

DÁIL ÉIREANN

AN COMHCHOISTE UM GHNÓTHAÍ AN AONTAIS EORPAIGH

JOINT COMMITTEE ON EUROPEAN UNION AFFAIRS

Dé Céadaoin, 13 Iúil 2022

Wednesday, 13 July 2022

Tháinig an Comhchoiste le chéile ag 10 a.m.

The Joint Committee met at 10 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
John Brady,	Mary Fitzpatrick,+
Dara Calleary,	Sharon Keogan.
Marian Harkin,	
Seán Haughey,	
Brendan Howlin,	
Ruairí Ó Murchú.	

+ In éagmais le haghaidh cuid den choiste / In the absence for part of the meeting of Senator Lisa Chambers.

Teachta / Deputy Joe McHugh sa Chathaoir / in the Chair.

Food Security in the European Union: European Commission for Agriculture and Rural Development

Chairman: Apologies have been received from Deputy Neale Richmond and Senator Regina Doherty. Cuirim fáilte roimh Mr. Michael Scannell, deputy director general at agriculture and rural development at the European Commission. We will engage with him on the topic of food security and safeguarding that food security in the EU, particularly in the context of the war in Ukraine.

Before we begin I must advise the committee on privilege and other housekeeping matters. All witnesses are reminded of the long-standing parliamentary practice to the effect that they should not criticise or make any charges against any person or entity by name or in such a way as to make him or her or it identifiable, or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. If the witnesses' statements are potentially defamatory in regard to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction.

Members are aware of the constitutional requirements and if they wish to speak or contribute at the meeting they must be within the confines of the Leinster House complex. I will not permit a member who is not adhering to this constitutional requirement to participate. Members know the drill. We are a few minutes behind schedule so we will get straight into it and get Mr. Scannell to make an opening statement.

Mr. Michael Scannell: I thank the committee for the honour and privilege of appearing before it on a subject very close to my professional life, namely food security. We take the issue very seriously here in Europe for the very obvious reason that we must keep our citizens fed. It is one of the primary expectations of our citizens that it can be ensured the public can have safe, high-quality and affordable food available to them. It is the whole purpose of the Common Agricultural Policy, which has its basis in EU treaties. It is one of the original objectives of the treaties because post-war Europe was suffering from food shortages, and we needed to ensure citizens had safe, high-quality, affordable food.

For the past 60 years or so we have been working very hard to deliver on those expectations and dealing with a range of challenges in that period. By and large, the system works well and Europe basically has self-sufficiency in all the main agri-food commodities. We obviously have our challenges, for example, we are heavily dependent on imports of fertilisers and animal feed. When it comes to animal products and the main crops like wheat, barley and corn, we are in a very good position.

That does not mean we are not challenged, and most recently by what is happening in Ukraine. Over the decades we have had various shocks, including bovine spongiform encephalopathy, foot-and-mouth disease and various plant pests. The most recent is climate change. We have adapted to these challenges, and in the case of climate change, for example, we put in place the Green Deal and Farm to Fork, containing key priorities to basically ensure our agricultural priorities are sustainable moving forward and basically adapting to this existential threat to society at large, and not just in the agricultural area.

Of course, we have also had to deal with the Covid-19 pandemic, which presented its own challenges to agri-food systems. Probably the single biggest lesson from that is just how sophisticated those chains are. There is no question that farmers and primary agricultural production

are the bedrock of our agri-food systems and food security but to get the food from the farm to the consumers' table is a long and sophisticated process involving processors, ingredients and inputs such as fertilisers, energy, additives, transport and logistical systems, food processing, abattoirs, meat cutting plants etc. There is also the retail industry itself. Covid-19 taught us that any disruption in any part of the chain can basically have consequences for the entire operation.

We took those lessons into account and developed new strategies. We presented a communication on food security. Subsequently, we had yet another shock; we have been going through a very difficult period, with the Ukraine. That has also proved a major shock to agrifood chains globally but not necessarily in Europe, I would stress, because we had a very resilient agrifood system. However, the global system was already in a relatively fragile state. It was recovering from the Covid pandemic and especially the shocks to logistical systems and then suddenly, the war in Ukraine effectively removed from global supply chains, Ukrainian wheat, maize and sunflower. These are three commodities for which they had a huge share. The loss of these stocks to global markets led to a further escalation in prices and provoked fundamental questions about how adaptable we are at global level to dealing with food security.

On response, I will highlight three initiatives on the part of the Commission. First and foremost, we had communication on 23 March on food security which identified three strands of policy action. The first is how we deal with food security in Europe itself, arising from what is happening in Ukraine. As I mentioned earlier, we are in a pretty good position on that as we have a good harvest in prospect. The second is how we deal with the situation in Ukraine itself, because the loss of its stocks to world markets was obviously very destabilising. From a humanitarian perspective, Ukrainians have to keep themselves fed and Ukraine borders the EU so we must work very hard to try to allow Ukraine to re-establish itself on global markets. Finally, we must look at the global situation including the humanitarian dimension. Unlike Europe, large parts of the world have structural deficits in key agrifood commodities and were very vulnerable to what happened to Ukraine through, for example, the escalation of prices and in some cases even the availability of agrifood products. We had to work to strengthen their position. That includes improving and increasing their production capacity. The final strand of the immediate course of action to deal with what is happening in Ukraine was the adoption of a communication of so-called solidarity lanes. These are designed to basically compensate for the closure of the Ukrainian Black Sea ports through which they normally ship their commodities. Now, in a very short time, we have defined rail, road and barge alternatives. This is a huge logistical operation. We cannot compensate for the loss of Black Sea ports overnight, but we are working extremely hard with Ukrainian authorities to basically provide outlets to allow its grains and sunflower oil to access more markets, to keep its own agrifood production system ticking over, to provide them with the revenues and to plant new crops in the next harvest cycle. Otherwise a major component of the Ukrainian economy would be fundamentally damaged with both European and global consequences.

In Europe we have a very resilient and powerful system with challenges, notably climate change, but the CAP does deliver on what is expected of it. However, we are also challenged at the international dimension and especially from the circumstances arising from this war in Ukraine. We had the measures in place to basically allow us to address them already this week. I want to reassure the committee that this is being followed at the political level. We had to present our various actions in the agricultural committee in the European Parliament. Next Monday, there will be an agriculture Council meeting where we will discuss the situation on the markets and the impact of what's happening in Ukraine and of course, the European Council itself in its several meetings over the past few months has given a very high priority to this issue

of food security. With the Chair's permission I will stop here at this and I look forward to the committee's questions.

Chairman: I thank Mr. Scannell. It is good to get an account of where things are at at EU level and to hear about resilience in food security within the EU. No doubt, members will want to broaden that out to different parts of the world and the EU's response.

Deputy Dara Calleary: I thank Mr. Scannell. I want to acknowledge his extraordinary service to the European Commission over many years. It is often unheralded but I know at first hand the respect in which he is held right across the Commission. We are very lucky to have him there.

He mentioned that we have dealt with other challenges, most recently Covid and previously foot and mouth disease. Climate change is obviously the big challenge but we have time to deal with that, hopefully. In context of Ukraine, what is the likely impact on food security in Europe this winter and next spring but also countries that Ukraine sells into, particularly Africa? Is Mr. Scannell confident that the measures he outlined will be enough to alleviate it? As well as food security, I am looking at food inflation and particularly the impact that will have on families across Europe and the world. How effective will those measures just outlined be on food inflation?

Second, is Mr. Scannell in a position to give an assessment of the talks that are under way as we speak in Turkey on freeing up some of that port access? He mentioned the logistical challenges of trying to move crop exports on to road and rail. At what stage are those talks? Is the Commission involved or keeping a watching brief?

Mr. Michael Scannell: On the impact of what is happening on food security in Europe and at global level, one must look at the commodities on which the world was largely dependent coming from Ukraine. I mentioned them earlier - wheat, maize and sunflower. The EU imports virtually no wheat from Ukraine. We did import relatively significant quantities of maize for our animal feed industry but there are alternatives to that on global markets and already, we see a drop in overall demand for animal feed largely for price purposes etc. We are heavily dependent on Ukraine for sunflower oil but again there are alternatives to that such as rapeseed oil, soya oil and in some cases, even olive oils, although for different sectors sunflower oil is especially important. I spoke earlier about the complexity of food chains so, for example, the fish processing industry is heavily reliant on sunflower oil for canned fish such as tuna and sardines. It has certain qualities that are difficult to replace. I mention that as an example of the complexity of these issues. Therefore Europe is not immediately exposed in terms of its own supply chain on these commodities other than sunflower oil but the impact at global level is very significant because Ukraine accounted for a very large share of world trade in wheat. The question is to what extent global markets will adapt to the loss of these Ukrainian grains. First, we are trying through the solidarity lanes to ensure that that loss is kept to a minimum so that Ukraine can actually export. However, as I mentioned, that is a big challenge due to the closure of the Black Sea ports.

On production levels in Europe itself, the wheat harvest will come on stream shortly. We expect a European harvest of about 125 million tonnes. To put that in perspective because these figures are so huge, that will allow us an exportable surplus of about 38 million tonnes which is really huge. Europe is one of the biggest players on world markets for wheat. That is about 30% of tradeable wheat. Ironically in the circumstances, Russia will also have a very big harvest. At global level, overall wheat production will be relatively stable. It will be about 775

million tonnes which is little changed on the previous year. However, that hides important sectoral differences. What really matters in this context is the situation in the traditional exporting countries which includes Europe, Ukraine, Russia, the USA, Australia, Canada, and Argentina. Markets will remain relatively fragile especially with the war ongoing. Even in recent weeks we have seen some softening in prices. Certainly, in Europe there is no need to panic. I would be concerned about the global situation.

To give a bit of context, probably a bigger threat is the energy situation should Russia, for example, cut off the gas or reduce flows. In that context, next week the Commission will adopt a communication on how we anticipate potential shortages in key energy inputs, notably gas, as the winter approaches. Already a significant number of member states have introduced national provisions to reduce and prioritise who gets access to these key energy inputs. That, in turn, leads to the Deputy's question about the inflationary impact.

We need to be very mindful that inflation in general has risen very sharply and increases in food prices have been a major contributory factor. Traditionally energy and food are excluded from the main indices for inflation because they tend to be so volatile. There had been an expectation that the increases we saw during the Covid pandemic would be transitory. This was the assumption of the European Central Bank, the Federal Reserve etc. However, in large part as a result of the war in Ukraine it is not proving so transitory. That has basically led to longer and more worrying levels of inflation. Obviously, we all have a shared interest in doing more to bring inflation back significantly. It has not been an issue for three decades or so, but those of us who are around long enough recall how painful it is to reduce inflation. It is a painful and difficult exercise.

The UN is leading the efforts to reopen the Black Sea ports. Apart from the UN itself, the key players are Ukraine, Russia and Turkey. It would be a major bonus if they succeed. There is already talk of a pilot shipment from the port of Odesa. We have high expectations and hopes that these will prove successful. However, we need to be prudent and anticipate a scenario where either it does not prove possible to reopen the ports or even if they do reopen that it will take some time for the normal logistics to pick up to their former levels. That explains our solidarity lanes and the communications I mentioned earlier. We cannot to reduce our efforts to provide alternatives to the Black Sea ports. It would be wonderful if those efforts proved to be unnecessary because the Black Sea ports reopened, but it would be worthless to make such assumption. I will stop at that. I hope I have answered the Deputy's questions.

Deputy Dara Calleary: My final question is climate change related. We have the reports coming from Europe this week about the temperatures. I know it is only a few weeks but it seems quite prolonged in Europe. What impact will the summer weather have on harvest yields across Europe? Will it be worse than in previous years? How does that feed into the expectations for inflation and food security?

Mr. Michael Scannell: We monitor these developments very carefully. We have very good and sophisticated satellite systems that give a read out on the climatic conditions throughout Europe, the impact on soil moisture level and in turn the impact for crops. Already we have had to revise downwards on a number of occasions our expected overall harvest. Two months ago, we had high expectations that we would have a very good harvest. Now we are expecting something more in line with the five-year average. We published our short-term outlook for cereal production last week. We expect a drop of approximately 2.6%, which is not alarming in these circumstances. For wheat we scaled back our forecast harvest from 130 million tonnes to 125 million tonnes, a not insignificant production but still in line with our five-year average.

Harvests tend to be unpredictable but even with the current prolonged dry conditions and even with the heatwave forecast for the next week or two, the harvest is sufficiently advanced at this stage for us to be pretty confident that we will nonetheless get a good harvest. Obviously, the risks are on the downside especially with the heatwave etc. There certainly will not be any issue with the availability of wheat on the European market. I made the point earlier that we have massive export availability. Our current projection is for 38 million tonnes. If necessary, if that had to be run down to keep us fed, that is what would happen. Obviously, that would have implications for global availability.

Deputy Brendan Howlin: I thank Mr. Scannell for making the time to join us today. His presentation and initial answers have been very helpful. It is important to consider the origins of the Common Agricultural Policy because much of the focus in our generation has been on surpluses and so on. The first Commissioner, Sicco Mansholt, came from a hungry Europe where there was famine in his native Netherlands. Few will disagree with the view that surplus is certainly better than famine. Having an assurance of food is something we all take for granted. Just as we should not take peace in Europe for granted anymore, we certainly should not take food security for granted. That is an important point to make.

In that vein, I want to focus on the immediate situation arising from the conflict in Ukraine. When I say conflict, for the avoidance of doubt, it is the absolutely unconscionable assault on Ukraine by Russia. Mr. Scannell spoke about solidarity lanes, rail and so on. From all the evidence we have received, these will not go anywhere close to moving the actual harvest of wheat, maize or sunflower product that is normally exported from Ukraine. Am I right in saying the only realistic way of getting significant access to market is for some mechanism to reopen the Black Sea ports?

I read the EU Council conclusions last week. They put considerable focus on supporting the United Nations efforts in that regard. Does Mr. Scannell think there are real prospects for that? I ask him to quantify what the alternatives would be in the event that the Black Sea ports remain unusable. We know the logistics of the different rail gauges between Moldova and Romania. These are logistical issues that cannot be instantly overcome.

My next question relates to the alternatives. Mr. Scannell spoke about Europe being able to access sufficient grain on international markets. What is the increased capacity from countries like Canada and the United States? Have other countries increased production this year? It is well and good to say that we can be assured of food security in Europe, which of course is important, but it cannot be at the cost of starvation elsewhere. I am wondering what the global situation will be.

My final question relates to the broader issue touched upon by Deputy Calleary. I ask about the ongoing medium-term impact of climate change particularly on water availability in southern Europe. There is drought in Italy and Spain. Agricultural land which is normally very productive may in the medium term become unproductive. I am interested in Mr. Scannell's opinion on how that is being assessed currently and what particular actions, if any, we can take to address that.

Mr. Michael Scannell: There was a lot in that. Regarding the extent to which the solidarity lanes can effectively compensate for the loss of the Black Sea ports, I acknowledged earlier that it is a huge challenge. The Black Sea ports accommodated an average of 5 million tonnes of grains a month. Currently, and notwithstanding huge efforts, we have managed to move 2 million to 2.5 million tonnes of grains in the month of June. That is less than half, but it is an

extraordinary achievement in the circumstances. Obviously, however, if that is less than half, the system is not coping. Bear in mind that one simply cannot replace these Black Sea ports. One is not going to replace the volumes that are moved in these giant grain ships with road, rail and barges overnight, and not even in a matter of months. If we could get it to 2.5 million to 3 million tonnes, that would be very respectable and take a great deal of the pressure off. Bear in mind that the forthcoming Ukrainian harvest will be much reduced in any event because of the war with Russia. A lot of the more productive areas are either in the war zone or are occupied. It is important not to downplay or underestimate the contribution of the lanes, even at the current levels.

What is a bigger worry perhaps is not just the volumes that are being moved but the cost of that. Moving through these alternative transport modes is much more expensive than using sea transport. That in turn affects the competitiveness of Ukrainian grains, oil seeds and so forth. We have to be very attentive that if these costs become prohibitively expensive, there will not be a demand in practice for these grains. We are very attentive to that.

On the capacity of others to fill the gap, markets are resilient. I can give the example of Europe itself. We expect to have an exportable surplus of up to 38 million tonnes. That is significantly more than last year. Canada will have a very strong harvest, although it has to be accepted that this reflects an extremely poor harvest in the previous year. Russia, ironically in this context, stands to profit from the current international situation in grain markets. It is on schedule to have a very strong harvest. Overall, the global availability of grains will be more or less on the same level as in the previous year. However, what is perhaps more important is who has those grains and especially the position of the traditional big grain exporters, including the EU. Often the best gauges of that is price. I mentioned in that context that prices have eased not insignificantly in the past several weeks, basically because the northern hemisphere harvests are now coming on stream and there is availability and so forth. I stress, however, that in the future markets are likely to remain fragile because a great deal is dependent on what happens in Ukraine and the extent to which Ukrainian grains, especially wheat, are able to access the market itself. Even in the current projections we still anticipate that 10 million to 11 million tonnes of Ukrainian wheat will access world markets. If that proves not to be the case, that will create supply pressures in the market.

The climate change dimension is huge. Before Covid-19 our focus was on climate change for obvious and apparent reasons. This presents massive risks to the viability of our agrifood production systems and that explains why we had the Green Deal and Farm to Fork. The focus of the media, at least, has been somewhat distracted, understandably, by Covid-19, Ukraine and so forth, but we cannot afford to lose sight of climate change. That is why, even in the context of what is happening in Ukraine, we reminded member states that in the preparation of their so-called Common Agricultural Policy, CAP, strategic plans they need to have resilience and food security very much in focus, including how they respond, working with the Commission, to what is happening in Ukraine. That includes how they make their systems more resilient to climate change.

The Deputy gave the example of water availability. We expect member states to use the resources available from the CAP to work with their farmers to ensure that they can deal with these challenges, including water availability. Obviously that is a bigger issue in some member states than in others. If one is following the media, Italy is currently going through a major drought. The River Po is running dry and so forth. It really brings home to us that this a huge problem. These things are not happening once in a generation any more but happening every

second or third year. It is extremely important that member states are very ambitious in their CAP strategic plans on making their systems more resilient on climate change.

If the Deputy has any follow-up questions, I am happy to take them.

Deputy Brendan Howlin: That is fine. I thank Mr. Scannell.

Chairman: Deputy Ó Murchú is next, followed by Deputy Brady.

Deputy Ruairí Ó Murchú: I thank Mr. Scannell. He has dealt with a fair amount of the subjects in which we are interested. Food security comes down to the work that has always been done at European level to ensure the supply and the quality. As Mr. Scannell said, supply on a world basis is not going to be the issue, but price will be a major one. What is the disaster reckoning and what plans are put in place if there are difficulties with releasing that 10 million to 11 million tonnes of Ukrainian wheat and other necessary foodstuffs? We have seen it already happen on some level in the energy sector, and it can take a long time for this to happen, where there is a reorientation in respect of who is buying from whom and who falls into what particular camp. All of it is the outworking of the Russian invasion of Ukraine.

From listening to Mr. Scannell as regards food, and many new terms are being bandied about regarding the importance of resilience and strategic autonomy, Europe is okay at present. However, I am wondering about the plans that are in place. There are two issues. We all see the European Union on its best day as a force for good in the world. However, it also exists within the world and we know that globalisation and the world economic system have taken a complete reorientation. It is how we cope with that and what disaster planning is put in place, particularly for those areas that will be under severe pressure such as the Horn of Africa and areas in the Middle East. Where is the European Union and the Commission as regards that disaster planning?

Again, whatever the issue is with regard to food, energy is where there could be real difficulties for all of us over the next while.

Mr. Michael Scannell: The international dimension is very preoccupying. I make a distinction in that context between those countries outside of Europe that can access markets through their own means and countries that are reliant on humanitarian aid. Taking the example of wheat, it is well recognised that the countries of north Africa and the Middle East are very dependent on wheat imports. They import from around the world. Before this crisis, these were extremely demanding market participants. Countries such as Algeria, Egypt, Tunisia and so forth would put out their periodic tenders seeking submissions by X of the best prices and delivery conditions for 100,000 or 200,000 tonnes of wheat to meet the following specifications and so forth. They basically were hard bargainers and often got very good deals. We were even faced with a lot of complaints that they drove too hard a bargain. However, markets are cyclical and when they receive a shock, such as what happened with Covid and its impact on logistical chains and then subsequently Ukraine, etc., prices rose. The issue here is not so much availability, but affordability, and these countries are challenged in that context. I mentioned that prices have eased somewhat in recent weeks. I mentioned also that the northern hemisphere harvests are now coming on stream, so for the next several months there will be plenty of availability. The question will be what kind of price they will be prepared to pay.

On the broader dimension, I mentioned we had a communication on 23 March on food security. It had three components: Europe itself; Ukraine; and the international dimension. We

explicitly acknowledged that we have to be very mindful of, basically, instability of the world market and how that impacts, including the humanitarian dimension. The Deputy mentioned the Sahel and Horn of Africa region, etc. In the past several months, for example, I do not have the exact figure in front of me, but I recall it was something of the order of €1 billion was pledged by the EU towards the Sahel and Lake Chad area and a further €600 million to the Horn of Africa in direct humanitarian aid. We had the so-called Lugano Conference just last week on Ukraine. Within the package of measures there, there is €500 million, I understand, to assist Ukrainians in dealing with the current challenges to their agriculture and food situation.

We are very alert to and mindful of this international dimension. It is not just a question of short-term fixes. Basically, these countries have to work towards having more resilient agrifood production systems themselves. We all accept that trade is extremely important, including for Europe. Let us not forget we have a huge trade surplus in agrifood products. It is a big part of our economy, especially in Ireland. However, we need to be very mindful also that a country is not, let us say, overly exposed, should there be destruction on world markets for whatever reason, it could be a plant disease, a trade dispute, war, etc. Many developing countries are very vulnerable in this respect and need to invest an awful lot more in their agrifood production systems to basically ensure they are not as vulnerable as they currently are to disruption of world markets. Obviously, we have a duty to assist them in that process also through development aid. That, as I said, was well signalled in the communication on 23 March.

I will not pretend there are any magic solutions to this that can happen overnight. It is and will be a very big concern. What is happening in Ukraine has made that concern an awful lot greater. Of course, everybody remembers the last big spike in world food commodity prices, which triggered the so-called Arab Spring. If it is not carefully handled, we would risk finding ourselves in a similar situation in this case.

Chairman: Deputy Ó Murchú gets one more supplementary question.

Deputy Ruairí Ó Murchú: We all know we are in a different place. In particular, there is the fact that the Russians are willing to threaten and use energy and food security. It is what Mr. Scannell said as well, that it is making preparations so that there is a greater level of resilience. That also relates to Europe. Are we talking about a possible different conversation around food security in particular, and possibly the CAP and the direction it has gone in the last while, while accepting there are obviously necessary moves that need to be made in relation to climate change for all of us?

On the supply, as Mr. Scannell said, it seems to be a good harvest across an awful lot of northern Europe. Some of that is obviously weather related. I think anecdotally there is talk that to a degree we were facilitated. Even with the reduced amounts of fertiliser here, the good weather allowed people to get away with that. What are the plans to deal with that into the future?

Mr. Michael Scannell: The Deputy raised a very important issue on how to reconcile sustainability with food security. It is no secret that the Commission is under much pressure to essentially accommodate concerns on food security at the cost of our sustainability objectives. For example, when the new CAP reform enters into force from 1 January next year, we should essentially postpone certain sustainability-orientated reforms to basically not compromise our production. Of course, there is a whole discussion to be had also on the extent to which sustainability measures are at the cost of productivity. There is a very strong body of evidence that suggest that these sustainability measures are essential to ensure the long-term viability of

our systems and we should not abandon them for short-term fixes. On Monday, the agriculture Council will touch on many of these issues. The Commission will present an update on the current evaluation process of the CAP strategic plans and the extent to which, if any, they need to be fine-tuned to take account of the food security-related issue. Difficult choices will need to be taken.

The Deputy raised a very important issue on fertilisers. When I highlighted earlier that Europe is in a good position traditionally, thanks to the CAP, etc., we still have our vulnerabilities. I mentioned, in that context, fertiliser in particular. We import huge quantities of potash and phosphates, as well as huge quantities of gas for our nitrogen-based fertiliser industry. If those supplies were compromised for one reason or another, that would then call into question the availability and the cost of fertilisers, which in turn would have a big impact on farmers planting decisions and the prices they receive. If they choose, for example, to use lesser quantities of fertilisers, that would compromise yields, which again brings us back to food security. We are back, essentially, to the same kind of issues.

On the extent to which recent weather conditions have basically allowed them to escape the consequences of less fertiliser use, I do not think it is the weather conditions *per se*, but there is a so-called concept of a phosphate holiday. Basically, you can cut back on the usage of phosphates and potash for the short term. Generally levels in soils are sufficient and Teagasc does much work with farmers to basically identify where they might be deficient in this context. Essentially, you can cut back in the short term. The extent to which you can do that in a second growing cycle or, indeed, a third is questionable. If the Deputy asked me to highlight the areas that we need to keep very clearly on our radar moving forward in terms of food security, I would say fertiliser availability and, behind that, energy availability. I mentioned the forthcoming communication on the coming winter. That is very prominent on the radar.

Chairman: We have 25 minutes and three contributors remaining. I call Deputy John Brady, who will be followed by Senator Chambers.

Deputy John Brady: I thank Mr. Scannell for his very comprehensive overview and answers, which covered an awful lot of the ground that I wanted to raise. I will probably have some supplementary questions arising from some of the contributions earlier on.

In many regards, we are facing into a perfect storm with the war in Ukraine and climate change. Mr. Scannell said that supply will not be the issue and cost is, but it is very concerning to see the impact climate is having on crop production. I saw yesterday that France's wheat production is estimated to be down 7%, with a 15% drop in crops in Romania as well. That is probably replicated in many areas. Northern Europe is probably the opposite and probably has good growth. However, there are certainly huge concerns in relation to climate and also the situation with the illegal invasion of Ukraine by Russia. We see that there are 25 million tonnes of grains essentially locked in Ukraine now.

At yesterday's meeting of the Committee on Foreign Affairs and Defence we had the Minister for Foreign Affairs, Deputy Coveney, in with us. I raised the question about Odesa and the prospect of that port being reopened. I do not want to put words in his mouth, but he said he was optimistic that something might happen in the near future in terms of reopening Odesa, which will be critical. Deputy Ó Murchú raised the issue of fertiliser, which will be an issue of concern. Mr. Scannell said we have the ability to sustain the amount of fertiliser we have over the next year or so, along with some other mitigation measures. He might be able to give us some detail of how dependent Europe is on fertiliser from Russia and Ukraine.

I also want to touch on the issue of the humanitarian crisis tragically unfolding in Africa, Afghanistan and other areas and the impact climate and the war in Ukraine will have on those very vulnerable regions. We know there was a crisis in those regions before the war in Ukraine. Donations to the World Food Programme, WFP, across all of those regions have been down consistently over the past number of years, which has put pressure on it. What analysis, if any, has been carried out on that? I have heard what he said about money coming from Europe into the Sahel and the Horn of Africa. That has to be welcomed.

What analysis has been carried out on the displacement of people in those regions? Obviously there is an issue. People in Africa are being displaced. Significant numbers of people are fleeing for their lives with their families across the Mediterranean Sea and are making their way to Europe. Some horrific measures are being taken by some European countries to stop that influx of migrants. The WFP is failing in many regards. What impact will the number of displaced people have on the broader region?

In the view of Mr. Scannell, is enough being done by the European Union to avoid humanitarian crises in those regions? I refer to the military spend by the EU to provide military assistance to Ukraine which, of course, the Ukrainian Government has asked for. I will not get into that debate. However, given the comparison between the military spend and the spend on humanitarian aid on regions that are at crisis stage, is enough being done by the European Union to give assistance to the many people who need it?

Mr. Michael Scannell: I will start with the fertiliser issue. Nobody would question that we are hugely dependent on imports, but we have to make a distinction between the different components. For example, in terms of potash we were traditionally reliant on major imports from Belarus and even before the war in Ukraine we had taken sanctions against Belarus. Now we have to turn to alternative sources on world markets for potash. Unfortunately, very few are in Europe. Canada and Morocco are major producers of potash and phosphate. China is also a large producer, although it has restricted exports and given priority to domestic consumers.

Nonetheless, in terms of potash and phosphate, we need to take account of what I mentioned earlier. Farmers can, in the short term at least, ease off on their use. We have been able to cope pretty well. The European fertiliser industry comprises major traders and is very good at sourcing products on global markets and selling them on global markets, including in Europe. There has been no supply crash in Europe.

We are more concerned about nitrogen-based fertilisers. We are very reliant on imports of Russian gas in that regard. For nitrogen-based fertilisers we can do one of two things, that is, import fertilisers or produce them in Europe. By and large, they have been produced in Europe, but that means importing gas. That is what we have been doing. A lot of that gas, as I acknowledged and we all know, comes from Russia. The signs have been ominous in regard to Russia deciding to curtail supplies, such as recent maintenance issues on Nord Stream I and the formal cut-off of gas to Poland and Bulgaria. It would be imprudent not to plan for a situation where gas supplies would become even more precarious. I am repeating myself, but that explains why we have communication coming forward next week on how we work with member states to anticipate potential shortages to the end of this year. As I mentioned earlier, this needs to be prominent on our radar screens, and indeed it is.

Turning to the humanitarian dimension, my expertise is in agriculture, CAP, supporting European farmers, etc. The humanitarian aspect is important, but we have other specialist services that work in that field. Food is obviously extremely important in this context. I acknowledge

our communication on food security, which very transparently highlights that there are major challenges at the global level, including in the humanitarian area which explains why, to repeat myself, there is €1 billion for the Sahel and Lake Chad area and €600 million for the Horn of Africa.

Is that enough? Frankly, I have to turn to the development community on that and the ongoing debate on the extent to which Europe and other international donors can, should and do work with the Food and Agriculture Organization of the United Nations, FAO, WFP and other UN agencies, to not just provide humanitarian aid as a kind of short-term fix for clear shortages in the market of foodstuffs. We are not dealing with a potential risk to food security in some of these countries; it is actually happening. There are lots of figures available on the number of people in precarious food security situations, which has increased sharply in recent months and years.

I return to Deputy Calleary's question on inflationary impacts. In Europe, we spend a relatively small share of our overall household expenditure on food, with important distinctions between high, low and middle-income earners. On average, it is relatively low. In developing countries, the figure is relatively high, at 50% or more. Anything that leads to an increase in food prices in these countries squeezes incomes and leaves a lot of citizens in these countries in a situation whereby they do not have money to buy food. As I said, the FAO has produced a lot of figures that are very worrying in that context.

The international community is working hard. I mentioned the Lugano conference on Ukraine that took place last week. The UN General Assembly, FAO and WFP are all preoccupied with how we deal with this issue, with the added complication that we saw a sharp increase in commodity prices even before the war in Ukraine. As to solutions, perhaps the committee could invite one of my colleagues from our international services to come back to it at some future date. That merits a long discussion in itself. I am sorry if I am not able to give the Deputy the answer he hoped or expected. I ask him to keep in mind my limitations in this area.

Senator Lisa Chambers: I have some very quick questions. Food prices are going up across the European Union. What are we doing to alleviate pressures on our citizens? The second question relates to the Common Agricultural Policy, CAP. I note in his opening comments, Mr. Scannell spoke quite favourably about CAP, which I would agree with. It is great to hear we have become self-sustaining in main areas. In light of what is happening with Ukraine, does Mr. Scannell foresee any significant changes to CAP or would he propose any changes to it? Finally, I note we are, as Ursula von der Leyen has put it, stepping up food production in Europe. This will have an impact on agricultural emissions. What conversations are happening at an EU level in terms of the targets that have been set for 2030 and then 2050?

Mr. Michael Scannell: On the issue of what has been done to deal with the increases in food prices in member states, this has been largely dealt with at member state level. Each and every member state is very preoccupied with this for the very good reason that food prices have gone up sharply and this impacts on lower income groups in particular so it basically has a major societal impact. What political system can afford to ignore that impact, which is why you cannot pick up a newspaper these days without reading about this particular issue? I am not going to go into what Ireland is doing as compared to France as compared to Greece etc., but suffice it to say this is very prominent on the economic and political agenda Europe-wide. In so far as the Commission itself has a role, I go back to our communication of 23 March on food security. We signalled that in a European context, member states need to use the instruments available to them and that includes for example flexibility on VAT rates on food and

food products in general; social support measures to funnel resources to lower income groups to help them deal with the price impact; and measures on the supply chain to allow farmers to deal with higher input costs, so that in turn their producer prices are kept at a reasonable level. Obviously if producer prices are increasing, as a reflection of increased input costs, this has an impact further on in the food chain.

This brings me to the Senator's question as to the extent we in the Commission are working to adapt the CAP to reflect what is happening in Ukraine. I mentioned that member states are currently at a very advanced stage in their CAP strategic plan preparations for the newly reformed CAP from 1 January. This is a huge undertaking but, as part of that process, the Commission has already written so-called "observation letters" to the member states on their preliminary plans. We took that opportunity to remind them to factor in the need to review just how resilient their agrifood systems are in the light of what is happening in Ukraine and, in the background also, the far bigger existential threat to agrifood production systems, from climate change. Basically we need to see from member states a high level of ambition on how they will anticipate and take into account climate change because this is not an issue they can afford to ignore, nor can farmers ignore it, nor indeed are they. I do not think there is any member state or any farming organisation or individual farmer who does not feel impacted. They are the ones on the ground who see the consequences. We have been speaking repeatedly about the impact of the current dry spell in Europe and of the heatwave that is currently taking place on projected harvests. Every farmer growing cereals in Europe is checking the weather forecast ten times a day. They recall that they are doing this a lot more than they did in the past. In terms of how they plan or what they plant, they now increasingly have to factor in the situation on water, fertiliser and the plant protection products used etc., so that they can be viable and more sustainable. Nobody can escape the implications of this challenge ahead of us. We have to remain flexible and that is why on Monday in the agriculture Council, we will hear from the member states on their take on the current situation and the extent, if any, to which our plans need to be adapted to Ukraine or to the climate change situation, etc. I will stop at that.

Chairman: I thank Mr. Scannell. Deputy Marian Harkin is our final contributor.

Deputy Marian Harkin: I apologise for being a bit late in arriving. If my first question has already been answered, leave it at that and I will get the text later. I am interested in hearing what Mr. Scannell has to say about a number of issues. First, with regard to the €500 million support that has been afforded to EU farmers, is there any conditionality attached to that? Does Mr. Scannell know if it is a straightforward fund or what conditions are attached to it? How does the Commission envisage this money being spent, or is it largely being left up to member states to decide what is needed? Second, in the context of sustainability and climate change, obviously we are all operating in that context and agriculture must also. I am going to ask a few questions about this country in particular. In Ireland, how can we reorient our agricultural models both in the short and in the long term to try to ensure greater sustainability? I am not asking Mr. Scannell to pre-empt the agriculture Council on Monday but just to give a general overview on that. Third, and this is not going to happen unless they call a meeting this afternoon, if I had to meet a group of sheep, hill or suckler farmers in north Leitrim or south Sligo to discuss climate change this evening and I told them I had a meeting about food security with the Commission this morning, what message could Mr. Scannell give them? When we talk to farmers about CAP and food production, many of them will still say that the CAP was initially brought in to ensure food security. To most farmers, this means you produce more food. They see it as a simple straight line. If Mr Scannell could give them one message, what might that be? I did not attend a recent seminar on food security at which Mr. Scannell was speaking but

one of my staff members did and they took notes. It might have been the European Commission seminar last week. One of the questions he was asked was what one single action could be taken to avoid a global food crisis and the answer Mr. Scannell gave was to stop the war. He may have said more but that is the answer I have here. Putting that aside - and let us assume that the *status quo* remains for the next six to 12 months - what single action does Mr. Scannell think could be taken in order to avoid a global food crisis?

Mr. Michael Scannell: I will answer the first question as I did not touch on it earlier, regarding conditionality in the €500 million package announced on 23 March. That amount can be, and in most cases was, accompanied by twice as much from national funds so €1.5 billion in total. Yes, there is conditionality. Essentially member states are expected to target those farmers most directly impacted by rising input costs, included fertiliser costs in particular. We already have reports from members states on who they targeted accordingly. It was mostly those in the livestock industry because they were very hard hit by very sharp increases in animal feed costs. Cereals producers on the other hand, even though fertiliser and energy costs have risen sharply, benefited from even sharper increases in producer prices. By and large, the livestock sector seemed to have been the biggest beneficiary across all the member states. We will produce a report in due course on the overall take-up etc. The conditionality requirements left much of the flexibility to the member states. Frankly, we in the Commission are around a long time and we accept the situation varies enormously from one member state to another, from one sector to another, and indeed even within sectors. We accept that the situation varies enormously from one member state to another, from one sector to another and even within sectors. There is no single one-size-fits-all approach. Member states have to be given sufficient flexibility to allow them to target who is most deserving of support. I have heard nothing to suggest that they have abused that flexibility. Hopefully I will not be disappointed when we get around to checking how they spent it.

On the issue of how we reorient our systems, Ireland was mentioned specifically. It comes back to the CAP strategic plan, which is perhaps the single biggest reform of the CAP. We are giving member states the flexibility to design their own agrifood production systems within the framework of the CAP, adapted to their own needs and challenges. That includes climate change and sustainability. Deputy Calleary would be familiar with this from his time as Minister for Agriculture, Food and the Marine. Ireland has in its own hands the instruments to design a system that is fit for Ireland. We in the Commission have an obligation to ensure that conforms to the overall structure and is consistent and coherent with what other member states are doing. There is an obligation on all of us to ensure it fits in within the wider Green Deal, Farm to Fork, Fit for 55 objectives, that is, creating a sustainable agrifood production system that will keep us fed without excessive contributions to greenhouse gas emissions. That is a big challenge but it has to be met because if we fail on that at member state level or EU level, the consequences will be huge, including for food production. Food sustainability and food security are not opposites. They are entirely complementary to one another. If we fail at one we will fail at the other.

On the message to hill farmers and suckler farmers, the big strength of those sectors in terms of CAP sustainability is that, apart from contributing to food supply, they are extremely rich in their contribution to biodiversity and rural development. Sustainability is not only about economics. We would stress this. There are three pillars, namely, the economic, the social and the environmental. These sectors contribute hugely to the social and environmental pillars, as well as the quality dimension. If I were working in any of these sectors I would be very proud of what I was doing. They should be proud and they should be supported in what they are doing.

Sometimes they feel they are being ignored but that is not the case and should not be the case. That would be a big mistake.

Regarding what single issue would help, I already mentioned stopping the war in Ukraine. That would help hugely. Putting that aside, the answer is innovation, basically. Unless our agrifood production systems and our society in general become much more innovative in how we deal with and use energy, find alternatives and deal with climate change, we are going to be in huge trouble. The CAP reform puts a very heavy stress on innovation because traditionally and historically it is always innovation that has come to the rescue. If we are to move to systems that use less fertiliser and fewer plant protection products, we are going to have to find new technologies that allow us to meet these objectives. In other words, we need innovation.

Chairman: I thank Mr Scannell. We have been quite efficient today. We have one minute remaining. I am going to ask a question to look for a bit of direction more than anything else. This might not be in Mr. Scannell's area of competency or responsibility. Deputy Ó Murchú, Deputy Haughey and I were in Georgia recently. One of the things we were struck by was the proximity of Georgia to the Black Sea, the South Caucasus and the Caspian Sea. It is a strategic location in terms of food security and potential energy supply chains. Mr. Scannell might signpost who might be the best person to follow up on that issue with, if it is not himself. If it is him, he might put together a note on it for the committee outlining the co-operation between the EU and the eastern partnership countries, specifically Georgia. That is something that came up in a lot of our deliberations while we were there. It would be great to get either a signpost or a note on that, if possible.

We are grateful for Mr. Scannell's time today. Go raibh míle maith agat. Bain sult as an samhradh. Beimid i dteagmháil arís, gan dabht. We will leave it at that unless Mr. Scannell wants to make a final closing statement.

Mr. Michael Scannell: I thank the committee. It was a very good discussion. It is reassuring to see the level of interest and knowledge among the committee on these food security-related issues. On Georgia, the relevant service in the Commission is the Directorate-General for Neighbourhood and Enlargement Negotiations, DG NEAR. We work very closely with it. As the committee knows, Georgia has ambitions to become a member of the EU but there is a lot of work ahead. The European Council deliberated on that several weeks ago. I do not have its conclusions in front of me on the position it took on where Georgia stands in the queue in terms of the assessment of its membership. It is very prominent on the radar screen. Food security will be very hot on the agenda for the next several months, as it should be. I thank the committee and wish the members a good day.

Chairman: I thank Mr. Scannell for attending the meeting. We will now go into private session to discuss a number of housekeeping matters.

The joint committee went into private session at 11.17 a.m. and adjourned at 11.25 a.m. *sine die*.