Towards the Common Agricultural Policy beyond 2020: comparing the reform package with the current regulations

SUMMARY

This briefing note is written by the Policy Department for Structural and Cohesion Policies for the European Parliament’s Agricultural and Rural Development committee (AGRI Committee). The main purpose of the paper is to facilitate the legislative work of MEPs relating to the next reform of the CAP. The paper could additionally serve to explore and discuss the CAP proposals put forward by academics and stakeholders.

Six dashboards set out how the CAP reform package (2021/2027) proposed by the European Commission on 1st June 2018 compares with the current CAP (2014/2020) regulations on a topic-by-topic basis.

The briefing note also offers some comments on the main elements of the legislative proposals in order to help the MEPs with their response to the Commission’s package. These comments are substantially based on the resolutions previously adopted by the Plenary of the European Parliament. Additional comments are also provided of a technical and explanatory nature. The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament.

The paper is structured in five sections:

♦ The CAP reform package;
♦ A changing background;
♦ Specific features of the next CAP reform;
♦ The longer road towards the CAP beyond 2020: EP building blocks;
♦ Comparing the CAP reform package with the current regulation: Dashboards.
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1. The CAP reform package

On 1st June 2018 the European Commission unveiled its proposals on the future of the Common Agricultural Policy (CAP). This reform package includes three legislative projects:

- Proposal for a Regulation on support for Strategic Plans to be drawn by Member States under the Common Agricultural Policy (COM (2018) 392, legal text and annexes) covering the architecture and rules of Strategic Plans as well as the types of interventions to be implemented by Member States (direct payments, rural development measures and sectoral programmes). This proposal repeals Regulations (EU) No 1305/2013 (support for rural development by the EAFRD) and (EU) No 1307/2013 (direct payments);

- Proposal for a Regulation on the financing, management and monitoring of the CAP (COM (2018) 393, legal text and annex) repealing Regulation (EU) No 1306/2013 (current Horizontal Regulation - HZR);

- Proposal for a Regulation (COM (2018) 394) amending
  - Regulation (EU) No 1308/2013 establishing a common market organisation of the markets in agricultural products (CMO);
  - Regulation ((EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs;
  - Regulation (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products;
  - Regulation (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union; and
  - Regulation (EU) No 229/2013 laying down specific measures for agriculture in favour of the smaller Aegean Islands.

Box 1 presents the legal framework of the current CAP affected by the above legislative proposals.

2. A changing background

The latest reform of the CAP was decided in 2013 and implemented in 2015. The negotiating process was carried out in the midst of the economic crisis. Since then, the context in which the reform was adopted has shifted significantly. In particular,

- The Euro crisis and the global recession ended but their socio-economic scars remain at the micro and macro levels (income inequality, unemployment, current account imbalances, stocks of public and corporate debt, worsening of the basic services of the Welfare State, etc). Although the legacy of the economic crisis differs from country by country, it is affecting the political responses and, consequently, the dynamics of growth and employment of the EU as a whole;

- Agricultural markets uncertainty has increased making long-term planning for the sector more challenging. This is due notably to macroeconomic factors affecting price volatility (i.e. evolution of inflation, energy prices, interest rates or exchange rates, etc.), global demand and trade (i.e. the impact of the recent spike of the dollar rate on the emerging economies). Geopolitical developments have also had an impact on the agri-food chain development (i.e. the growing political weight of China, the crisis of the traditional transatlantic partnership US - EU under the Trump's administration, migration and refugee pressures, terrorism, and/or the emergence of populism and euroscepticism in growing layers of European society);
Box 1: Legal framework of current CAP affected by the CAP reform package beyond 2020

RURAL DEVELOPMENT POLICY

**Basic acts:** Regulations (EU) No 1303/2013 and No 1305/2013 (this one amended by Regulation (EU) No 2017/2393, currently named ‘Omnibus Regulation’)

**Main Commission delegated acts:** Regulations (EU) No 240/2014, No 480/2014, No 640/2014 and No 807/2014 and No 2016/142

**EC web page:** rural development 2014/2020

HORIZONTAL ISSUES

**Basic act:** Regulation (EU) No 1306/2013, amended by Regulations (EU) No 2016/791 (school schemes) and No 2017/2393 (‘Omnibus Regulation’)


**EC/agri web page:** agriculture and environment; agriculture and biodiversity; agriculture and nitrates; agriculture and water; agriculture and pesticides; cross compliance; IACS; FAS (Farm Advisory System)

DIRECT SUPPORT

**Basic act:** Regulation (EU) No 1307/2013, amended by Regulation (EU) No 2017/2393 (‘Omnibus Regulation’)


**EC web page:** direct payments; greening

COMMON MARKET ORGANISATION (CMO)

**Basic act:** Regulation (EU) No 1308/2013, amended by Regulations (EU) No 2016/791 (school schemes) and No 2017/2393 (‘Omnibus Regulation’)


**EC web page:** agricultural markets

QUALITY SCHEMES FOR AGRICULTURAL PRODUCTS

**Basic act:** Regulation (EU) No 1151/2012

**Main Commission delegated acts:** Regulations (EU) No 664/2014 and No 665/2014.

**EC web page:** legislation; optional quality schemes

AROMATISED WINE PRODUCTS

**Basic act:** Regulation (EU) No 251/2014

**Main Commission delegated acts:** Regulation (EU) No 2017/670

**EC web page:** legislation

AGRICULTURE IN THE OUTERMOST REGIONS AND SMALLER AEGEAN ISLANDS

**Basic acts:** Regulations (EU) No 228/2013 and No 229/2013

**Main Commission delegated acts:** Regulations (EU) No 178/2014 and No 179/2014

**EC web page:** POSEI programmes and specific measures in favour Aegean Islands; regional policy

PROMOTION

**Basic act:** Regulation (EU) No 1144/2014

**EC web page:** promotion of agricultural products

FINANCIAL REGULATION

**Basic act:** Regulation (EU) No 2018/1046
Protectionism and trade conflicts have also increased (i.e. Russian embargo, on-going US - EU tariffs dispute) while the emphasis of trade talks has moved from multilateral to bilateral deals and from domestic policies to market access;

Global challenges such as climate change and sustainable development have become more prevalent, accompanied by the entry into force of new international commitments (Paris agreement - COP 21 and UN’s Sustainable Development Goals - SDGs);

Technological development, in particular the digital revolution, increasing connectivity, new production methods (through precision farming, automation of agricultural activity, drones, etc.), retail innovations (online shopping) and policy monitoring tools; and, last but not least,

Brexit and the on-going institutional reflections on the future of the EU-27 (following the so-called ‘Bratislava roadmap’).

3. Specific features of the next CAP reform

In addition to the different economic and political background, this CAP reform is characterised by some specific elements related to

• significant cuts to the EU-27 CAP funding as proposed in the MFF 2021/2027;
• the Commission’s approach to the reform, focusing on the CAP governance issues through a ‘new delivery model’; and
• the schedule for adopting the new CAP regulations.

3.1. A restrictive budgetary framework

The CAP reform process will be influenced by the outcome of the Brexit negotiations and the debates on the new EU budget beyond 2020. At the beginning of May 2018, the Commission presented its proposals for the next Multiannual Financial Framework (MFF) 2021/2027 which would see the bloc’s finances rise to EUR 1 275 billion in commitments in current prices (or 1.11% of the gross national income - GNI - of the EU-27 Member States) (Table 1 - 4.D).

Any comparison between the MFF 2021/2027 and the current MFF depends on whether the calculation is in current prices (Table 1) or in constant prices (Table 2), as well as the point of reference chosen (total allocations for the period 2014/2020 or for the last year of the current budget). In order to achieve an appropriate comparative basis for the proposal for a Union of 27 Member States, the Commission has estimated a ‘virtual’ MFF 2014/2020 for the EU-27 by deducting expenditure allocated to the United Kingdom (Tables 1 and 2 - columns C). The Commission has also estimated a ‘baseline allocation’ calculated as the 2020 EU budget multiplied sevenfold and deducting the predefined allocations to the United Kingdom (Tables 1 and 2, column B).

Table 1: CAP sub ceilings in the MFF (commitments in millions – current prices)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. EAGF</td>
<td>302 797</td>
<td>284 803</td>
<td>280 351</td>
<td>286 195</td>
<td>0.5%</td>
<td>2%</td>
</tr>
<tr>
<td>2. EAFRD</td>
<td>100 273</td>
<td>97 670</td>
<td>95 078</td>
<td>78 811</td>
<td>-19%</td>
<td>-17%</td>
</tr>
<tr>
<td>3. TOTAL CAP</td>
<td>403 070</td>
<td>382 473</td>
<td>375 429</td>
<td>365 005</td>
<td>-5%</td>
<td>-3%</td>
</tr>
<tr>
<td>4. TOTAL MFF</td>
<td>1 115 919</td>
<td>1 151 866</td>
<td>1 063 101</td>
<td>1 279 408</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>5. % CAP (3/4)</td>
<td>36.1%</td>
<td>33.2%</td>
<td>35.3%</td>
<td>28.5%</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: European Commission (DG AGRI) and European Parliament (Secretariat of the Committee on Budgets).
The Commission's proposal of MFF 2021/2027 includes EUR 365 billion for the CAP in current prices (Table 1 - 3.D) and EUR 324.2 billion in 2018 constant prices (Table 2 - 3.D). Compared to the total EU-27 2014/2020 envelope, the proposed CAP allocation would imply a reduction by 3% in current prices (Table 1 – 3.F) and 15% in constant prices (Table 2 – 3.F). Compared to the EU-27 allocations in 2020 multiplied by 7 to reflect the total envelope for the MFF, the Commission’s proposal would represent a reduction of the CAP envelope by 5% in current prices (Table 1 – 3.E) and 12% in constant prices (Table 2 – 3.E).

The share of the European Union budget accounted for by agricultural spending has been steadily declining in recent years. Whereas the CAP represented 66% of the Community budget in the early 1980's, it accounts for just 36.1% of it in the 2014/2020 period (Tables 1 and 2 – 5A) and it is expected to taper off to 28.5% in the next MFF period (Tables 1 and 2 - 5.D).

Since 1992, the date of the first significant overhaul of the CAP and the substantial increase in the volume of direct aid, agricultural expenditure remained stable in real terms, apart from in 1996 and 1997 (as a result of the BSE crisis and the accession of three new Member States). Between 1990 and 2027, therefore, the budgetary cost of the CAP, when set against EU gross national income (GNI), will have decreased from 0.54% to an expected 0.31% according to the Commission’s MFF proposals. The CAP budget has never suffered such an overall reduction in any of the previous reforms. The explanation lies in the cumulative effect of Brexit and in the need to finance the new challenges facing the EU.

### Table 2: CAP sub ceilings in the MFF (commitments in millions - constant 2018 prices) (*)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. EAGF</td>
<td>309 064</td>
<td>273 743</td>
<td>286 143</td>
<td>-7%</td>
<td>-11%</td>
</tr>
<tr>
<td>2. EAFRD</td>
<td>102 004</td>
<td>93 877</td>
<td>96 712</td>
<td>-25%</td>
<td>-28%</td>
</tr>
<tr>
<td>3. TOTAL CAP</td>
<td>411 068</td>
<td>367 621</td>
<td>382 855</td>
<td>-12%</td>
<td>-15%</td>
</tr>
<tr>
<td>4. TOTAL MFF</td>
<td>1 136 105</td>
<td>1 107 138</td>
<td>1 082 320</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>5. % CAP (3/4)</td>
<td>36.1%</td>
<td>33.2%</td>
<td>35.3%</td>
<td>28.5%</td>
<td>--</td>
</tr>
</tbody>
</table>

(*) The transformation from current in constant prices has been undertaken using the fixed 2% annual deflator foreseen in the current MFF, and proposed in Article 5(2) of the MFF Regulation for the period 20121/2027.

Source: European Commission (DG AGRI) and European Parliament (Secretariat of the Committee on Budgets).

However, the impact of these cuts on CAP pillars would be completely different. The EU funding for the European Agricultural Fund for Rural Development (EAFRD) would be reduced by around 17-19% to EUR 78.811 billion for the next seven-year period in current prices (Table 1 – 2.E and F), equivalent to around 25-28% in real terms (Table 2 – 2.E and F). In line with what is foreseen for the European Structural and Investment Funds (ESIF) and in a bid to generate savings, the Commission is seeking a 10-point reduction in EU cofinancing rates. In fact, the Commission is inviting the Member States to increase their cofinancing contribution to their rural development programmes in order to ensure that public support to rural areas remain largely unchanged. Under the rules outlined in the MFF post 2020, this option is feasible. Alternatively, Member States have two ways to make up these cuts. The first option to restore part of the lost rural development funding could be to transfer funds between pillars and/or to improve the selectivity targeting / capping of direct payments. The second option would be to revise the MFF upwards to at least 1.3% of EU GNI. This scenario is theoretically possible but extremely unlikely. Furthermore, it is far from certain that raising the national contributions to the Union’s budget would result in a substantial increase in the CAP budget.
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Table 3: EAGF expenditure (Pillar 1) (in millions - in current prices)

<table>
<thead>
<tr>
<th></th>
<th>Total amount 2021/2027</th>
<th>Adjustment and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MFF - EAGF subceiling</td>
<td>286 195</td>
<td></td>
</tr>
<tr>
<td>2. Assigned revenue (*)</td>
<td>1 160</td>
<td></td>
</tr>
<tr>
<td>3. Total available for EAGF expenditure (1)+(2)</td>
<td>287 355</td>
<td>Global adjustment (-3.9%) excepting apiculture (+70%) and F &amp; V POs (**)</td>
</tr>
<tr>
<td>3.b. Market-related expenditure</td>
<td>19 870</td>
<td>% of the VMP. Art. 46(2) COM (2018) 392</td>
</tr>
<tr>
<td>Sectoral interventions under CAP Plan</td>
<td></td>
<td>Art. 82(4) COM (2018) 392</td>
</tr>
<tr>
<td>Wine sector</td>
<td>7 427.3</td>
<td>Arts. 63 &amp; 82(6) COM (2018) 392</td>
</tr>
<tr>
<td>Fruit &amp; Vegetables sector</td>
<td>6 630.7</td>
<td></td>
</tr>
<tr>
<td>Apiculture</td>
<td>420.0</td>
<td>UK envelope deducted. Art. 23a CMO</td>
</tr>
<tr>
<td>Olive oil sector</td>
<td>320.7</td>
<td>Regulation (EU) No 1144/2014</td>
</tr>
<tr>
<td>Hops sector</td>
<td>15.3</td>
<td>Arts. 4 &amp; 5 COM (2018) 394</td>
</tr>
<tr>
<td>Other sectors</td>
<td>(Up to 3% DP)</td>
<td>Source: European Commission (DG AGRI)</td>
</tr>
<tr>
<td>Market related expenditure outside the CAP plan</td>
<td>4 468</td>
<td></td>
</tr>
<tr>
<td>Direct payments outside the CAP plan</td>
<td>2 949</td>
<td></td>
</tr>
<tr>
<td>School schemes</td>
<td>1 545.6</td>
<td>(At least EUR 400 million from DP envelopes). Art. 14 COM (2018) 393.</td>
</tr>
<tr>
<td>Promotion</td>
<td>1 345.4</td>
<td></td>
</tr>
<tr>
<td>Support POSEI and SAI</td>
<td>4 554.4</td>
<td></td>
</tr>
<tr>
<td>Reserve for crises (safety net and exceptional measures)</td>
<td>No assumption</td>
<td></td>
</tr>
</tbody>
</table>

(*) ‘Assigned revenue’ would include the recovery of funds from the CAP as well as the fresh carry-overs of those recoveries. The legal basis for each assigned revenue item is indicated in each budget line (see Art. 21 of current Financial Regulation).

(**) The Union financial assistance to fruit and vegetables programmes would be limited to a percentage of the value of the marketed production (VMP) of producer organisations (F & V POs). The European Commission assumes an evolution by 2.6% of this indicator.

In stark contrast to the EAFRD’s treatment, the European Agricultural Guarantee Fund (EAGF) amounts maintain a relatively stable profile: Pillar 1 has a slightly increasing profile in current prices (0.5 - 2%) (Table 1 – 1.E and F) and a limited cut in constant prices (7-11%, equivalent to nearly half of EAFRD reduction) (Table 2 – 1.E and F). In fact, the EAGF reduction would be less than the MFF commitment appropriations proposed because the so-called ‘assigned revenue’ would be available to cover a part of the budgetary needs of the Pillar 1. The expected ‘assigned revenue’ amounts to EUR 1 160 million for the 2021/2027 period in current prices (which would be added to the MFF’s sub-ceiling of EUR 286 195 million) (Table 3 – 1 and 2). As a result, the total available for EAGF expenditure would amount to EUR 287 355 million in the 2021/2027 period (in current prices) (Table 3 – 3).
The sharp increase in direct support since 1992 has resulted in a corresponding fall in other EAGGF Guarantee Section/ EAGF expenditure. This situation would be maintained for the 2021/2027 period: 93% of the expenditure under the first pillar would consist of direct aid to farmers (Table 3 - 3a) divided into national envelopes (Table 4). The top EAGF expenditure item would be sectorial types of interventions under the CAP Plan (Table 3 – 3.b.1), followed by school schemes and promotion, outside the CAP Plan (Table 3 – 3.b.2).

Table 4: CAP allocations per Member State in millions (in constant 2018 prices)

<table>
<thead>
<tr>
<th>Member State</th>
<th>EAGF - Direct payments</th>
<th>EAGF – Market interventions</th>
<th>EAFRD – Rural Development</th>
<th>Total allocated</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria - AT</td>
<td>4 135,6</td>
<td>91,0</td>
<td>2 988,8</td>
<td>7 215,5</td>
<td>2.3%</td>
</tr>
<tr>
<td>Belgium - BE</td>
<td>3 020,8</td>
<td>2,6</td>
<td>417,9</td>
<td>3 441,3</td>
<td>1.1%</td>
</tr>
<tr>
<td>Bulgaria - BG</td>
<td>4 930,2</td>
<td>172,8</td>
<td>1 752,4</td>
<td>6 855,4</td>
<td>2.2%</td>
</tr>
<tr>
<td>Croatia - HR</td>
<td>2 207,7</td>
<td>76,7</td>
<td>1 750,1</td>
<td>4 034,5</td>
<td>1.3%</td>
</tr>
<tr>
<td>Czech Rep - CZ</td>
<td>5 218,2</td>
<td>44,0</td>
<td>1 609,7</td>
<td>6 871,9</td>
<td>2.2%</td>
</tr>
<tr>
<td>Cyprus - CY</td>
<td>290,8</td>
<td>28,8</td>
<td>99,5</td>
<td>419,1</td>
<td>0.1%</td>
</tr>
<tr>
<td>Denmark - DK</td>
<td>5 263,5</td>
<td>1,8</td>
<td>471,6</td>
<td>5 736,3</td>
<td>1.8%</td>
</tr>
<tr>
<td>Estonia - EE</td>
<td>1 102,4</td>
<td>0,9</td>
<td>546,6</td>
<td>1 650,0</td>
<td>0.5%</td>
</tr>
<tr>
<td>Finland - FI</td>
<td>3 169,0</td>
<td>1,2</td>
<td>1 816,6</td>
<td>4 986,8</td>
<td>1.6%</td>
</tr>
<tr>
<td>France - FR</td>
<td>44 464,1</td>
<td>3 385,1</td>
<td>7 522,4</td>
<td>55 371,6</td>
<td>17.5%</td>
</tr>
<tr>
<td>Germany - DE</td>
<td>30 003,0</td>
<td>263,5</td>
<td>6 185,0</td>
<td>36 424,5</td>
<td>11.5%</td>
</tr>
<tr>
<td>Greece - EL</td>
<td>12 668,8</td>
<td>391,0</td>
<td>3 170,0</td>
<td>16 229,8</td>
<td>5.1%</td>
</tr>
<tr>
<td>Hungary - HU</td>
<td>7 587,8</td>
<td>200,6</td>
<td>2 589,1</td>
<td>10 377,4</td>
<td>3.3%</td>
</tr>
<tr>
<td>Ireland - IE</td>
<td>7 240,5</td>
<td>0,4</td>
<td>1 646,4</td>
<td>8 887,3</td>
<td>2.8%</td>
</tr>
<tr>
<td>Italy - IT</td>
<td>22 146,8</td>
<td>2 262,1</td>
<td>7 902,2</td>
<td>32 311,1</td>
<td>10.2%</td>
</tr>
<tr>
<td>Latvia - LV</td>
<td>1 967,4</td>
<td>2,0</td>
<td>729,7</td>
<td>2 699,2</td>
<td>0.8%</td>
</tr>
<tr>
<td>Lithuania - LT</td>
<td>3 343,9</td>
<td>3,7</td>
<td>1 214,2</td>
<td>4 561,7</td>
<td>1.4%</td>
</tr>
<tr>
<td>Luxembourg - LU</td>
<td>199,9</td>
<td>0,2</td>
<td>76,5</td>
<td>276,5</td>
<td>0.1%</td>
</tr>
<tr>
<td>Malta - MT</td>
<td>28,0</td>
<td>0,1</td>
<td>75,9</td>
<td>104,1</td>
<td>0.1%</td>
</tr>
<tr>
<td>Netherlands- NL</td>
<td>4 378,5</td>
<td>1,8</td>
<td>455,0</td>
<td>4 835,4</td>
<td>1.5%</td>
</tr>
<tr>
<td>Poland - PL</td>
<td>18 859,5</td>
<td>31,3</td>
<td>8 198,2</td>
<td>27 089,8</td>
<td>8.6%</td>
</tr>
<tr>
<td>Portugal - PT</td>
<td>3 741,0</td>
<td>1 038,6</td>
<td>3 068,1</td>
<td>7 847,7</td>
<td>2.5%</td>
</tr>
<tr>
<td>Romania - RO</td>
<td>11 869,7</td>
<td>323,0</td>
<td>6 006,1</td>
<td>18 198,8</td>
<td>5.8%</td>
</tr>
<tr>
<td>Slovenia - SI</td>
<td>802,8</td>
<td>34,2</td>
<td>636,1</td>
<td>1 473,1</td>
<td>0.5%</td>
</tr>
<tr>
<td>Slovakia - SK</td>
<td>2 444,5</td>
<td>36,6</td>
<td>1 416,3</td>
<td>3 897,5</td>
<td>1.2%</td>
</tr>
<tr>
<td>Spain - ES</td>
<td>29 750,3</td>
<td>2 921,7</td>
<td>6 228,2</td>
<td>38 900,2</td>
<td>12.3%</td>
</tr>
<tr>
<td>Sweden - S</td>
<td>4 187,7</td>
<td>3,7</td>
<td>1 316,0</td>
<td>5 507,4</td>
<td>1.7%</td>
</tr>
<tr>
<td>TOTAL MS</td>
<td>235 022,2</td>
<td>11 319,4</td>
<td>69 861,7</td>
<td>316 203,3</td>
<td>100%</td>
</tr>
</tbody>
</table>

% expenditure allocated: 74,3% 3,6% 22,1% 100% --

Source: European Commission (DG AGRI).

As shown in Table 4, France would remain the largest CAP recipient (17.5%), followed by Spain (12.3%), Germany (11.5%), Italy (10.2%) and Poland (8.5%). As far as the EAFRD is concerned, however, Poland would be the top recipient (11.7%), followed by Italy (11.3%). and France (10.7%). It should be noted that the new Member States (EU -13) would account for a relatively small proportion of EAGF spending (25% of direct payments and market-related interventions). However, they would receive a significant share of EAFRD budget (38.1%), in accordance with the priority being given to the development of their agricultural and rural structures.

The European Parliament has deplored the fact that the MFF proposal leads directly to a reduction in the level of both the CAP and cohesion policy, of 15% and 10% respectively in real terms. MEPs are particularly opposed to the cuts proposed for the EAFRD (by more than 25%) (Point 5 of
Resolution of 30 May 2018 on the 2021-2027 Multiannual Financial Framework and own resources (see Box 2). Parliament also reconfirmed its firm position on the necessary level of funding for key EU policies in the 2021-2027 MFF. MEPs stressed in particular the call to maintain the financing of the CAP and cohesion policy for the EU-27 at least at the level of the 2014-2020 budget in real terms (Point 6 of Resolution of 30 May 2018 on the 2021-2027 Multiannual Financial Framework and own resources) (see Box 2).

Box 2: Main texts adopted by the European Parliament preparing the CAP post 2020

- European Parliament resolution of 30 May 2018 on the future of food and farming (Dorfman report on the EC Communication)
- European Parliament resolution of 30 May 2018 on the 2021/2027 Multiannual Financial Framework and own resources
- European Parliament resolution of 29 May 2018 on the implementation of CAP young farmers’ tools in the EU after the 2013 reform (Caputo report)
- European Parliament resolution of 3 May 2018 on the current situation and future prospects for the sheep and goat sectors in the EU (Herranz Garcia report)
- European Parliament resolution of 17 April 2018 on a European strategy for the promotion of protein crops – encouraging the production of protein and leguminous plants in the European agriculture sector (Denanot report)
- European Parliament resolution of 6 July 2017 on promoting cohesion and development in the outermost regions of the EU: implementation of Article 349 of the TFEU (Omarjee report)
- European Parliament resolution of 27 April 2017 on the state of play of farmland concentration in the EU: how to facilitate the access to land for farmers
- European Parliament resolution of 4 April 2017 on women and their roles in rural areas
- European Parliament resolution of 14 December 2016 on CAP tools to reduce price volatility in agricultural markets (Delahaye report)
- European Parliament resolution of 27 October 2016 on how the CAP can improve job creation in rural areas (Andrieu report)
- European Parliament resolution of 7 June 2016 on unfair trading practices in the food supply chain (Czesak report)
- European Parliament resolution of 7 June 2016 on enhancing innovation and economic development in future European farm management (Huitema report)
- European Parliament resolution of 12 April 2016 on the situation in the Mediterranean and the need for a holistic EU approach to migration

3.2. Priority given to adopting the new CAP delivery model

Due presumably to the Brexit and the consequent complex scenario arising from the CAP budgetary negotiations, the key focus of the CAP reform package are the governance issues (involving simplification and flexibility) and, in particular, the setting-up of the so-called ‘new delivery model’. This new model is meant to feature the following components:

- Member States (and/or Regions) designing their policy mix by means of a structured planning process against objectives and targets (CAP strategic plans);
- focusing the CAP towards performance and results;
- reshaping the CAP compliance set-up by cutting the link between the EU level and individual beneficiaries; and
- developing an assurance and audit model primarily based on Member States performance and respect of basic EU requirements.

The priority given by the European Commission to adopting the new delivery model is confirmed by the **limited scope of the instruments proposals**. Firstly, the future CAP retains both pillars. Secondly, despite the emphasis on the subsidiarity principle and on greater co-responsibility attributed to Member States under the new delivery model, the co-financing of direct payments is not quoted. Finally and most importantly, the changes proposed in respect of the CAP mechanisms are less than radical. As a consequence, there will be a significant amount of policy continuity.

It could be argued that even the most relevant changes related to specific mechanisms are potentially biased in favour of the *status quo*. As an example, the new ‘green architecture’ (involving conditionality, eco-schemes and environmental and climate management commitments) is in substance a simplified version of the current framework (involving cross-compliance, greening payment and agri-environmental measures). A further example relates to the sectorial programmes, transferred to in the CAP Regulation from the CMO and extended to other sectors, but copying the current fruit and vegetables format (operational programmes managed by producer organisations).

The vagueness of CAP proposals is particularly marked in terms of CMO interventions. It should be recalled that in the context of the deep and recurring crises of livestock markets, the European Commission set up an expert group in January 2016 (‘Agricultural Markets Task Force - AMTF’) with a view to improve the position of farmers in the food chain. Its final report was presented in November 2016 making suggestions on how to strengthen market transparency, how to incentivise access for farmers to financial instruments and risk management tools to hedge price volatility, to improve contractual relations within the chain and to develop legal possibilities for organising farmers’ collective actions. **It is not a minor paradox to be noted that the European Commission requested the Agricultural Markets Task Force (AMTF) to present a report with a view to improve the CMO framework while the CAP package does not include any substantial proposal in this field.** It should be acknowledged that, in order to offset this impression, the European Commission has presented a specific proposal on the unfair trading practices in food chain on 12 April 2018, before the CAP reform. In reality, this only confirms the priority given to the governance issues within the CAP reform package.

In the light of the AMFT recommendations, the Parliament made a number of specific amendments to the legislative proposal commonly referred to as ‘the Omnibus Regulation’, which was part of the mid-term review of the current MFF for 2014-2020. Legislators approved the new rules on the CAP in November 2017 which entered into force in January 2018 (Regulation (EU) No 2017/2393) (Box 1). The agreed rules aimed at simplifying the CAP, grant Member States more leeway in defining the ‘active farmers’ eligible for direct payments, improve young farmers’ support, extend plant varieties within the ‘Ecological Focus Areas’ (EFAs), boost farmers’ bargaining power and develop better tools to face market and production risks.

Given the wide-ranging nature of the Omnibus package reform and its recent entry into force, it could be implied that the European Commission considers the progress achieved with regard to the CAP instruments in the 2017 Omnibus reform is sufficient and consequently, the governance issues deserve top priority within the next CAP reform.

As a conclusion, it will be a significant shift in the way in which CAP interventions are programmed and managed. Member States will have more flexibility in how to use their funds and will be able to tailor-make their interventions. However, under the new CAP Strategic Plan framework the final policy model will depend on the ‘national tailoring’ of ‘classical interventions’. It remains to be seen whether the national policy roadmaps will be able to respond effectively to farmers’ concerns as well as those of the wider rural communities concerns and whether they will achieve EU environmental and climate-related objectives.
It should be remarked in this context that, following a request for association from the Committee on Environment, Public Health and Food Safety (ENVI) under Rule 54 of the Parliament’s Rules of Procedure and following consideration by the EP Conference of Presidents, ENVI committee was granted shared competence on the CAP reform legislative process. This reflects, a new emphasis on the environmental components contained in the CAP including the relevance of the climate dimension.

3.3. The schedule for adopting the next CAP reform

The on-going CAP reform process is distorted by two major factors in the forthcoming calendar of events, namely: the conclusions of the Brexit negotiations (in March 2019) and the EP elections (scheduled for May 2019).

The Commission is encouraging the colegislators to find an agreement on the MFF and CAP beyond 2020 before the end of the current parliamentary term. However, the achievement of this target is far from simple.

Firstly, given the budgetary relevance of the CAP, it is de facto impossible to adopt it before the MFF agreement (and the enclosed proposal of a new EU own-resources system). Secondly, it should be noted that the EP decision on the timing of the first-reading on the MFF proposals shall not be taken on an individual basis by the committees (including the AGRI committee). The EP Conference of Presidents will decide it based on a wider strategic approach at the appropriate time, taking into account any developments in the MFF negotiating process.

In this context, the European Council’s interferences on the Treaty’s legislative and budgetary procedures does nothing to help the MFF negotiating process. Traditionally, the Council does not clearly distinguish between financial negotiations and the CAP negotiations. Going back to the experience of the 2013 CAP reform, the Danish Presidency then created a so-called ‘Negotiating Box’, mixing topics of the MFF 2014/2020 with the financial provisions exclusively developed within the CAP proposals. The Negotiating Box was originally just an internal tool in order to find a budgetary compromise between the Member States. However, the European Council then imposed its own global agreement on the Agricultural Ministers and the same package was presented to the EP. Although the EP could open negotiations on the Council’s Negotiating Box related to CAP financial provisions through specific trialogs, this financial logic undermines the codecision procedure. The Council’s reluctance to respect budgetary and legislative powers of Parliament could be a source of deep concern in the on-going MFF negotiating process.

At this preliminary stage of the negotiating roadmap, it seems unlikely that colegislators could conclude the MFF and, consequently, the next CAP before the EP elections. If this assumption was confirmed, the European Parliament would have three possible alternative scenarios:

- the Plenary’s adoption in the first-reading of the CAP proposals before May 2019 (including a vote on amendments and the announcement by the President of the European Parliament that the first reading has been concluded);
- the adoption of the CAP amendments by the Plenary before the elections but referring them back to the AGRI Committee before the announcement that the first reading has been concluded by the President of the European Parliament; this review would be made by the new AGRI Committee in the autumn of 2019;
- the adoption of the CAP amendments by the AGRI Committee before May 2019 leaving the Plenary vote to a later stage.

This analysis suggest that the stage now reached, will lead to a phased CAP reform such as never been seen before. In fact, this ‘CAP reform in stages’ started with the milk package of November 2016, with the aim of reducing supply and helping Europe’s dairy farmers cope with the price crash that followed the abolition of quotas. The process of partial reforms continued with the Omnibus Regulation package, already mentioned, in 2017, with a view to adapting the CAP mechanisms. Potentially before of the end of the year colegislators may adopt the unfair trading practices in
the food chain proposal presented by the Commission in April 2018. Lastly, the MFF (CAP funding) for the period 2021/2027 and the CAP reform package could be adopted during the next parliamentary term. This last stage is normally devoted to the CAP governance issues outlined in the CAP proposals of June 2018. Colegislators could extend their scope to improving CAP mechanisms as was already the case with the Omnibus package.

### Box 3: Selected EP studies preparing the next CAP reform

**On the EC Communication of November 2017 and the CAP legislative proposals**


**On the CAP 2014-2020 implementation**

- Research for AGRI Committee - Young farmers - Policy implementation after the 2013 CAP reform, October 2017.
- Research for AGRI Committee - Programmes Implementing the 2015-2020 Rural Development Policy, May 2016.

**On the specific policy issues linked to the CAP**

- Research for AGRI Committee - The Consequences of Climate Change for EU Agriculture: Follow-Up to the COP21 UN Paris Climate Change Conference, February 2017.
- Research for AGRI Committee - Policy support for productivity vs. sustainability in EU agriculture: towards viable farming and green growth, January 2017.
- Overview of the Agricultural Inputs Sector in the EU, July 2015.
- Comparison of Farmers’ Incomes in the EU Member States, June 2015.
- The First CAP Reform under the Ordinary Legislative Procedure: A Political Economy Perspective, December 2014.
- Family Farming in Europe: Challenges and Prospects, April 2014.

### 4. The longer road towards the CAP beyond 2020: EP building blocks

The 2013 reform of the CAP was the first in which the European Parliament was involved as co-legislator. Building on this initial experience, Parliament will make sure that it plays a central role in the forthcoming reform. The EP has already adopted a large number of own-initiative reports on specific topics related to the CAP (Box 2).

The AGRI Committee also organised a specific workshop on the next CAP reform in October 2016 and commissioned studies on the state of play of the 2013 CAP instruments implemented by
Member States, the EC Communication on the ‘Future of Food and Farming’ as well as on different policy issues in order to facilitate the future legislative work of MEPs. Box 3 offers links to a selection of external studies published by the European Parliament since 2014 until 2018.

Other research initiatives will soon be published on the competition rules in agriculture (study to be presented to the AGRI Committee on 8 October 2018) and the CAP legislative proposals (Workshop to be held on 15 October 2018) (Box 3).


5. Comparing the CAP reform package with the current regulations: Dashboards

Six dashboards set out how the CAP reform package (2021/2027) proposed by the European Commission on 1st June 2018 compares with the current CAP (2014/2020) regulations, topic-by-topic:

- **DASHBOARD 1.** New Regulation establishing rules on support for ‘CAP Strategic Plans’ and repealing Regulations (EU) No 1305/2013 and 1307/2013 (pages 15 to 53);
- **DASHBOARD 2.** New Regulation on the financing, management and monitoring for the CAP and repealing Regulation (EU) No 1306/2013 (pages 55 to 68);
- **DASHBOARD 3.** Amending Common Market Organisation (pages 69 to 74);
- **DASHBOARD 4.** Amending quality schemes for agricultural products and foodstuffs (pages 75 to 77);
- **DASHBOARD 5.** Amending aromatised wine products framework (page 79); and
- **DASHBOARD 6.** Amending specific measures for agriculture in the outermost regions and smaller Aegean Islands (pages 81 and 82).

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Further information

This briefing is available in summary, with option to download the full text, at: [http://bit.ly/2Oz3jMO](http://bit.ly/2Oz3jMO)

More information on Policy Department research for AGRI: [https://research4committees.blog/agri/](https://research4committees.blog/agri/)

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Researchers: Albert MASSOT and Francois NEGRE
Editorial assistants: Catherine MORVAN and Adrienn BORKA
Contact: Poldep-cohesion@ep.europa.eu
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