

CAP strategic plans

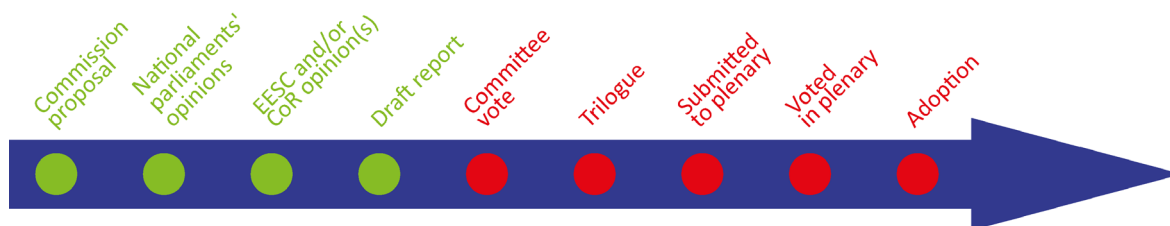
OVERVIEW

The Commission's legislative proposals on the future of the common agricultural policy (CAP) were published on 1 June 2018. They comprise three proposals: a regulation setting out rules on support for CAP strategic plans; a regulation on the single common market organisation (CMO) and a horizontal regulation on financing, managing and monitoring the CAP.

The proposal for a regulation on CAP strategic plans introduces a new delivery model, described by the Commission as a fundamental shift in the CAP, involving a shift from compliance towards results and performance. It includes a new distribution of responsibilities between the EU and Member States. A new planning process is proposed which will cover both Pillar I (direct payments) and Pillar II (rural development) of the CAP.

Proposal for a regulation of the European Parliament and of the Council establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP strategic plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council.

<i>Committee responsible:</i>	Agriculture and Rural Development (AGRI)	COM(2018) 392
<i>Rapporteur:</i>	Esther Herranz García (EPP, Spain)	1.6.2018
<i>Shadow rapporteurs:</i>	Maria Noichl (S&D, Germany) James Nicholson (ECR, UK) Jan Huitema (ALDE, the Netherlands) Luke Ming Flanagan (GUE/NGL, Ireland) Maria Heubuch (Greens/EFA, Germany) Martin Häusling (Greens/EFA, Germany) Bronis Ropė (Greens/EFA, Lithuania) Marco Zullo (EFDD, Italy) Angelo Ciocca (ENF, Italy)	2018/0216(COD) Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
<i>Next steps expected:</i>	Vote in committee	



Introduction

The common agricultural policy (CAP) was conceived in 1962 as a strategy to provide affordable food for European citizens and a fair standard of living for farmers. Since then it undergone successive reforms and incremental changes, culminating in the last reform in 2013 covering the 2014-2020 period (see [Overview of CAP Reform 2014-2020](#), European Commission). Since the last reform, significant changes have taken place in the context in which the EU's agricultural and rural development policy has to operate. These include (for example) issues such as the ageing farming population, market instability and price volatility, the challenges posed by climate change, and trends in trade negotiations towards bilateral trade deals, as well as the new international commitments that the EU has signed up to, covering climate change and the UN's Sustainable Development Goals (SDGs).

The Commission's proposals for a new regulation on CAP strategic plans reflects its intention to achieve real simplification through a new delivery model. This would give Member States the opportunity to come up with lighter and simpler CAP interventions.

Existing situation

Articles 38 to 44 and Annex I of the [Treaty on the Functioning of the European Union](#) (TFEU) set out the basic rules and objectives relating to the CAP. Article 39 sets out the CAP objectives, which are to: (i) increase agricultural productivity; (ii) ensure a fair standard of living for farmers; (iii) stabilise markets; (iv) ensure the availability of supplies; and (v) ensure reasonable prices for consumers. Articles 41 and 42 TFEU are dedicated to specific aspects of the CAP's implementation.

The CAP's current legal framework is principally governed by four EU regulations: (1) [Regulation \(EU\) No 1307/2013](#) covering direct payments to farmers; (ii) [Regulation \(EU\) No 1308/2013](#) establishing a common organisation of the markets in agricultural products; (iii) [Regulation \(EU\) No 1306/2013](#) covering horizontal issues such as the financing, management and monitoring of the CAP); and (iv) [Regulation \(EU\) No 1305/2013](#) dealing with rural development.

On the basis of its [proposals](#) for the multiannual financial framework (MFF) for 2021 to 2027, the Commission has put forward a new legislative framework for the CAP in this period. This takes the form of three regulations: the current legislative proposals for a regulation on [CAP strategic plans](#); a horizontal regulation on the financing, management and monitoring of the CAP; and a third covering a single common organisation of the markets (CMO regulation). The Commission's proposals for the 2021-2027 MFF includes €324 billion for the CAP in 2018 constant prices. This amounts to a cut in EU-27 CAP funding of 12 % in constant prices. The proposed regulation on [CAP strategic plans](#) will repeal Regulation (EU) No 1305/2013 and Regulation No 1307/2013.

Parliament's starting position

Parliament's position prior to the publication of the Commission's legislative proposals for reforming the CAP in the post 2020 period is evident in a [resolution](#) adopted in plenary session on 30 May 2018 on the future of food and farming. Drawn up in response to the Commission's communication on the future of food and farming issued at the end of November 2017, the resolution sets out Parliament's priorities for CAP reform. While welcoming the intention to simplify and modernise the CAP for the economic benefit of farmers and to meet citizens' expectations, the resolution considers that, in order to meet both the existing and new challenges regarding food security for European agriculture, the next multiannual financial framework (MFF) needs to increase or maintain the agricultural budget in constant euros. Expressing support for the maintenance of the existing two-pillar structure of the CAP,¹ the resolution rejected the 25 % cut in the rural development budget which was outlined by the European Commission in its [proposals](#) for the next MFF on 2 May 2018.

In reference to the Commission's new delivery model (where each Member State will establish a CAP strategic plan covering interventions under both Pillar I and Pillar II), the resolution calls on the Commission to present a clear and simple model of a national strategic plan to clarify the criteria against which such national strategies will be evaluated. Preference is also expressed for a more targeted support arrangement which would take account of the diversity of agricultural systems, especially small and medium family farms and young farmers. It considers that this can be achieved through a compulsory redistributive higher support rate for the first hectares of a holding linked to the average size of a holding in Member States. It stresses that support for larger farms should be degressive, reflecting economies of scale with mandatory capping to be decided at European level. In addition it believes it is essential to ensure that support is targeted towards genuine farmers (with a focus on those who are actively farming in order to earn a living).

A number of other recommendations are included in the resolution covering issues such as funding for agricultural crises, the uptake of innovative technologies, and revisions to the current greening measures. Parliament's resolution also stresses the need for a fair distribution of direct payments. Increased convergence of direct payments between Member States, it argues, can only be achieved if the budget is adequately increased.

Parliament's Committee on Agriculture and Rural Development (AGRI) organised an extraordinary meeting on 11 June 2018, at which Commissioner Phil Hogan presented the CAP legislative proposals.

Council starting position

Providing context for the current legislative proposal, the future of the CAP has been the subject of debates in Council. These are relevant as they cover a wide range of issues such as the CAP's added value, its key objectives, and the issue of subsidiarity, direct payments, environmental and climate action and rural development. The Bulgarian Presidency published its [conclusions](#) on the Commission's communication on the future of food and farming on 19 March 2018. In relation to the new CAP strategic plans, the conclusions, supported by 23 Member States, called for '... simple strategic plans, allowing for flexibility in their design and subsequent amendments'.

The current legislative proposal establishing rules on CAP strategic plans was discussed in the Agriculture and Fisheries Council on 18 June 2018 alongside the other proposals making up the CAP reform package post-2020. Ministers expressed concern about the cuts proposed by the Commission to the CAP budget in general and rural development in particular. The capacity of the new CAP to deliver genuine simplification for national authorities and farmers was also a matter for discussion.

Preparation of the proposal

The Commission's [2017 work programme](#) included provision for an exercise on the [modernisation and simplification](#) of the CAP. A public [consultation](#) exercise undertaken by the Commission provided insight into the views and expectations of a wide range of stakeholders in respect of agriculture, rural areas, and the future of the CAP. At the end of November 2017, the Commission issued its [communication](#) on the future of food and farming.

Alongside the publication of the Commission's three legislative proposals, the Commission published a [staff working document](#) containing its impact assessment (IA). [Annex 5](#) of the IA considered a range of [options](#) to test how the EU's CAP objectives could best be met. As the choice of CAP interventions which Member States are likely to choose is not yet known, the options considered by the Commission examined different ways in which the CAP objectives could be achieved. These included variations in terms of:

- environmental performance;
- the support that exists for targeting and re-distribution;

- variations in the balance between voluntary and mandatory (i.e. conditionality) approaches;
- differences in terms of the environmental ambitions of Member States, including their intentions to address climate challenges.

The following options were examined to test different sets of instruments:

Option 1: was termed an updated baseline. The baseline for the post-2020 period takes account of the fully phased-in envelopes by Member States and the distribution between direct payments and rural development as currently in place (i.e. after applying the flexibility between pillars). A 'post-Brexit baseline' for the EU-27 deducting UK pre-allocated envelopes and related contributions was developed.

Option 3a: where a stronger priority is given to the environment, rather than to economic sustainability, reflecting higher environmental ambitions.

Option 3b: where the environmental ambitions are lower but there is a strong focus on direct payment redistribution.

Option 4: where direct payments are better targeted and implementation of conditionality is more ambitious in order to improve the joint economic and environmental performance of the CAP as well as to address climate challenges.

Option 5: where there is a strong focus on small farms and the environment (through for example redistributing Pillar I support from larger to smaller farms) and where under Pillar II there is a greater availability of funds to promote job creation, knowledge, innovation through European Innovation Partnership (EIP) and LEADER projects.

As explained in the impact assessment (p. 29) these options were 'illustrative of different ways to achieve the [CAP] objectives more particularly in terms of environment-climate performance as well as for targeting and redistributing support...' In short, they help to illustrate the difficult trade-offs that arise from a policy which addresses so many diverse objectives. EPRS is preparing an initial appraisal of the Commission's impact assessment.

The changes the proposal would bring

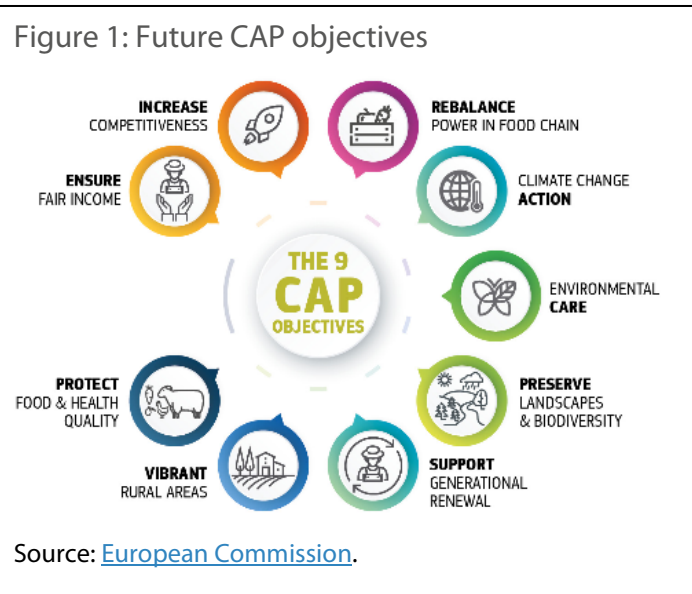
The Commission's legislative proposal published on 1 June 2018, sets out the CAP general objectives and specific objectives that have to be pursued through the interventions designed by Member States in their CAP strategic plans. The three general objectives as set out in the proposal are: (a) to foster a smart, resilient and diversified agriculture ensuring food security; (b) bolster environmental care and climate action and contribute to the environmental and climate related objectives of the Union; and (c) strengthen the socio-economic fabric of rural areas. Nine specific objectives are set for the future CAP summarised in figure 1 below.

Set within this context, the proposals make provision for:

- the development of a **new delivery model**, where each Member State will draw up a **CAP strategic plan** covering interventions planned under both CAP Pillars to meet quantified targets linked to EU level CAP objectives;
- a **new system of conditionality** replacing the current green architecture of the CAP, reflecting higher ambition on environmental and climate action;
- **better targeting of aid**, whereby direct payments will be targeted at small and medium sized farms and where a cap of €60 000 on individual payments is imposed and compulsory capping for payments above €100 000;
- **greater flexibility for Member States** in terms of transferring allocations between funds;
- a **performance and evaluation framework** based on a limited and targeted set of common indicators relating to output, result and impact;

- **complementary income support for young farmers** (where there is an obligation for Member States to allocate at least 2 % of their direct payment allocation to young farmers).

The Commission considers that the new delivery model represents a 'fundamental shift in the CAP', moving away from compliance with detailed EU-level rules towards placing more emphasis on achieving results ...'. This reflects an expectation that a single strategic planning process involving both pillars of the CAP will achieve complementarity and synergy between the two pillars. Such an approach represents a 'bigger change' for Pillar I than for Pillar II. This is explained by the observation in the Commission's [impact assessment](#) (p. 25) that the 'planning process' for both pillars will have a similarity with the process of drawing up and implementing rural development programmes in the current period.



Advisory committees

Both the European Committee of the Regions (CoR) and the European Economic and Social Committee (EESC) have considered the future of the CAP after 2020 in the form of earlier opinions and in an exchange of views with Parliament's AGRI committee held on 11 January 2018. The EESC established a study group of 21 members with John Bryan (Various interests – Group III, Ireland) to consider the Commission's CAP legislative proposals. An [Opinion](#) on the latter was adopted at the EESC plenary session on 17 October 2018. Whilst welcoming the new direction proposed for the CAP on subsidiarity, with greater responsibility and flexibility for Member States through the CAP strategic plans, the EESC is keen to ensure that the CAP remains a strong common policy across all Member States. It also expresses concerns that new proposals could increase rather than reduce the volume of bureaucratic burdens on farmers. The opinion also states that the proposed CAP strategic plans 'cannot allow Member States to renationalise markets or create barriers to or restrictions of fair competition in the single market'.

For its part, the Committee of the Regions is preparing an opinion on the Commission's legislative proposals (rapporteur: Guillaume Cros, France, PES). A Commission for Natural Resources [working document](#) makes the point that 'an excessive transfer of competences to the Member States would lead to a renationalisation of the CAP and distort competition. The Committee considers that the proposal would result in a transfer of power from the co-legislators (Parliament and the Council) to the Commission and national administrations.

National parliaments

The deadline for the submission of reasoned opinions in the grounds of subsidiarity from national parliaments was 24 September 2018. In a reasoned opinion, the French National Assembly stated its view that the CAP was a strategic investment for the future, that it should remain a basic policy and that it deemed the proposed decrease in budget allocated to the policy unacceptable.

Contributions were also received from three other Member States which reiterated concerns over the reduction in budget allocation, that there should be real simplification of the policy after 2020 and that the approval and amendment process for the strategic plans should be clarified.

Stakeholders' views²

A range of stakeholder perspectives on the future of the CAP over the post-2020 period were highlighted in a previous EPRS [briefing](#). These were based on their responses to the Commission's communication on the future of food and farming. Since the publication of the Commission's legislative proposals on the CAP, a number have issued press statements. The [World Wildlife Fund Europe](#) expressed its dismay that hardly any of its suggestions for the future CAP had materialised in the Commission's proposals. WWF had advocated a 'thorough reform of the existing system of subsidies in Pillar I and a reinforcement of rural development ...', which would have supported 'the transition to more sustainable farming and delivered benefits for nature'. With the coming of the new delivery model it fears that the necessary ambition and environmental performance will be lacking.

[Farm Europe](#) considers that the new package will result in a drop in European farmers' income and would lead European agriculture towards a massive restructuring causing the exit of many farmers. It considers that the Commission is proposing a 'strong renationalisation and bureaucratisation of the CAP ...'. Referring specifically to the new delivery mechanism, Farm Europe has indicated that Parliament and the Council of the EU (Agriculture Ministers) would be deprived of most of their prerogatives, as the Commission would have the power to validate all the choices each Member State would make in respect of both Pillar I and Pillar II.

[Copa and Cogeca](#) has indicated in a [press release](#) that '...it is crucial to ensure that there is no renationalisation of the CAP and it's backed up by a stronger budget'.

[EurEau](#), the European federation of water services has stated that the European Commission needs to deliver an agricultural policy that does not reward agricultural pollution. They argue that to truly protect water resources, the next CAP must create a strong link between environmental quality standards which are already established in EU policies and the payment for farmers when complying with them. Under the Commission's proposal, Member States will be responsible for implementing the CAP's national action plans. This includes Member States being responsible for deciding if payments should be made to farmers. It is their stated belief that payments to farmers should be conditional on their compliance with environmental protection practices. They fear that environmental protection is often sacrificed to meet agricultural needs and that by leaving the enforcement of the proposed CAP to Member States, agricultural needs will come before meeting environmental ones.

Legislative process

In Parliament, the Agriculture & Rural Development (AGRI) Committee is responsible for the file, where Esther Herranz Garcia (EPP, Spain) was appointed rapporteur. Following its request, the Committee on the Environment, Public Health and Food Safety (ENVI) is an associated committee under Rule 54, with Giovanni La Via (EPP, Italy) as rapporteur for the opinion. This association reflects a new emphasis on the environmental components contained in the CAP, including the relevance of the climate dimension.

The AGRI committee held an initial exchange of views on 9 July 2018. A representative from the Commission provided a presentation to the Committee on 30 August 2018 on the future CAP, covering issues concerning simplification and subsidiarity.³ As part of its preparatory work, the committee held a public meeting on 9 October 2018 on 'The future of the CAP'. Rapporteurs on the CAP from both the Committee of the Regions (CoR) and the European Economic and Social Committee (EESC) participated in this hearing. During the discussion, a number of members expressed a feeling that the CAP may lose its 'common dimension' with 27 strategic plans. Some members pointed to the need for a better balance between Member States in terms of direct payments and external convergence. A subsequent workshop requested by the AGRI committee entitled 'The CAP beyond 2020 – an appraisal of the Commission legislative proposals' was held on

15 October 2018. This included consideration of an independent [study](#) to assess the design of the new CAP strategic plans as proposed by the Commission.

The rapporteur's [draft report](#) was published on 29 October. Whilst acknowledging the need for the CAP to be more results driven, the report argues for the CAP budget to be kept at at least at the same level as during the current period. To avoid a renationalisation of the CAP, the draft stresses that the regulation must include a strong body of EU provisions to prevent the distortion of competition, ensuring non-discriminatory treatment for farmers throughout the EU. In terms of the targeting of income support to genuine farmers, the draft recommends that support to pluri-active farmers should not be precluded as their multiple activities often strengthen the socio-economic fabric of rural areas. The draft also includes an amendment that the CAP must expressly take into consideration the EU's equality policy, paying particular attention to the need to boost the participation of women in rural development, and that this should be taken into account by Member States in their strategic plans. This would include establishing a thematic sub-programme in favour of rural women within these plans. In light of the ageing of the agricultural population, and given the need to incentivise new farmers to join the sector, the draft report recommends that Member States should have the option of increasing the age limit from 40 to 45 years as the main eligibility requirement for support to young farmers. The draft report recognises that the intervention type entitled 'basic income support for sustainability' is the main support provided by the CAP for stabilising the income of farms. It recommends that a minimum of 70 % of the expenditure for Member States should be allocated to this form of support.

On the proposed CAP strategic plans, the draft report acknowledges that their design and management will not be easy. The draft indicates that the new model based on national strategic plans involves '...a dramatic paradigm shift within the CAP'. It would therefore postpone their implementation until 2023, to allow more time to draft the plans. Recognising the need to avoid any risk of interruptions in payments to farmers, an amendment is included for a transition period to make it possible to maintain the current support programmes until the strategic plans have been approved. In relation to the performance, monitoring and evaluation framework, the report recommends that these tasks must be established by a delegated act. It also removes the bonus for performance, as the new delivery model already provides for penalties for countries that do not meet established targets. Overall the draft report contains 448 amendments. It was discussed in the AGRI committee meeting of 21-22 November 2018. At this meeting, the Committee also received and discussed a presentation from the European Court of Auditors (ECA) on its [opinion](#)⁴ concerning the Commission's proposals for regulations relating to the CAP for the post 2020 period. The ECA's opinion criticises the proposals for the lack of a longer-term vision for EU agriculture, considers that while the case for EU environmental and climate change related actions is strong, the data and arguments used to support the needs assessment for farmers' income are insufficient. The opinion indicates that it is unclear how the Commission will check the strategic plans to ensure environmental and climate ambition. Whilst welcoming the Commission's ambition to move to a performance-based model, the ECA considers that the absence of 'clear, specific and quantified EU objectives' means that the achievement of EU objectives cannot be measured.

Following discussion of the Commission's proposal at the Agriculture and Fisheries Council meeting on 18 June 2018, a public exchange of views was held on 16 July 2018 on the CAP reform proposals. Whilst welcoming in general the elements of simplification and subsidiarity, some Ministers took the opportunity to reiterate concerns about possible additional administrative burden and costs associated with the proposed new delivery model. A [progress report](#) on the work carried out in Council on the CAP strategic plans was drawn up by the Austrian Presidency for discussion in public session for the Agriculture and Fisheries Council meeting on 15 October 2018. This summarised the key comments and questions raised by the Council's Working Party on Horizontal Agricultural Questions. Ministers were invited to consider a number of questions, such as the extent to which the proposals provide sufficient flexibility for Member States, while ensuring a level playing field;

whether there was further scope for simplification; and in relation to the new greening architecture, the proportionality and appropriateness of the proposed instruments.

EP SUPPORTING ANALYSIS

McEldowney, J., [CAP reform post-2020 - Setting the scene](#), EPRS, European Parliament, May 2018.

[Towards the CAP post 2020 – Appraisal of the EC Communication on 'The Future of Food and Farming' of 29 November 2017](#), Policy Department for Structural and Cohesion Policies, European Parliament, May 2018.

[The CAP Strategic Plans beyond 2020: appraisal of the EC legislative proposals](#), Policy Department for Structural and Cohesion Policies, European Parliament, October 2018.

OTHER SOURCES

[Support for strategic plans to be drawn up by Member States under the Common Agricultural Policy \(CAP strategic plans\)](#), EP Legislative Observatory, European Parliament.

Council of the European Union, [Outcome of the Council Meeting Agriculture and Fisheries](#), Luxembourg, 15 October 2018 and [Presidency Progress Report](#), 10 October 2018.

ENDNOTES

- ¹ The first pillar (Pillar I) includes direct payments (i.e. annual payments to farmers to help stabilise farm revenues) and market measures (to tackle specific market situations and to support trade promotion). The second pillar (Pillar II) covers rural development policy.
- ² This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.
- ³ At its [meeting](#) on 29 August 2018, the AGRI committee agreed to request an opinion from the European Parliament's Legal Service regarding the implications of the proposed new delivery model on (i) the institutional prerogatives of Parliament in the decision-making process in the field of agricultural policy, and (ii) on the appropriate use of delegated and implementing acts in the CAP proposals adopted by the Commission.
- ⁴ The Court of Auditors' opinion is based on Article 287(4), Treaty on the Functioning of the European Union, following requests by the Commission on 1 June 2018 and the European Parliament on 11 June 2018.

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