer, and that they should be suspended given the situation. To my knowledge, several requests have been presented by Copa-Cogeca, which is the overall professional organisation of farmers at EU level, and some professional organisations of cereal growers on the Continent. Right now they

are being assessed as to their severity to see if there is a sufficient level to demonstrate that the damage still is or is not material. This is not a procedure that one can run through very quickly because it is very thorough and evidence-based. One needs the evidence and the figures, and the floor must be given to all of the parties at stake. This means farmers and also the fertiliser producers. This is currently in process and the Commission is doing its work and assessing. While the requests are being examined currently, there is no conclusion yet as to the context.

The committee also asked about the supply of fertilisers. Like us, the members have probably read press clips about production facilities of nitrogen fertilisers closing down for various reasons in September, October or November. Our latest appreciation is that most of the plants have relaunched their works and, if I understand it well, they have taken the opportunity to do their normal annual updates. They are back in process. There is no real concern around production capacity at present. That the prices of fertilisers have increased is bad news for farmers but it is good news for producers in that they are incentivised to put the product on the market. The availability of fertiliser does not seem to be a real concern. Precisely for the reasons mentioned by Senator Lombard, which I also mentioned in my opening statement, there is evidence that because the prices have increased the use will decrease. The Senator mentioned 20%. We estimate a decrease of between 10% and 15% in total quantity. This depends on the crops and crop mix of each member state, so it is very difficult to have a clear assessment. It is logical because the economic optimum of a farmer if the fertiliser prices are higher, and even if the crop is more expensive, is to use a bit less. There are very nice curves prepared by an advisory service and by fertiliser companies, and I am aware that Teagasc in Ireland is also talented in delivering the correct advice to farmers in Ireland. These curves show where is the optimum, given the prices. They all show that with such an increase in fertiliser price there will be a decrease in their use. Given that the price of agricultural goods is also good, not to the cost of a very big decrease of production, that is the estimate. Of course, things can change but that is what we have for the moment. That is a reason to go to the next point - fodder security.

Fodder security is part of food security. With fodder and feed in general, you have some possibility to compensate for a bit less fodder by higher concentrations, and the contrary, for grazing livestock. Fodder and feed security in general is part of food security in our understanding. We take this as a clear view.

I remember well the time the Senator mentioned, in 2018-19, when Mr. Hogan was Commissioner for Agriculture and Rural Development. He was very concerned that we would have animals not being served with the right quantity of fodder. At the time, it was for different reasons. It was for the reasons of drought. At the time, we took exceptional measures when the issues were at stake. I remember, for example, that we accepted that any ecological focused area at that moment could be grazed because of the lack of normal fodder due to drought.

At this stage, we do not know what will be the fodder production, which does not depend only on fertiliser. It also depends on precipitation, which for the moment is quite good. We cannot complain, or not farmers at least. Maybe tourists can complain, but not farmers. I come from the south of France and I have never seen so much water, so much green grass. It is cool. It is not completely down. We have, for the moment, all elements. We are in mid-January. How can we know yet what will be the fodder situation in April-May when it will start to be an issue? We will monitor it.

We are monitoring every month. We have a specialist from the joint research centre in Italy in the Commission that is publishing online an evolution of the stages of pastures. By the way, that was a very useful tool for us to decide on exceptional measures in 2018-19 so that we

would have some exceptional measures for the authorisation to use ecological focused areas to feed the animals that needed fodder. I think I have answered most of Senator Lombard's questions. If I did not, the Senator should not hesitate to repeat them.

Deputy Matt Carthy: I will make a few comments at the outset. Family farmers - it is a family-farm model that operates predominately in Ireland - operate on an extremely tight margin basis and increases in input prices can put considerable pressure on family farms. However, the sharp hikes that we have seen in fertiliser prices have gone beyond anything that can be managed at an on-farm level. Urea fertiliser prices have increased by 160% in the past 12 months. CAN prices have increased by 228%. Supplies are limited and this is having a devastating impact on the grass-based model of farming for which Ireland is renowned. Farmers are crying out for a response and what they are getting in response is nothing from the Government. What we hear today is that EU and the European Commission intend essentially to do nothing. That is not good enough.

In fact, the EU is adding to the problem by imposing levies on imports of fertilisers from outside of the EU and on top of that, imposing anti-dumping duties of up to €43 per tonne. This is providing the European fertiliser industry with a protection that EU food producers do not have. This fertiliser industry is making substantial profits.

Gas prices have been cited as a cause of the hikes but fertiliser price hikes have been greater than gas price rises and since gas prices have reduced, fertiliser prices have not followed suit. Then we are told that this is a global phenomenon but the truth is that European farmers are paying 16% more at a minimum than their US counterparts.

This committee needs to urge the Government to intervene at an EU level for action. There has to be urgency here. We need action in a matter of days, not months.

Every member of this committee accepts, I think, and agrees with the objectives to reduce the levels of artificial fertiliser use and we have supported initiatives that will allow greater efficiency and greater protection in that regard. The way to do that is not, as has been outlined here today, by essentially forcing farmers out of business through short-term volatile shocks but in partnership with those communities. Therefore, we have to see a sea change and we have to see it incredibly quickly.

I have a number of questions. I might put a couple and if we can get short responses, I might come back in.

My first question is in relation to a Commission response to my colleague, Mr. Chris MacManus MEP, in December that the Commission would carry out a review to see how reducing tariffs on non-EU imports for a limited period would operate. I wonder if our guests could give us the status of that review and when it is expected to be finished.

Perhaps we could also get clarification as to what has been done to date in order to bring about a reduction in the cost of fertiliser. In other words, what specifics does the EU Commission propose that will see the cost of fertiliser coming onto farms in Ireland reduce, in particular, in the medium and short term?

Chairman: Mr. Santini, there are two specific questions there for you.

Mr. Fabien Santini: I thank the Chairman and Deputy Carthy.

On the specific questions, I am not sure I understood if Deputy Carthy's first question is different from the one of Senator Lombard previously. Was it dealing with anti-dumping duties? I am not sure I remember the question of the Deputy's colleague, Mr. MacManus MEP.

Deputy Matt Carthy: It was taken from a response to Mr. MacManus MEP that the Commission intended to carry out a review to see how reducing the tariffs on non-EU imports could operate. Does Mr. Santini know the status of that review, has it commenced and is there a timeframe for completion of it?

Mr. Fabien Santini: I am fully aware of the anti-dumping suspension requests. A review of this could work. I explained to Senator Lombard that the exchange of information between the parties at stake is, I hope, finished, but I am not sure. The last submission of data from the parties was last Friday.

I do not know what this answer to Mr. MacManus MEP refers to. I am not aware of another exercise on this. For the Deputy's information, we know that some member states have invoked the idea of suspending the duties themselves, not the anti-dumping duties, which are 6.5% *ad valorem*. This is a commonly existing procedure. You can ask a certain custom committee for a certain procedure - a not normal suspension of duties for a variety of reasons.

Deputy Matt Carthy: To cut across Mr. Santini, is Ireland one of the member states that has requested the suspension of the tariff duties? In relation to the exercise that Mr. Santini describes, my understanding is that it is the same exercise. What timeframe for a response is anticipated?

Mr. Fabien Santini: It is not my service that is dealing with this. My understanding is that it will be once we will have complete submission of data, which is not yet the case, according to what I know. What was submitted last Friday, five days ago, may become the reasons for it to become complete. Then the formal investigation will comment. I do not have the timing, but it is not a question of days. It is a question of weeks to assess this. This is very thorough. We have important procedures to respect so that the voice of everybody is heard. This investigation back in 2019 took a lot of time to be sure that there were grounds to decide on anti-dumping duties. It is the same kind of caution, evidence and certainty that we need before suspending; the same elements. Again, we are facing a duty of being credible versus any appeal that could be done to courts on this. We are strictly following the procedure and it is not a matter of days, as the Deputy said, it is a question of going through all of the elements. The regulation does not stipulate deadlines but, of course, the Commission is doing its best to do things as fast as possible. If this was the question of the Deputy's colleague, Mr McManus MEP, on anti-dumping duties -----

Deputy Matt Carthy: That is in relation to anti-dumping duties. Mr. Santini mentioned tariffs and the request of a number of member states. Has the Irish Government made that request?

Mr. Fabien Santini: I cannot comment on what the Council is doing. It is clear from the press that the Irish Government has raised the anti-dumping point several times.

Deputy Matt Carthy: The anti-dumping is under review. We do not have a timeframe and it is the same case for tariff duties.

Mr. Fabien Santini: For tariff duties, as I told the Deputy, there is another procedure. I did not finish my explanation.

Deputy Matt Carthy: I accept that. We do not have the timeframe for that either.

Mr. Fabien Santini: There is a different procedure. I talked to colleagues in customs who are doing this. At the moment, nobody has asked for a suspension of duties for fertilisers. If it is to happen, there is an exercise every six months in which somebody can request it with the evidence that there is a need to suspend the duties autonomously for these products. It is something that is framed by some procedures and people need to demonstrate by evidence that there is a case for this kind of suspension. This is not something that you decide for one month as an exception.

Fertilisers are not agricultural products. For agricultural products, we, as the Commission, have a legal base to suspend duties in case of an emergency, but not for fertiliser. Fertilisers are not in themselves agricultural products. We could do this for milk, for example, but we have never done it. Members can imagine what the reaction of the meat producers would be. For this, we have a legal base. The work of the Commission is framed by what the co-legislators, the Parliament and the Council, decide. In the case of agricultural products, there is a legal base to suspend duties; not for fertilisers. For fertilisers, it has to go through the general procedure of autonomous suspension of duties for any products. That procedure is a bit lengthy.

Deputy Matt Carthy: Mr. Santini explained that very well. We see the procedure for the tariffs and we see the procedure for the anti-dumping duties. On the current basis, nothing has been done in either of those two areas. What has the European Commission done to try to resolve the high costs and supply issues around fertiliser?

Mr. Fabien Santini: I would not say nothing has been done. We are examining a request; this is not doing nothing. It has not come to a conclusion yet.

Deputy Matt Carthy: There has been no action yet, let me put it that way.

Mr. Fabien Santini: On the cost of fertiliser, the main answer for the moment is that the cost of fertiliser is heavily linked - particularly for nitrogen fertilisers, which are the only examples the Deputy mentioned - and strongly related to the energy markets and the natural gas price. By the way, the Deputy mentioned in his opening statement that the gas price has increased less than fertiliser. That is not correct. The gas price in Europe has increased more than the price of fertiliser so far. That is just a correction. Compared with the situation in the US, I can understand his mistake. However, as the Deputy knows, natural gas is a commodity that has very different prices. It is not easy to transport. A pipeline - a *gazoduc*; I do not know that in English - is needed to transport liquid gas. We have a situation where the price of natural gas in the US is much lower. It has increased also but it much lower than the price in Europe. There is a differential that can explain-----

Deputy Matt Carthy: Does Mr. Santini accept that gas prices have reduced from November and there has not been a corresponding reduction in fertiliser costs?

Mr. Fabien Santini: Gas prices have slightly reduced compared to the level at the beginning of December. They are back at the level of September or October in Europe, which is four times above the level of one year ago.

Deputy Matt Carthy: Does Mr. Santini also accept that, on its own figures, the European fertiliser industry is reporting significant profits? Meaning, the entire cost is being put on the purchasers of the fertiliser.

Mr. Fabien Santini: I am sorry, I am a representative of DG AGRI; I personally have no information on the profits of the fertiliser industry. I will not comment on this because I do not have the information.

Deputy Matt Carthy: These are its own stated -----

Mr. Fabien Santini: I believe Deputy Carthy.

Deputy Matt Carthy: I see there is quite a number behind me, so I will come back in later if there is another opportunity.

Deputy Brian Leddin: I welcome the witnesses from DG AGRI and I thank Mr. Santini for his insights and answers up to this point. I wish to broaden out the issue a little bit if I can and to ask why we are so dependent on this fertiliser. I represent the Green Party. We have a particular view in that we would like to see a very significant increase in organic farming where these artificial inputs are not used. We need to go down that road to a greater extent than we have. Approximately 2% of our farms are organic and we are going to aim for about 7.5%. Other countries are quite ahead of us. We had a session in this committee in the past few months, and most members of this committee would agree that we probably can and should be going much further in organic. The Austrians and Danes are doing quite well and I see no reason why we cannot do as well as them.

The reality is that these artificial fertilisers are having a devastating effect locally on water-courses. According to our own Environmental Protection Agency, EPA, approximately 43% or 44% of our rivers are in a condition of poor quality and there is a correlation with the use of artificial fertilisers.

There is the climate impact as well. There is the climate impact because there is the nitrous oxide, which is 200 or 300 times more potent as a gas than carbon dioxide. When the fertiliser oxidises, this gas is produced and it is very harmful. In addition, using these inputs allows us to grow more grass and have higher stocking rates in our farms. That has a knock-on increase on the methane that we produce. All in all, it seems to make sense to drive the organic angle as much as we can for environmental reasons, and to protect farmers as well from this significant volatility they are experiencing at the moment.

Mr. Santini mentioned the CAP strategic plan. This is very significant. We should be using the CAP strategic plan to drive the organic farming agenda in Ireland. Our Department of Agriculture, Food and the Marine is developing a fertiliser alternatives strategy. We will try to go from 410,000 tonnes in 2018 down to less than 325,000 tonnes. That is about a 33% decrease in artificial fertiliser within the decade.

Can Mr. Santini comment on that point on organics? It is a difficult thing to do. Farmers cannot switch to organics overnight. I accept that it is not easy. However, it makes sense in the longer term. Some farmers are going down that road and are managing to eliminate significant input costs. They are producing as much food as they were beforehand but with reduced labour costs. There will also be an expected improvement in the local environment. Perhaps Mr. Santini could comment on our ambition in organics. Is it something we should drive as much as we can?

Mr. Fabien Santini: I cannot comment on Ireland's draft CAP strategy because I do not know its details. I will not comment on the ambition of Ireland in that regard.

Deputy Brian Leddin: Perhaps Mr. Santini could respond in general terms.

Mr. Fabien Santini: In general terms, I will comment on the Deputy's question. Within the farm-to-fork and biodiversity strategy, the EU is following conduct to make our food systems more sustainable. There are two aspirational targets that are relevant to the issues the Deputy has raised. The first is in the organic sector. We aim to have 25% of the area of the EU covered by organic farming. Many member states are far from that level and I am sure Ireland is one. It is not the only one because many countries still have progress to make. There is a need to engage on this matter and use the CAP strategy plans. There has been a controversy between the member states and the Commission as to whether the member states themselves should decide on its targets. The overall goal for the EU is to reach an increase of organic farming in terms of area. If there is such an increase, production will also increase, as will sales. Organic farming has been very successful recently on the markets but we also need to boost demand further so the benefits we expect from the farming itself in biodiversity, climate change and many other elements are also picked up by the market. If we are producing organic food when there is no demand, there is no point. That is why the Commission last year adopted an organic farming action plan. There are many elements to that, one of which is that we are trying to beef up the demand for organic products. That is definitely a way forward.

There is another target of relevance in these documents, an important one which I mentioned in my opening statement, and that is the specific target for fertilisation. As the Deputy mentioned, artificial fertilisation and organic farming can have similar problems and a detrimental impact on the environment, in particular on water quality and climate change. As the Deputy said, nitrogen fertilisation is a source of greenhouse gas emissions within the agricultural sector. We are committed to a net zero economy by 2050 so we had better prepare ourselves. Carbon farming will offer a possibility to offset but the improvement of fertilisation practices, in terms of quantity, losses, recycling and using more organic fertiliser, is important. That is why one of the aspirational targets in the farm-to-fork strategy, repeated in the soil strategy, is to reduce by 20% the use of chemical fertilisers by 2030 to reduce nutrient loss. Nutrient loss is probably not Ireland's worst problem but it is a deep problem in other areas of the EU. We have an EU model, and I am not talking about Ireland, whereby we are importing nitrogen, turning it into animal production, exporting it and keeping the nutrient loss in the EU. That is a major issue. I am French, as the committee understands, and we have a region that is culturally of a like mind to Ireland, namely, the Celtic region of Brittany. There are terrible problems there with green algae because of nutrient loss. These are the kinds of things that have led to the aspirational target of reducing by 20% the use of fertiliser. That is something we will follow. If we have overall targets, we will monitor the measures that each of the member states adopts in its CAP strategy plan. We will discuss those measures with the member states and agree on a pathway to reducing these nutrient losses in every member state, depending, of course, on the urgency of the problem in the member state.

I will take another example. We will have more discussions about increasing the levels of organic farming with Ireland than we will with Austria, which already has organic farming in 20% of its area. France's level of organic farming is also quite low. That is the good of this reformed CAP. We are adapting. We will allow member states to adapt their instruments to the real priorities and overall objectives. One of the objectives is clearly to increase the level of ambition in our policies in terms of our climate and environment.

Deputy Joe Flaherty: I welcome all our guests. I will say to Mr. Santini that, as a frequent visitor to Brittany, I do not think agriculture is that adversely affected by the challenges. I see

a vibrant agriculture community there. We are envious when we visit.

I have a couple of questions for Mr. Santini. I will go back to what Deputy Carthy raised about the issue of duties. I was struck by the point Mr. Santini made. Urea coming into Ireland could not be classified as an agricultural product, as we see it. I appreciate its main component is nitrogen, which can be used in a multiplicity of other products, but with 46% nitrogen, there is not an awful lot more that can be done with urea when it comes. Have efforts been made to have it classified as an agricultural product? Strictly speaking, there is not much more to be done with a big bag of urea, other than spread it. That is my first question. I will come back in with my other questions, if that is okay.

Mr. Fabien Santini: We are bound by the treaties in that regard. There is an annex to the original treaty that explains what are agricultural products. Apart from seeds, all the other inputs, including fertiliser, pesticides and barbed wire, are not agricultural products according to the treaty and, frankly speaking, we cannot change that. A legal basis is provided by five or six articles in the treaty which state what the EU should aim at in terms of agriculture and fisheries. What is meant by agricultural products is listed in an annex to the treaty and there is little we can do about that. The Commission cannot change that.

Deputy Joe Flaherty: Mr. Santini spoke to the previous speaker about greenhouse gases. Urea and nitrogen have taken over from ammonium nitrate as a fertiliser. What is the difference? Are both equally as guilty in terms of creating greenhouse gases or would ammonium nitrate be less of an offender?

Mr. Fabien Santini: The Deputy has asked me something I will have to look at after the meeting. I do not have the answer. I know that, in general, nitrogen fertilisation has a big impact. I do not think I am wrong when I say that one third of the direct greenhouse gas emissions of agriculture relates to fertilisation. Half of that relates to animal products and half to crops. Two thirds of the emissions relating to crops are due to the fertilisation. I am not sure of the role of ammonium nitrate and urea in that regard. I would not dare to give the Deputy a reply without doing a little investigation and estimation.

Deputy Joe Flaherty: That is all right. I have a final question, similar to one that Mr. Santini side-stepped earlier. We will see how we get on this time. There has been a significant consolidation in terms of the ownership of companies supplying urea products in agriculture. There has been a major shift in the ownership of these companies in recent years. Would Mr. Santini agree that urea and agricultural fertiliser has now obtained commodity status on a par with paper and oil and is being treated in that way by these companies to the detriment of farmers?

Mr. Fabien Santini: I would not challenge the point that they are commodities. If you look at a dashboard of commodity prices in general, clearly, there are products that are viewed as commodities, meaning that they are traded widely and there are people who are building future markets on it. There are financial operators that are taking the risk for them. It is the same for oil, gas and the energy markets. Fertilisers are treated the same. There are similar instruments for metals and minerals. Definitely, they can be treated as commodities. It is not necessarily only due to the fact that the sector is concentrated. I am not judging the fertiliser industry specifically, but the agriculture inputs in general are characterised by the same elements as the food processing industry and retail. They are more concentrated than the farming sector. In general, there are actors that have more power and there is an asymmetry of power in the chain in respect of the weaker link. There are no small producers of fertiliser in Europe. They do

not exist. There are some small retailers, but the big market is among the big retailers. There is also some concentration in the food industry. There is much less concentration in farming. One of the indicators of concentration that we use to assess this economic structure is the concentration ratio. For example, CR5 measures how much of the market share the five biggest companies represent. Looking at retail, food industry or inputs, it is often above 50%, or even more for some markets. Looking at what share of the market the five bigger farms represent, in some eastern countries that have inherited the socialist structures, it is below 0.1% of the market share. There is a real complete setting. That precisely explains why, in the treaty and in the work of the Commission, there are many possibilities to derogate to traditional competition rules in the farming sectors to compensate for that. That is why there is the possibility to establish co-operatives and producer organisations that agree on prices and quantities. It is also why interbranch activities can be developed and the conclusion of agreements is permitted, to a certain extent, including with the rest of the chain that are derogating to competition rules. This would not exist if it were not for the asymmetry between the concentration of the partners in the food supply chain and the farmers.

Deputy Joe Flaherty: Very good. I suppose it would be remiss of me if I did not use this opportunity to try my limited *français*. *Merci beaucoup*, Monsieur Santini.

Mr. Fabien Santini: *Pas de quoi. Merci beaucoup à vous.*

Chairman: The next contributor is Deputy Michael Collins.

Deputy Michael Collins: I welcome our guests. Much of what I wanted to ask has been asked already. If it has, perhaps Mr. Santini can let me know. I was in and out at other appointments. I come from a constituency where there is quite a lot of agricultural activity. Farmers have been feeling the pinch in recent times. The very produce that dairy, suckler or other farmers need, namely, the manure to continue their practice, is now quadrupling - not doubling or tripling - in price. This has upset them. I would not like to say they are angered. It has made them fearful of how they are going to survive. Many of them feel that they are being squeezed by a Government that is against many of the farm practices that are there at present. The farmers are under a severe amount of pressure. Mr. Santini has said that the supply might be there later this year, and that it will be up to what it should be. What good is that if the farmers cannot pay for the product? That is what they are facing. The farmers who have spoken to me are feeling the pinch and are worried about the bills they are going to face in their local co-operatives.

Mr. Santini talked about the suspension of all tariffs on nitrogen, which would reduce the price of nitrogen in the EU by several tens of euro per tonne. By how much would that reduce the cost of nitrogen for the farmer in this country? Is it going to happen and is it going to happen immediately? If it is not going to happen, it will be catastrophic for many farmers here. Those with a different agenda who would like to see a lot of farmers wiped out might have a smile on their faces. This is a backdoor way of destroying the agricultural way of working that many farmers whom we know are working at the moment. At the end of the day, if they cannot pay for their product, it is the same as anything. If we are all buying something today for €100 and it costs €500 in the space of less than 12 months, something has gone wrong somewhere. Surely to God, somewhere in the political system, whether in Europe or in this country, it needs to be rectified immediately, before farmers face the edge and many of them face being wiped out?

I would appreciate if Mr. Santini could shed some light on the future of Irish agriculture. It is probably a European issue, but I am talking about the Irish farmers who are currently squeezed

to the limit. They find that every time they turn on the radio or television, they hear and see anti-farming sentiments. There is nobody willing to help those who are trying to pay a bill at the end of the month in the local co-operative. If Mr. Santini goes on the airwaves today with no hope, how does he expect a politician like me to give hope to people who desperately need it at this time? I would appreciate it if he would address the issue. How can this issue be resolved, and resolved immediately? Is it going to be resolved immediately? Are the farmers going to be left in the nightmare situation in many cases? I do not think many politicians realise what is happening in rural Ireland. Farmers are losing their farms. Co-operatives are taking over their farms because they cannot pay their bills. That is what it comes down to. They cannot pay the bills. There is a desperate situation here, where the price of a product to the farmer, which was not cheap in the first place, has quadrupled. It is putting a lot of them under pressure and many of them are facing a very bleak future. I thank Mr. Santini for being here today. I would appreciate it if he would enlighten us as to whether there is any light at the end of the tunnel.

Mr. Fabien Santini: I am not a politician, so I may give a bit of a technocratic answer. I will try to adapt the message because the Deputy's question is important. Even though we are an administrative service or an administration, our client is the EU farmer. One of the five objectives of the CAP is to ensure a reasonable farm income level and livelihood in rural areas. That is a clear objective. There are others, which may be contradictory. We also need to ensure food supply, affordable prices for consumers and increased productivity for the farming sector. I do not remember the fifth one. The equation is complex, but clearly, farm incomes and farm livelihoods are important. It is the objective of the CAP to ensure a farm income level.

I said in my opening statement that we are in a situation where there are increases in one production cost of farmers, which is not the whole cost, but a significant one. It is a very sharp increase. The Deputy said that the cost has quadrupled. Even if it is only doubled, that is a significant increase and something which is difficult to adapt to. First, I would not say that we are not doing anything. We have a policy which has been in place for 60 years, namely, the CAP, and for 20 years we have had a format which is similar to the current one, based on the big amounts of what we call decoupled direct payments that are there to provide a buffer for the viability of income from one year to another.

The viability of income can be affected by an increase in the cost of production. In the past it was affected by other elements. Members will remember the 2015 and 2016 crisis relating to milk prices. That is also something that direct payments normally provide a buffer against. I understand that it is not sufficient to rely on this element, but we should not forget that it is in place. If we look at similar economies such as the US with similar levels of revenue, the volatility and fluctuation of income for US farmers from one year to another - I am not talking about the big ones, I am talking about all US farmers, there are many small US farmers also - is far more acute than it is for EU farmers. Still, there is some volatility for us to absorb and members are right to point this out.

Where is the light? In this case, we are depending on energy markets. The expectation of energy specialists - I am not an energy specialist but I read the projections - is that there should be a moderation of these price trends on the energy markets in the coming year, probably not to the point that we will return to the previous level, the level of two or three years ago, but they will not be at the level we have now. There is a problem to go through this year. That is why I mentioned these different elements. We have these direct payments that are there to act as a buffer. For 20 years, we have had this possibility. It has probably not been taken up enough by farmers or by member states into their mix of policies. They have looked to risk management

insurance. Under the income stabilisation tool, you can dedicate part of your rural development envelop to a mechanism that would compensate even more than direct payments do for fluctuations in income. In fact, this instrument has only been implemented by three member states, despite all the incentives that the Commission gave to try to do it.

In the new CAP strategic plan, there should be a specific section describing what is the risk management strategy. I have not read what has been written in Ireland, but I hope this is taken seriously by all the farmers who are contributing to this CAP strategic plan and by the Government, which is presenting this CAP strategic plan.

If this does not prove sufficient, there is always the possibility to try to trigger exceptional measures as we did at the beginning of Covid. Members might remember that in the context of Ireland, when there was much uncertainty relating to Brexit for the beef market, we took a little measure. This implied that there is a budget. As members may know, the budgetary framework of the EU is constrained by the member states. As a result, if we need to find money, the EU budget is not open-ended. We also need to find a way to reduce the expenses somewhere else. That is always a tricky debate. There is a financial reserve - this has been agreed by the co-legislator - of €450 million that can be mobilised for this kind of element but we have to collectively decide where the real need is for these elements.

As some members mentioned, there is a framework for state aid that allows each member state to target one or other of the particular elements. This has been actively implemented by the member states in the Covid situation. Many state aid mechanisms have been decided by the different member states. We have a more relaxed approach from the Commission because of this particular situation. We are still in this situation. This temporary framework for state aid will be in place until June so we are covering the situation up to then.

Deputy Michael Fitzmaurice: I thank the Chair and the witness. Mr. Santini spoke about fertiliser. Would I be correct in saying that the fertiliser that is imported into Europe and the fertiliser that is made in Europe is used on land mostly?

Mr. Fabien Santini: I am not sure I understand the question.

Deputy Michael Fitzmaurice: Is it the case that the fertiliser imported into Europe and that which is made in Europe is mostly used on land?

Mr. Fabien Santini: Yes.

Deputy Michael Fitzmaurice: Mr. Santini stated that it is not under agriculture, even though it is being used on land. Why is there such a lacuna there? As a result of the price of fertiliser, is there a concern in Europe about both animal welfare and food shortages?

From what I understand, and I may need to be corrected, Mr. Santini stated that the customs authorities in Europe have not been contacted about the problem from the different bodies affected. However, he also stated that Copa and some cereal organisation were talking about it. Are there two or three different sections involved? Are Mr. Santini's section, the customs section and some other section involved? Have they met? Are they aware of the situation? From what Mr. Santini stated, I understand under state aid rules countries would be allowed to subsidise the price of fertiliser in an emergency for one year, particularly as the price has gone up. Am I correct in saying that?

If we look at Europe today, we can see that it has got rid of steel. Mr. Santini talked about

America. American cereals are important. The cereals imported into Europe to feed cattle or make bread come from Canada. Does it suit Europe, with the new green agenda it is driving, that if there is a shortage of fertiliser, food production will obviously be down? Is Europe going in a direction which means that we are becoming the salespeople of the world, which I have said many times? Steel is gone. Steel production is done in other countries or on other continents. The position is the same with fertiliser. In the context of gas, we are solely reliant on others to produce it. Are we becoming like the birds in the nest, waiting for some other country to do something on our behalf? If the price fluctuates in such circumstances, then we are in trouble. Why have Europe and the Commission not progressed the idea of being self-sufficient in all of the situations to which I refer?

Chairman: That is a broad question for Mr. Santini.

Mr. Fabien Santini: I thank Deputy Fitzmaurice. In regard to the first question, I will repeat myself. It is a convention. In the context of what we call agricultural products, there is a fixed list under the treaty and we cannot expand it. I agree with the Deputy that, on a commonsense basis, fertilisers are used in agriculture. The treaty states that we can only do things according to what the CAP sets out. Agricultural products are listed in an annex to the treaty, but fertiliser is not listed. I cannot do anything about that, but I understand that it does not look like common sense but that is how it is.

The Deputy inquired about concerns in Europe regarding animal welfare. I suppose he is referring to sufficient fodder and feed for animals. He also asked about concerns relating to food shortages. As I said in my opening statement, given we only have estimates for the relative prices of fertiliser and agricultural outputs, we do not expect there to be major concern about food security, which includes feed security. This assessment indicates we do not see a concern.

I will take the opportunity to go straight to the Deputy's last question. If we do not have this kind of concern, it is because the EU is a very big net exporter of agrifood products. We are producing much more than we are consuming. We are exporting a lot of dairy products, meats and cereals. We are more than self-sufficient in most commodities, with some exceptions we are aware of and are looking at. That is also a reason we are not fearful about EU food security. This situation is much more delicate in countries or regions of the world that are not net exporters like we are. In respect of food, we are not at all in the same situation as that for energy. We depend on imports for energy but not for food. The rest of the world depends on us for food. That is why, even with a modest decrease in production because of less use of fertiliser, temporarily, this year, we do not expect any major concern, but we will be attentive to this.

The Deputy asked if state aid rules would explicitly authorise a subsidy for the use of fertiliser. I did not say that. I said there was a framework that authorises member states to take some actions, given the current situation. I do not think I have seen any subsidy to fertilisation businesses in the schemes that have been adopted. I would guess they are probably too operational to be eligible for these kinds of scheme. I am not a specialist on this, but at least the people who are imagining state aid for a member state should reflect on what could be done. There are many other ways to support farmers in this situation that would strictly subsidise mineral fertilisers directly for a certain time. There are a lot of other ways that are less distorting and perhaps even more efficient than just offsetting the simple increase in price.

I will come back to the Deputy's last point. I told him we are largely self-sufficient, but there are still some areas of the agrifood chain where we are not, namely, plant proteins that are mostly, though not only, used for feed, such as soya beans, of which we are large importers.

Looking at the other plant proteins used in the EU, we only produce 30% of what we consume so we have a strong dependency on these products. There are some other elements on which we are dependent. We have started to map our dependencies a little, and our abilities, in the agrifood supply chain. We are also dependent on certain additives, especially those used in feed, such as vitamins and mineral seeds that are introduced in feed complements. We depend on a very small number of sources for those. We are also dependent on tropical products, but that is something it is difficult to compensate for. We are rather self-sufficient regarding the rest.

Looking at fertiliser, I said we are dependent on phosphate rock, which we are not producing in Europe. In respect of the rest, nitrogen fertilisers are largely produced in the EU from the base of imported natural gas, while potash is partly produced in local areas of the EU and partly imported, but from a very wide diversity of areas. There is a possibility to diversify. The real dependency is on energy markets. That is clearly something that goes above the need to look at whether the markets for energies are working well. That is part of the toolbox that has been adopted by the Commission, which includes checking we do not have any competition distortions in these markets, that the pricing is working well and there are sufficient buffer stocks, because we have regulation at EU level for buffer stocks in energy.

The last issue is the transition of these energy markets and fertiliser markets. One of the long-term visions for the fertiliser industry, if we read the press, is to go to green ammonia. This means the ammonia that is produced will not depend as much on fossil fuels we do not have. We simply do not have fossil fuels in the EU. The idea of getting rid of this dependency is also on the agenda. It takes time and will not be solved for the next harvesting year for sure, but it is on the way. It is part of the overall goal of the EU's trade, industry and agricultural policies to achieve what we call an open strategic autonomy. This is not complete self-sufficiency by banning the trade, but having reasonable autonomy in this framework to restore our capacities and not depend on the kind of accidents we have now.

Deputy Michael Fitzmaurice: With due respect, Mr. Santini missed one question.

Mr. Fabien Santini: Sorry. On the customs side.

Deputy Michael Fitzmaurice: I referred to customs. He referred to Copa and some cereal organisation. I also asked him to explain the different sides of it, because there is his department and there is customs. Have they met up?

Mr. Fabien Santini: Yes.

Deputy Michael Fitzmaurice: Is everybody aware of it? We were aware of it in Ireland in September and October. I do not know why it takes four months for the EU to move on something. It looks like politics might be slow in Ireland, but it must be crawling very slowly altogether out there.

Mr. Fabien Santini: There is only one Commission, but we have procedures. The Commission depends on the powers the treaty gave to it, or to the co-legislators, the Council and the Parliament, which decided to give further powers to the Commission. In these kinds of matters we are discussing, I would not know that the last submission of data was dated last Friday if I did not talk to my colleagues from the Directorate-General for Trade this afternoon to be sure I had the most recent information for the committee. I would not know that nobody asked for suspension of duties in the Directorate General for Taxation and Customs, DG TAXUD, if I did not ask them, as I do every week, in fact, when checking something. We are a single Commis-

sion but we have to respect procedures. The procedures are given to us by the treaty, but the Commission decides according to the duties given to it as competencies.

Deputy Danny Healy-Rae: I thank the Chairman for the opportunity to say a few words about this very serious matter. I am thankful to Mr. Santini for hearing us, but I am worried he does not understand the seriousness of the situation faced by the farmers we are elected to this House to represent and nor does the European body. Four or five years ago, farmers here were told to increase production of milk and milk-based products. They were told that milk was the new white gold; that is a fact.

(Interruptions).

Deputy Danny Healy-Rae: They were told it was the new white gold and they would have to increase production. In one fell swoop, all these fellows put their shirt, everything else and every bob and copper they had into their farms, including new machinery, more cows and all the cost involved in dealing with manure and other waste. They have spent much money on that end as well in order to be environmentally friendly. They did their level best.

I am only delivering the message. The farmers down the country whom I represent are saying this is suiting the green agenda. As Mr. Santini knows, we now have a Government that is driven by the green agenda. When the Green Party says jump, the Taoiseach and Tánaiste ask how high.

Chairman: In fairness now, this man is a Brussels man so the Deputy should put his question.

Deputy Danny Healy-Rae: I will move away from that but I have not told any lies.

Organic fertiliser was mentioned. I do not where the options are for that, all of a sudden, or how farmers can supplement. As it stands, many of them will not have fertiliser of any kind because they cannot afford it. Those who can may try to, for a short time. The big question I have is how long this price increase is going to last. Mr. Santini is here to tell us and I am here to take the message down the country to the people I am representing. The increase is savage. It is a double increase of 50% or more per product whether it is urea, pasture sward, nitrogen or whatever it is. The milk men will try for a while to deal with this problem and try to carry on because, like I said, they have so much put into it but then what is going to happen the beef fellows with suckler cows who are down on the poor land? They do not have much good ground and need to ensure they have fodder for the winter and that they have enough grass to drive on the cows. We were told to feed them on grass and believed we were doing better than other countries that were feeding their animals inside, in system units, all year round. I have seen them myself over in America.

In case anyone thinks this is just a farmer's problem, it is going to be a consumer problem. How is that going to be dealt with? We were told at the very start and all along that the farm-based payments farmers were getting were to make up for not being paid properly for their produce. What is going to happen now, given consumers will not be able to buy the food they were used to buying because the price of it is going to go up? Do people think the farmers are going to get up every morning to milk cows and give up half their night when cows are calving only to have nothing left? As was rightly stated by the Chairman, many of these are on fixed-price contracts. Given the position we are in, we should be asking the Government to ensure none of

these contracts can stand because this was totally unforeseen. That is the other question. The witness may be saying that we are overproducing but who is going to step into the breach? Is it Brazil or Argentina? I did not hear that there was any food or produce being dumped anywhere. It was all being used. Are we going to leave people hungry somewhere? Is that going to happen? I believe there are already over 700 million people going hungry.

Chairman: I am told the Deputy has had seven minutes. Is he okay?

Deputy Danny Healy-Rae: Yes. How long does Mr. Santini think farmers can keep going? They will not be able to produce as much if they cannot afford the fertilisers, namely, the nitrogen and the urea. How long does he think these poor, honest, hardworking people can stay at it? Does he think they are going to keep producing food? The record over the years is farmers might have one good year out of five. They break even for three and they lose out in perhaps two of the years. However, the cost of keeping going now, with the fuel and everything, is too much. Mr. Santini is talking to us on behalf of the European body. How long is this going to last? Is this happening worldwide? Is it only happening in Europe? Is it to blow us out of it altogether to suit the green agenda? Is that the way production is going to be cut because we have been getting hints of this-----

Chairman: Okay Deputy.

Deputy Danny Healy-Rae: All right. I thank the Chairman.

Chairman: I suppose Deputy Danny Healy-Rae's question for Mr. Santini is how long he thinks this price increase will last and what impact does he think it is going to have on consumers.

Mr. Fabien Santini: How long is, as always, the million-dollar question. Making projections is always difficult but we are trying. The Commission is trying and so are our counterparts in major countries. The United States Department of Agriculture is trying to make estimates. Everybody is trying to project and plan about what will come. The difficulty is we are depending on another area, namely, the energy markets. There is a really tight link between both of them so we must also make projections about the energy markets. If one looks at the main estimates that are floating around private agencies and public agencies, they all consider the supply bottlenecks, the logistics difficulties due to Covid and the fact we are also paying the price of past events should result in more reasonable price trends this year. It is difficult to say when but during this year. If one looks at the curves one can find in some specialised editions, one can see the prices are going down. The fertiliser prices are not going down to the level they were at before this event but at a lower and more reasonable one. Of course, these are projections. Given other events that are occurring - we are living in an uncertain world with more risks in general - one never knows what will happen. However, overall, this is the expectation.

As I said, there are price transmission mechanisms in the food supply chain such that when the costs increase, they are passed little by little to the next stage. This is not necessarily reassuring but it is reassuring for the farmers that not everything is on their shoulders and that processors, retailers and consumers will have to take part of these costs on board. This means there will be a tension due to the increase in food inflation for consumers. Of course, we are talking of an element, if we take it globally, of 6% to 7% of the cost of production for agricultural products which themselves come to perhaps 10% to 20% of the final costs of food. There are many others costs. There is the transport, the processing, the electricity in the supermarket and plenty of logistical costs. Thus, with the fertiliser costs specifically, we are not dealing

with something that can create a doubling of the price of food but it has an impact and it will be passed on. There are other impacts because the energy price is not only affecting fertiliser. It is also affecting the electricity bill of supermarkets and the food industry. This surge in energy prices has a global impact on the economy and will result, and we have seen it in the press already, in some inflation including for food, hopefully with a limited time span, and that is the expectation. This is worldwide. It is not only in Europe that energy prices have increased and there is such an impact. There are headlines in the US about food inflation and the price of food in all regions. It is not only for energy. There are also probably many more bottlenecks in the US supply chain than in the EU as they were less prepared than our food sector. More people were absent from the suppliers and companies and they had more disruption. There are other reasons that explain food inflation in the US and that is a problem there. Higher food prices have economic consequences for consumers especially for poorer ones. Food poverty is at risk of increasing and that is a political problem for sure. That is why it is something that is carefully looked at. The impact of energy prices on food prices and on the rest of the economy is a real challenge for EU economies right now and we have to look at that. Hopefully the people who are projecting that it will smoothen and relax in the coming year are right.

Chairman: As no other member is indicating, I thank Mr. Santini and representatives of the Directorate-General for Agriculture and Rural Development of the European Commission for attending today's meeting and making their presentation to the committee. I thank Mr. Santini for his comprehensive answers. We might not have liked what we heard but he gave very comprehensive answers. As we said at the outset, this is a huge issue for us and will have a severe impact on our farmers. We thank him very much for coming today.

The next public meeting will take place on Wednesday, 26 January at 5.30 p.m. and the witnesses appearing before the joint committee will represent the Association of Farm & Forestry Contractors in Ireland to present on the nitrates action programme and to discuss the targeted agricultural modernisation scheme, TAMS.

The joint committee adjourned at 7.23 p.m. until 5.30 p.m. on Wednesday, 26 January 2022.