CAP policy instruments: Issues and challenges for EU agricultural policy

SUMMARY
Over the years, the Common Agricultural Policy (CAP) has been subject to several reforms. Often described as being incremental in nature, these reforms have progressively resulted in significant changes in both the orientation and architecture of the CAP. Key changes have included a reorientation away from price support towards income support and a decoupling of support from production. The current system of direct payments provides a mechanism for farmers to provide a combination of both private and public goods. The latter element has been reinforced by measures aimed at ‘greening’ the CAP. Rural development policy, reformed along with the CAP in 2013, is now implemented through rural development legislation covering six strategic priorities sub-divided into 18 focus areas, offering greater flexibility in the choice of measures used.

Set against this background, this briefing considers how some of the CAP’s policy instruments have been working, based on the experience of their implementation to date, including commentaries on both the previous reforms and the current policy, and taking account of the most recent evaluation evidence available. The implications of this broad overview for the orientation and architecture of the post-2020 CAP are examined. This discussion is set within the context of the main challenges facing agriculture and the rural economy, such as climate change, food security, territorial cohesion and price volatility. This analysis is timely, as the European Commission’s work programme for 2017 includes provision for consulting widely and progressing with work on the simplification and modernisation of the CAP.

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Background
Following agreement on Common Agricultural Policy (CAP) reform in 2013, the EU’s current agricultural policy is fully operational since the start of 2015. Its implementation has taken place in a time of unprecedented changes in the European economy. For any policy, coping with change is always challenging – even more so when the scale and magnitude of the change is unforeseeable not predictable. With work already underway by the Commission on the simplification and modernisation of the CAP, it is useful to take stock of the experience to date with the reformed policy. A number of European Parliament studies on the implementation of the current CAP help to identify a range of issues which have potential implications for the shape of the EU’s agricultural policy post-2020. A starting point for such an analysis is consideration of the challenges facing the agricultural sector.

Challenges
In a speech in June 2016, the Commissioner for Agriculture and Rural Development, Phil Hogan, identified the long-term challenges facing agriculture as being social, economic and environmental in nature. Recognising the contributions the CAP has already made to the challenge of food security, he highlighted the need to pay more attention to sustainability issues taking account of climate change including the United Nations’ 17 Sustainable Development Goals and the 2015 Paris Climate Agreement. Analysing these challenges further, the following points can be noted:

- **Food security:** The FAO expects world food demand to grow by 70 % by 2050. With the world population expected to reach almost 9 billion by 2050, FAO projections indicate that global food production will increase by 60 % above 2005/2007 levels by 2050. This raises concerns about how this can be achieved sustainably. In short, global food security promises to be ‘...one of the most critical challenges in the coming decades...’. This is recognised in the UN’s 17 Sustainable Development Goals, SDG 2. These findings suggest that it is essential for EU agriculture to maintain production capacity as a strong agricultural sector is considered vital for a competitive food industry. A 2015 report by the European Commission’s Joint Research Centre entitled 'Global Food Security 2030', sets out a vision for food security in 2030, where Europe moves towards a more balanced mix between local and global food systems.

- **Environment and climate change:** Agriculture and forestry have a key role to play in producing public goods such as landscapes and farmland biodiversity. Overall the agricultural sector has the potential to mitigate, adapt and make a positive contribution to the EU energy and climate agenda. The 2015 Paris Agreement (COP21) reached on 12 December 2015 is considered a landmark in the global fight against climate change. Official figures show that agriculture accounts for 9-10 % of total EU greenhouse gas emissions. The EU’s 2030 climate and energy policy framework sets out a binding EU target of at least 40 % domestic reduction in greenhouse gas emissions by 2030 compared to 1990, covering all sectors (including agriculture, forestry and other land uses). A 2016 FAO report on the state of food and agriculture and food security, makes it clear that the effects of climate change on agricultural production are expected to intensify over time. The 2016 Marrakesh COP22 Climate Change Conference called for the 'highest political commitment to combat climate change as a matter of urgent priority'.

- **Territorial balance:** Considerable diversity exists within Europe’s rural areas, especially in terms of different socio-economic conditions. Some rural regions in every Member
State are amongst the most economically active in their country, while others are considerably more disadvantaged. Many areas face a common challenge, namely how to create high quality sustainable jobs.4

- **Price volatility:** EPRS briefings published during 2016 have highlighted the difficulties the EU’s agricultural sector is experiencing. They cover issues such as the impact of the [Russian ban](#) on agricultural produce, the [crisis](#) in the agricultural sector, and more specifically measures to address the crisis in the [dairy sector](#) (including the support provided to dairy farmers) and [price volatility](#). Together they highlight the scale of changes affecting the agricultural sector. The European Parliament’s Committee on Agriculture and Rural Development (AGRI) has pressed for action to address this situation. The European Commission has publicly recognised the 'crisis' which is being experienced in certain agricultural markets, as highlighted by Commissioner Hogan in a June 2016 [speech](#), and in his subsequent [update](#) to the AGRI Committee on 19 July 2016 concerning the Commission’s third package of support measures. Data provided by the United Nations Food and Agriculture Organization suggest that global price volatility is likely to remain a major concern for farmers in the coming decades. In November 2016, the AGRI Committee voted in favour of an own-initiative [report](#) (rapporteur: Angélique Delahaye, EPP, France) calling for new EU risk and crisis management tools to help farmers cope with volatile prices.

### CAP reform 2014-2020

The last CAP reform was negotiated and agreed in 2013. Earlier EPRS briefings have provided analyses of the CAP’s instruments in respect of [Pillar I](#) (broadly, agricultural income and market support) and [Pillar II](#) (rural development). The main challenges for EU agricultural policy are shown in Figure 1, where they are translated into three long-term CAP objectives designed to improve agricultural competiveness, improve its sustainability and achieve greater effectiveness.

![Figure 1 –CAP post-2013: From challenges to reform objectives](#)

The current CAP continues the trend established by previous reforms, moving from product to producer support and to a more land-based approach. It also continued to move towards enhancing the [market orientation](#) of the CAP by removing all existing restrictions to production (except wine planting rights and with sugar quotas to be abolished by 2017). It placed the joint provision of public and private goods at the core of policy, whereby farmers are rewarded for their services to the wider public in terms of for example landscape and farmland biodiversity. A new policy instrument (greening) was directed to the provision of environmental goods. Whilst maintaining the existing two
pillar structure, both pillars have been aimed at meeting all three CAP objectives through better targeted instruments for the first pillar, complemented by regionally tailor-made and voluntary measures in the second pillar.

The new greening component in the direct payments system requires that all farmers above certain area thresholds have to respect obligatory practices to receive 30 % of the direct payment budget.

Other elements of the reform included: financial support for the creation of new producer organisations; the promotion of short supply chains; strengthening of agricultural research and innovation; better targeting of those who are actively engaged in agricultural activities; and support for young farmers.

**Analysis of key policy instruments**

Although it is only a few years since the 2013 CAP reform, there is considerable interest regarding the content and shape of EU agricultural policy post-2020. Six CAP policy instruments are discussed below, including consideration of their implications for the future orientation and architecture of the CAP post-2020. This analysis is drawn from a number of commentaries on the CAP which contain reflections on past experience, previous reforms and on how the post-2020 CAP might be shaped. Possible implications of this analysis for future policy are examined, including potential questions for policy-makers to consider.

**Climate change instruments**

The EU’s 2030 climate and energy policy framework sets a binding EU target of at least 40 % domestic reduction in greenhouse gas emissions by 2030 compared to 1990 levels, covering all sectors (including agriculture, forestry and other land uses). This target serves as the EU’s international commitment under the 2015 Paris Agreement on climate change. This is in line with the EU’s long term objective to reduce its emissions by 80-95 % by 2050 compared to 1990.

In a [speech](#) in March 2016, the Agriculture Commissioner acknowledged the contribution that the CAP can make to the EU’s response to climate change. The CAP includes a number of climate change related tools under both pillars. For example, the greening component in the direct payments system (Pillar I) supports agricultural practices beneficial for the climate and the environment. In the case of Pillar II, Member States are required to spend a minimum of 30 % of the total contribution from the European Agricultural Fund for Rural Development (EAFRD) to each rural development programme (RDP) on climate change mitigation and adaptation as well as environmental actions.

Evidence from a European Parliament-funded [study](#) on the implementation of the RDPs published in May 2016 points to a 'stronger emphasis on the sustainability of environmental land management, agri-food processes and action on climate change, which is visible both in the new EAFRD regulations and in the emphasis of negotiations which took place with the European Commission during RDP scrutiny and approvals'. The study notes that this is 'perhaps where the Commission ... has had the strongest influence upon programme content via the specialist commentary and critique offered by Directorate Generals Environment and Climate on all RDPs'. The study concludes that climate change will be an important feature of future EU rural development policy.

On this basis, it may be anticipated that CAP reform for the post-2020 period will have to consider how the agricultural sector might contribute more to the reductions in greenhouse gas emissions. Given the ways in which agriculture can help to mitigate
climate change (for example through use of cover crops, biogas production), such measures may play a more prominent role within the next programming period.

**Direct payments**

The current direct payments system is based on a multifunctional approach. A basic payment per hectare provides income support, the level of which is harmonised according to national or regional economic or administrative criteria. In the previous reform period, such a form of payment was justified by the Commission as it ensured 'a certain farm income stability', as well as compensation for higher production standards, animal welfare and environmental considerations. Other components of direct payments (such as greening, coupled payments, young farmers, or areas with specific natural constraints for example) are linked to specific objectives or functions. From a budgetary perspective, direct payments stand out, as they represent more than 70% of the CAP budget 2014-2020.

Set against this background, what changes (if any) might result in respect of direct payments, for example in terms of their objectives, design or implementation? Difficult though this question is, an understanding of the background to direct payments may help to explain some of the key issues at stake. Around the time of the last reform of the CAP, there was considerable debate over the role of direct payments. One commentary at the time explained that direct payments were originally granted as a form of compensation for the reduction in support prices to become 'essentially a lump sum payment made universally to all farmers in the EU...'. This same commentary posed the question as to how long such payments should be continued and suggested that a new justification had to be found for such payments, which would provide the political basis for maintaining them. Concerns were also expressed at the time in relation to equity considerations, especially in relation to the new Member States. The Commission responded with the introduction of redistributive payments and the concept of 'greening payments'. The latter were designed to attain objectives relating to the environment and climate change.

In response, the justification for greening payments has been challenged on the basis of a range of arguments, for example whether they are necessary to ensure farms comply with conditions relating to crop diversification, maintenance of permanent pastures and ecological focus areas (EFAs). These are areas which benefit the environment, improve biodiversity and maintain attractive landscapes (such as landscape features, buffer strips, afforested areas, fallow land, areas with nitrogen-fixing crops, etc. Since 2015, every farmer in the EU who claims a direct payment and has more than 15 hectares of arable land is obliged to establish an ecological focus area in 5% of this land. To some observers, the policy '...continues to experience a legitimacy crisis...'. In part this reflects the range of criticisms it receives in relation to issues concerning pollution, equity and value for money considerations.

Whether these types of arguments will be rehearsed again remains to be seen. They help to illustrate the diversity and depth of opinion which exist on the issue of direct payments. For anyone undertaking such an analysis, account needs to be taken of the position of each Member State and their respective attitudes to CAP expenditure and reform. An example is the assessment of decisions made by the Italian government to test the effectiveness and consistency of CAP Pillar I compared to its specific objectives based on experts’ evaluations. The analysis concluded that direct payment reform 2014-2020 will have specific impacts in Italy which include: (i) a slight but negative effect on farm incomes caused by both the decrease in the Italian budget for direct payments and the
regionalisation of direct aid; (ii) an improvement in farm competitiveness, 'increasingly influenced by a strong liberal and market-oriented approach...'; (iii) a positive impact on the agro-ecosystem due to the increased ecological area and a decrease in greenhouse gas emission. In the case of Bulgaria, a research study on the role of direct payments on farmers’ decisions indicates that farms growing field crops and those in the dairy sector are positively influenced by direct payments, as are decisions in relation to land enlargement and expansion.

**Greening**

The concept of greening, referred to earlier, has been seen by some observers as an important innovation in the CAP, representing a 'fundamental change' to its architecture. Introduced as a new policy instrument within Pillar I in the most recent reform, it is directed to the provision of environmental public goods, whereby payments, often referred to as 'green direct payments' are provided for 'agricultural practices beneficial for the climate and the environment'. The practices cover: (i) the maintenance of permanent grassland; (ii) crop diversification and (iii) maintaining an EFA (as defined above). Overall these measures account for 30% of direct payments in Pillar I.

Both during and after the negotiations in respect of the 2013 CAP reform, green payments have been the subject of interest and significant debate. Indeed, the drawing up of the greening measures, as one commentary notes, ‘took up a significant portion of the three years’ negotiation process between the Member States and the European Parliament’. A key purpose behind their introduction was to ensure that all EU farmers in receipt of support went beyond the requirements under cross compliance by delivering environmental and climate benefits as part of their agricultural activity. Commentators explain that the motive was to provide a substantial funding resource to support improved environmental management on all agricultural land in the EU. By so doing this could 'free up resources within Pillar 2 which could be spent to increase the ambition of agri-environment schemes...' As far as implementation is concerned, a number of studies and commentaries have been published on greening including a European Commission staff working document, issued in June 2016. The latter provides some preliminary conclusions based on the latest available information. The Commission has indicated that a more informed and thorough assessment of the environmental achievements of this scheme will be made in an evaluation scheduled for completion in 2017, with a first report on the performance of the CAP planned for the end of 2018. Together, these assessments highlight a wide range of issues, both positive and negative in nature, which are summarised in Table 1.

In terms of perceived strengths, the inclusion of environmental payments in Pillar I was seen as a 'significant strategic change in the philosophy and architecture of the CAP'. It recognised the role farmers could provide in the form of environmental 'public goods'. Set against this, evidence emerging from the Commission's own one year review of greening points to 'the wide area coverage of this instrument with the implication that the green direct payment scheme has potential to offer a significant positive environmental impact...'. Shortcomings identified in the review (see Table 1) indicate the need for simplification and improved consistency with other CAP environmental instruments, including better specification of what is required from farmers and national administrations.

Certain NGOs or other observers have voiced concerns over the CAP’s current greening measures. The European Environmental Bureau (EEB) co-funded two studies in 2015.
first examined the land use and ecological value of farmed landscape across 39 regions in 10 Member States. Undertaken by the German Institute for Agroecology and Biodiversity

Table 1 – Identified strengths and weaknesses of green direct payments

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<tr>
<th>Strengths and results to date</th>
<th>Weaknesses / perceived shortcomings</th>
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<tr>
<td>Designed to complement other CAP policy instruments</td>
<td>Perceived by some environmental groups for not being ambitious enough</td>
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<tr>
<td>Recognises the role of farmers contributing to environmental public goods</td>
<td>Costs on farmers – perceived as adding to costs of production</td>
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<tr>
<td>72 % of EU’s agricultural land area covered by at least one green direct payment obligation</td>
<td>Administrative complexity – for both farmers and national administrations</td>
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<tr>
<td>Large margin of decision to Member States in respect of ecological focus areas.</td>
<td>Negative perceptions in terms of effectiveness and efficiency as a policy instrument</td>
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<tr>
<td>Contribution to improving soil quality/Potential contribution to the protection of biodiversity</td>
<td>Possible impact on EU production potential, but a lack of data after one year of implementation.</td>
</tr>
<tr>
<td>Potential to have a considerable impact on a wide geographical area</td>
<td>Perceived by some environmental groups for not being ambitious enough</td>
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Source: Compiled and adapted by EPRS from recent studies and commentaries on green payments.

(IFAB), the study found that in 95 % of the arable landscapes analysed, low levels of biodiversity were found. The pollination potential of arable fields was found to be low. The second study examined how nine Member States, out of the 10 examined in the IFAB study, implemented EFAs. It concluded that 'it would appear that most countries have not implemented the EFA measure in a way that would maximise its environmental benefits. Instead the implementation choices tend to maximise opportunities to maintain the agricultural status quo by permitting those elements which allowed continued production ... often including crops that are of limited environmental value whilst also permitting fertiliser and plant protection products to be used...'. A critical analysis of the greening scheme is also provided in a separate paper presented at an international colloquium in February 2016. It identified a range of limitations which included: ‘unclear formulation of the chapters title, exemptions, practices, conflicting activities and the use of chemical inputs, equivalent practices, unclear justifications and definitions within the scheme ...’. The authors suggest that the regulation ‘imposes rules that might be in conflict with farmers’ decisions and values’. As a consequence, they argue, this might hamper the development of specific farming practices, designated by farmers, which are still beneficial for the environment but which are not included in the scheme.

In light of the differing views, one could expect to see further reflections on these issues in respect of the next CAP reform. Some commentators have already suggested a range of alternative approaches for greening, for example, through simplification or shifting greening measures to Pillar II; or redesigning the CAP as a ‘single integrated set of measures’. This will involve consideration of issues relating to policy design and delivery i.e. how best to deliver environmental outcomes in an administratively efficient and effective way.

Simplification

The current Commissioner for Agriculture and Rural Development stressed the importance of simplification from the outset of his tenure. A number of actions have already been taken, as noted in a January 2016 EPRS briefing on this issue. It suggested
that a major restructuring of the basic architecture of the CAP was unlikely to be put forward in the current programming period, but that a fine tuning or light review of certain of its elements might be anticipated. This has proved to be the case, in that 2016 has seen four waves of CAP simplification actions (see Table 2).

Table 2 – Summary of four waves of CAP simplification action

<table>
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<th>Sequence</th>
<th>Key elements</th>
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<tr>
<td>First Wave: March 2015</td>
<td>• Additional flexibility e.g. extension to deadline for direct payments, eligibility conditions for voluntary support payments</td>
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<tr>
<td>Second Wave: May 2015</td>
<td>• Changes to the integrated administration and control systems (IACs) including guidelines documents on ecological focus areas (EFAs)</td>
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| Third Wave: end 2015, beginning 2016 | • Further amendments to the IAC system for area related aid  
  • Amendments to support scheme for young farmers and voluntary coupled scheme  
  • A more proportionate system of administrative penalties including a 'yellow card' system  
  • Changes to implementing rules on rural development to simplify the publicity requirements for smaller beneficiaries |
| Fourth Wave: December 2015| • Comprehensive review of the greening arrangements leading to proposals for simplification                                                |
| Ongoing                   | • In the area of market support, existing Commission level acts will be consolidated from over 200 regulations to no more than 40.          |

Source: EPRS adaptation from European Commission.

A further series of measures have been included in the Omnibus Regulation covering the broader review of the operation of the Multiannual Financial Framework (MFF) 2014-2020, which was published by the Commission on 14 September 2016. These cover: (i) changes to the Rural Development Regulation 1305/2013 to provide a sector specific income stabilisation tool as well as (ii) simpler rules for accessing loans and other financial instruments; (iii) greater discretion to Member States to decide whether or not they wish to continue applying the existing definition of an 'active farmer'. The Commission is currently finalising a set of CAP simplification measures involving adjustments to secondary legislation on greening. It remains to be seen how effective the above simplification measures will be and to what extent simplification will become a reality.

Risk management

The question of risk management has generated considerable interest in light of the crisis facing the agricultural sector. A July 2016 EPRS briefing examined the current arrangements for risk management tools in the CAP which are included in Pillar II on rural development. It noted the small share of the CAP budget spent on risk management, representing only 2% of the Pillar II budget and 0.4% of the total CAP budget for 2014-2020. In evidence to the United Kingdom House of Lords EU Energy and Environment Sub-Committee on 20 January 2016, the European Commission noted that Member States were somewhat reluctant to programme risk management measures. An issue for the next CAP will be to consider what changes will be needed to improve the take-up of such instruments as well as the reasons for their low take up. Potentially this could involve examining the administrative arrangements for the scheme, and the pros and cons of the various options available for risk management.

A study undertaken for the European Parliament, published in March 2016, highlighted the lack of a harmonised EU approach to risk management. This study suggests that existing risk management instruments suffer from three main weaknesses which include:
a lack of a harmonised EU approach to risk management; the potential impact of funding such tools from Pillar II, which would result in a reduction in the money for other support measures; and the need to comply with strict WTO rules. In this regard it will be essential to know what might be the most effective mechanism for delivering such tools, whether through multi-annual budgeting based on Pillar II or annual budgeting based on Pillar I.

Further discussion on how insurance risk management instruments could be used to enable the agricultural sector to be more resilient took place at the Global Food Forum event held near Milan in October 2016, organised by Farm Europe. A case was presented for the repositioning of insurance risk management 'at the heart of the CAP'. Different types of agricultural insurance schemes such as crop yield insurance or revenue insurance were examined, as well as the use of mutual funds. The latter involve the creation of financial reserves based on participant contributions; in short, they are based on risk pooling. A variation on this involves the establishment of individual savings accounts making provision for precautionary savings which can offer a useful form of self-insurance. Potentially this could be of value to young farmers who wish to develop their farm business further, enabling them to cope better with unexpected downturns.

These instruments raise a series of important questions for CAP reform post-2020. For example, what would be the precise role of EU assistance in these matters? What possibilities could be developed to incentivise farmers to take out crop yield insurance and for insurance companies to provide the necessary cover? What implications would there be for the allocation of the CAP budget to direct payments compared to now if further support was to be provided for insurance risk management?

Rural development
Evidence is starting to emerge from the experience gained so far from the implementation of the EU’s rural development programmes (RDPs) which cover the period 2015 to 2020. A research study undertaken for the Parliament’s AGRI Committee and published in May 2016, indicates that, despite a range of positive findings, a number of 'potentially constraining developments' are identified, as summarised in Table 3. The study suggests that both the Commission and the Member States need to prioritise efforts to agree simpler approaches. It recommends that 'Parliament should work closely with the Commission and the Council to identify how best to “free up” aspects of the financial and procedural bureaucracy'.

Future orientation and architecture of the next CAP

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<th>Table 3 – Identified potential constraints on RDP implementation 2015-2020</th>
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<td>• Perceived increased complexity of the RDP framework and programming requirements;</td>
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<tr>
<td>• RDP being used as 'an income transfer instrument';</td>
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<tr>
<td>• Programme management decisions potentially influenced by considerations of ease of management;</td>
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<tr>
<td>• Pressure in some areas to focus spending on measures with easier spending capability and less burdensome procedures;</td>
</tr>
<tr>
<td>• Administrative and control issues potentially acting as a barrier to more effective and creative use of funds;</td>
</tr>
<tr>
<td>• Complex programming procedures and structure involving priorities and focus areas.</td>
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A July 2016 EPRS briefing highlighted the simple observation that the CAP is one of the EU’s oldest policies. The original objectives did not fully recognise the disparities which
exist across rural Europe. A series of CAP reforms has enabled a more explicit acknowledgement of and attention to rural development issues. At a rural development conference in Cork, Ireland, in September 2016, Commissioner Hogan underlined in his opening speech that that since the first Cork Declaration on rural development twenty years previously, rural development has become ‘an indispensable part of the CAP over the last 20 years...’. The issue of the balance between agriculture and rural development measures may be raised in future reform discussions. For example, some might consider that the financial resources available for Pillar I and Pillar II are too unevenly distributed. Recognising the contribution that rural development measures may make to cohesion objectives through the reduction of regional and by definition rural disparities also potentially raises a question of where rural development policy should sit. Some stakeholders have proposed that the second pillar of the CAP should be moved closer to cohesion policy. It remains to be seen whether this issue carries any traction in the future. A further question concerns the orientation and architecture of the CAP post-2020.

A distinguishing feature of all previous reforms has been their impact on the architecture of the CAP in terms of its structure and its subsequent translation into measures or instruments. A key issue will be how the next CAP will be structured, if the existing structure is to be maintained or whether a revised structure might emerge and if so, what orientation it will take. As indicated earlier, the last reform was the most market oriented reform to date. Market intervention measures are seen as a form of ‘safety net’ for farmers triggered only during periods of market disturbance or crisis. That said, some stakeholders are asking for more specific tools that are potentially more suited to coping with price volatility. This is reflected in the interest in the potential offered by risk management tools.

**European Parliament**

The last CAP reform was the first one to be approved by Parliament as co-legislator. According to a Parliamentary study (2014), more than half of the Parliament’s amendments on the most sensitive issues of the 2013 reform were incorporated in the final texts. Subsequently, the Parliament has contributed to a continuing debate on the future of the agricultural sector and the rural economy. The Committee on Agriculture and Rural Development has played an important role in highlighting the impact of the crisis on EU farmers, and in identifying challenges – and potential solutions – for the agriculture sector, including via its range of 'own initiative' reports. In the case of the latter, these have included reports on technological solutions for sustainable agriculture; the role of innovation in future European farm management as well as on ways in which the CAP can improve job creation in rural areas and on CAP tools to reduce price volatility. It will continue to undertake scrutiny of the Commission’s proposals, including outputs from the work on simplification and modernisation of the CAP as announced in the European Commission work programme published on 25 October 2016. On 8 November 2016, a workshop on ‘reflections on the agricultural challenges post-2020 in the EU: preparing for the next CAP reform’ covered themes relating, inter alia, to the future of direct payments, market measures and risk management schemes and the future of rural development policy.

**Advisory committees**

Both the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) have a continuing interest in CAP reform. In the case of the EESC, it has indicated that it wants to be pro-active in preparing for the CAP reform post-2020. It is preparing an own-initiative opinion about the main factors influencing the future CAP,
such as sustainable agricultural production, food security, rural development, climate change. Its adoption is expected for the plenary session of 14-15 December 2016. In its opinion on CAP simplification issued in October 2015, CoR indicated its intention to formulate not only short term proposals to improve the current CAP, but also to launch discussions on the future of the CAP post-2020. It also called for more consistency and complementarity between CAP and other EU policies, such as environmental policy. The opinion suggests that post-2020, one 'ideal scenario' could be an EU policy instrument focused on supporting food production, another to deliver sustainable development, and a third to empower rural communities to diversify away from production. In November 2016, both the EESC and the CoR underlined their commitment to more vibrant rural areas at a joint conference on balanced territorial development.

**Outlook**

It is important to recall that the discussions on the CAP reform process and the policy's overall architecture are embedded in the wider context of the debate about the next EU MFF post-2020. It remains to be seen whether the general trend of a gradual reduction in agricultural and rural development spending in the EU budget (36 % of the EU budget in 2020) will continue. As co-legislator, Parliament’s position on the next MFF will be of clear importance. An indicative timeframe of a possible sequence of steps in relation to the mid-term review of the current MFF and the Commission’s work and consultation on simplification and modernisation of the CAP is provided in Table 4. In the case of simplification, this could be taken to refer to the current programming period, while the reference to modernisation implies longer term thinking.

**Table 4 – One possible indicative timetable of steps towards CAP Reform post-2020**

| 2016: | Follow up to report of the Agricultural Markets Taskforce |
| 2017: | First part of 2017: Consultation on simplification and modernisation of CAP |
| | Second half 2017: Possible presentation of CAP post-2020 policy options |
| | Review exercise CAP 2014-2020 on specific policy issues |
| | Multiannual Financial Framework (MFF) 2014-2020 review/revision |
| December 2017: | Deadline for presentation of a new MFF post-2020 |
| 2018: | Possible proposals from the Commission on CAP post-2020 |

Source: EPRS adaptation from 2017 European Commission Work Programme.

**Main references**


**Endnotes**

1 These include: Implementation of the first pillar of the CAP 2014 – 2020 in the EU Member States, Annexes, 2015; Research for AGRI Committee – State of play of risk management tools implemented by Member States during the period 2014-2020, National and European Frameworks, 2016.
2 See also current CAP objectives outlined in Article 110 (2) of Regulation (EU) 1306/2013.
4 See Study on employment, growth and innovation in rural areas, SEGIRA, 2010.
5 See T. Haniotis, 2011.
10 See 'Learning the lessons of the Greening of the CAP', op. cit.
11 Cross-compliance is a mechanism that links direct payments to compliance by farmers with basic standards concerning the environment, food and safety, animal and plant health and animal welfare, including the requirement of maintaining land in good agricultural and environmental condition.
12 See 'Learning the lessons of the Greening of the CAP', op. cit. Member States were given a wide range of discretion for implementing these measures. They could adopt the 'standard' version of the measures as outlined in the CAP regulations, or opt for 'equivalent practices'. (The latter are similar practices which yield an equivalent or higher level of benefit for the climate and the environment.)
14 See 'Green direct payments: implementation choices of nine Member States and their environmental implications', op. cit. p. 3.
15 See 'Green direct payments: implementation choices of nine Member States and their environmental implications', op. cit.
17 See 'Learning the lessons of the Greening of the CAP', op. cit., p. iii.
18 The Omnibus Regulation is a comprehensive act that contains changes to the main EU funds, including the CAP.
19 Some Member States argued that rural economy measures should form part of Cohesion Policy. (See the 'Barca Report' published in 2009).

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