FONDATION ROBERT SCHUMAN

POLICY PAPER

European issues
n°607
21st September 2021

The Common Agricultural Policy 2023-2027
Change and Continuity

Bernard BOURGET

It was on 25 June, at the end of the Portuguese Presidency of the Council of the European Union, that the agreement on the Common Agricultural Policy (CAP) for the years 2023 to 2027 was adopted, three years after the publication of the Commission's proposals for a regulation on 1 June 2018.

1. CONTINUOUS DEVELOPMENT OF THE CAP SINCE 1992

Before examining the content of this "new" CAP, It would be worthwhile to recall the changes it has undergone over the last three decades, since the major reform of 1992, and to take stock of them.

A policy is considered to be alive if it can evolve and adapt to changes in its environment. From this point of view, the CAP is still very much alive.

The 1992 reform comprised the replacement of agricultural price support by the allocation of direct aid to compensate for price reductions. The CAP has subsequently undergone periodic revisions, most often linked to the multi-annual programming of the European Union budget.

In 1999, the 'second pillar' of the CAP was created, bringing together various measures, in particular agri-environmental measures (AEM) co-financed by the Member States and a specific European fund: the European Agricultural Fund for Rural Development (EAFRD).

The second major reform of the CAP was decided in 2003: it resulted in the decoupling, at least partially, of direct aid from production, which continued in 2008.

In the framework of the 2014-2020 financial programming, the main change to the CAP was the greening, which comprised the reservation of 30% of direct aid for a green payment, the allocation of which is subject to compliance with three conditions: the maintenance of permanent grasslands, crop diversification and the reservation of at least 5% of arable land for areas of ecological interest such as hedges or ponds.

However, according to the European Court of Auditors, greening has not really made farming practices more environmentally and climate friendly, mainly because of a lack of targeting of the measures offered to farmers, which allowed them to modify their farming practices only marginally in order to benefit from the green payment.

However, developments of the CAP over the last thirty years have been marked by a gradual increase in the consideration of the environment, with good agricultural and environmental conditions (GAEC) required of farmers for the allocation of direct aid under the first pillar and, above all, the agri-environmental measures under the second pillar, which have become agri-environmental and climatic measures (AEC).

The other development in the CAP during this period has involved the organisation of markets, which was the basis of the policy when it was introduced in 1962: the subsequent abolition of product-specific market organisations replaced by a single organisation, the abolition of production quotas and the limitation of intervention to a simple safety net provided incentives for farmers to respond better to market signals; but the disruption of global agricultural markets, aggravated by the effects of climate change, and the resulting volatility of agricultural prices, show that the dismantling of the CAP's market regulation tools has gone too far.

The last significant development has been the extension of the application of the subsidiarity principle in the CAP, which is expected to undergo further development in the years 2023 to 2027 under the national strategic programmes. It is clear that the diversity of European agricultures had to be taken into account following the successive enlargements of the European Union, but has been important to avoid transforming the CAP into an "à la carte agricultural policy" which would then lead to its renationalisation.

2. LENGTHY NEGOTIATIONS ON THE CAP 2023-2027

The main novelty in the proposals presented by the European Commission for the Common Agricultural Policy in June 2018, as part of the multi-annual financial programming 2021-2027, was to entrust each Member State with the drafting of a national strategic plan allowing it to adapt the CAP tools to its own needs and priorities.

It was welcomed by Member States in the Council of Agriculture Ministers, who will have more flexibility, but also greater responsibility, in the development and implementation of their national strategy plans, as they will be judged on their results.

On the other hand, this proposal has raised some reservations among MEPs who feared that direct negotiations between the Commission and the Member States would take away some of their power, while the extension of the European Parliament's competence to the first pillar of the CAP only dates from the Lisbon Treaty.

The Commission tried to start negotiations on its proposal quickly so that it could be adopted before the European Parliament's renewal in May 2019. The Council and the Parliament refused to engage in hasty talks, which had little chance of succeeding within this timeframe, especially as the EU budget for the years 2021 to 2027 had not been decided and that it had been announced that appropriations for the CAP would decrease.

Negotiations only really started in 2020, after the renewal of the European Parliament and the establishment of the new Commission. The implementation of the 'new' CAP was therefore initially postponed from 2021 to 2022.

The Commission, chaired by Ursula von der Leyen, has made environmental and climate issues a priority of its mandate and thus presented two strategies in 2020, under its Green Pact, which have affected the CAP negotiations:

- The strategy "from the farm to fork" which recommends, on the one hand, the reduction of pesticide use in agriculture and antibiotics in livestock by 50% and synthetic fertilisers by 20% by 2030 and, on the other hand, the significant increase in the share of agricultural land used for organic farming from the current 10% to 25% by 2030;

- The strategy for biodiversity which provides for the withdrawal of 10% of agricultural land from production to be set aside for enhanced ecological protection.

Both strategies have raised concerns in the farming community, as it is not enough to set ambitious environmental targets for farmers; it is also necessary to ensure that they have the means to achieve them.
As for the target of 25% of land for organic farming, this could lead to market saturation for certain products, as organic products are generally more expensive than conventional products.

We then had to wait until the end of 2020 to see how much money would be allocated to the CAP in the 2021-2027 budget: €387 billion, of which €270 billion for direct payments to farmers. The implementation of the 'new' CAP had to be postponed again by one year, to be applied only during the last five years of the financial programming, from 2023 to 2027.

In the meantime, the Council of Agriculture Ministers and the European Parliament had each adopted their plans for the CAP in October 2020. The two drafts differed mainly regarding the minimum percentage of direct payments to be reserved for ecological programmes ("eco-schemes") in the Member States' strategic plans: the Parliament adopted the 30% threshold proposed by the Commission, while the Council favoured a minimum threshold of 20%.

The Parliament also followed the Commission in making the capping of direct payments per farm and their degressivity compulsory, which the Council refused.

It was on the basis of these two positions that the trialogue between the Commission, the Council and the Parliament was then held to reach the agreement of 25 June 2021.

3. THE CAP FOR THE YEARS 2023 TO 2025 AND THE NATIONAL STRATEGIC PLANS

The three draft regulations agreed on 25 June cover strategic plans, market organisation, financing, management and monitoring of the CAP. They will now be finalised and submitted to the Council and the European Parliament for approval.

The main points of the agreement are what the Commission calls the new green architecture and the strengthening of the position of farmers in the food chain.

The new green architecture of the CAP is based on:

- strengthened cross-compliance for direct payments;
- ecological programmes under the first pillar (eco-schemes) and agri-environmental and climate change measures under the second pillar, which will have to be integrated into the national strategy plans.

The strengthening of environmental conditionality will be ensured through increased requirements under Good Agricultural and Environmental Condition (GAEC) such as:

- crop rotation, which is now compulsory for farms of at least 10 hectares, except for those with a lot of grassland or those practising organic farming;
- the obligation for these farms to devote at least 4% of their land to non-productive areas of ecological interest, such as hedges, ponds or fallow land. This threshold has been lowered to 3% for farms that devote significant areas to nitrogen-fixing crops (pulses).

The ecological programmes, referred to by the Commission as "eco-schemes", are the real novelty of the environmental part of the CAP. They aim to support climate- and environment-friendly farming practices, such as organic farming, agro-forestry or precision farming, as well as improved animal welfare. The share of direct payments to be allocated to them (25%) is the result of tough negotiations between the Council and the Parliament and is reflected in the final compromise, since during the years 2023 and 2024, which are described as a learning period, Member States will be able to devote less than 25% of direct payments to environmental programmes.

The share of funds from the second pillar of the CAP, which co-finance agri-environmental and climate measures, will have to be at least 35% instead of the current 30%.

While the greening of the CAP has made real progress, this is not the case for the distribution of aid between farms, which is likely to remain just as unequal. Of course, the redistributive payment has been renewed: it will be compulsory for all Member States and will have to represent at least 10% of the direct payments' envelope. The Council again refused to make the capping and degressivity of direct payments proposed by the Commission for large farms compulsory. The race to enlarge farms will therefore continue and make it more difficult for farmers to set up outside the family, even though the share of the direct payment envelope reserved for young farmers will increase by 50%.

The abuses observed on farms employing a large workforce, especially seasonal workers, have led to the introduction of a social dimension in the CAP to penalise farm managers who do not respect the obligations of the directives relating, on the one hand, to the predictability and transparency of employment conditions[1], and, on the other hand, the safety and health of agricultural workers[2].

Market organisation is regaining some ground after decades of deregulation of European agricultural markets.

The instability of world agricultural markets, which is likely to increase with climate change, is causing strong fluctuations in agricultural prices and serious difficulties for farmers when there is overproduction, as during the dairy crisis of 2015 and 2016.

The measures adopted in June 2021 are a continuation of those in the "omnibus" regulation and should help to prevent and better manage agricultural crises, by making it possible to voluntarily reduce production before the crisis becomes widespread in the sector concerned and by ensuring the monitoring of agricultural markets by European observatories.

In addition, the possibility of collectively managing production, currently limited to a few products under PDO (protected designation of origin) will be extended to all products with a PDO or PGI (protected geographical indication).

Support for producer organisations, which has proved its effectiveness for fruit and vegetables, will be extended to all agricultural sectors.

Finally, a financial reserve of at least €450 million per year will be created to deal with future crises.

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From a long-term perspective, the CAP for the years 2023 to 2027 is undeniably a continuation of previous programmes. Thus, taking the environment and climate into account means that a new step is being taken, which some environmental organisations consider insufficient, but which will require major efforts on the part of many farmers if they are to meet the new requirements: it is an evolution, not a revolution.

It should be remembered that the CAP cannot be dissociated from other European policies, in particular from the European Union's trade policy. Indeed, the environmental, health, social and animal welfare requirements imposed on European farmers will only be bearable if they are also imposed on imports from third countries. This is particularly true for the large agricultural countries with which Europe has concluded or is negotiating free trade agreements, such as Brazil, Argentina, Australia or New Zealand. However, in this area, we are still only at the stage of declarations of intent.

Similarly, the contribution of agriculture to the fight against climate change requires an increase in the price of carbon harmonised at European level and the creation of a carbon tax at the borders of the European Union, the outlines of which have already been presented by the European Commission in its "Fit for 55" paper, published on 14 July last.

Bernard BOURGET
Member of the French Academy of Agriculture

[1] Directive (EU) 2019/1152 of 20 June 2019

[2] Directive 89/391/EEC of 12 June1989 and Directive 2009/104/EC 16 September 2009