Agriculture

SUMMARY

The common agricultural policy (CAP) is one of the oldest common policies in the EU. Its significance is reflected in the proportion of the EU's budget devoted to it, representing approximately 40% of the total. Developed at a time when Europe was unable to meet most of its own food needs, it was necessary to encourage farmers to produce food by means of guaranteed prices. The policy has undergone regular reform and has evolved over the years. These reforms have sought to improve the competitiveness of the agricultural sector, promote rural development and address new challenges in areas such as the environment and climate change.

Evidence from a series of Eurobarometer surveys indicates how EU citizens have a high level of awareness of this policy area. There is a recognition that it is succeeding in meeting citizens' expectations in terms of delivering healthy high-quality food as well as contributing to the protection of the environment.

When it comes to agriculture, Parliament's eighth term has focused on taking forward not only implementation of the last CAP reform in 2013 but also a series of significant legislative achievements. The areas covered include, for example, animal health, plant health and the organic sector, as well as a range of policy-related simplification measures that entered into force on 1 January 2018. On the non-legislative front, Parliament has pursued its scrutiny role rigorously.

Looking to the future, there are still a number of substantial issues for the current Parliament to address. These include determining in co-decision with the Council the future policy direction of the CAP for the post-2020 period, negotiations over the next multiannual financial framework (MFF) including the overall budgetary allocation for the next CAP, and the associated legislative framework.

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State of play

The common agricultural policy (CAP) is often recognised as being one of the EU's oldest policies and is viewed as an important common policy for all the countries of the EU. As such, it is managed and funded at European level from the resources of the EU’s budget. It was created at a time when Europe had difficulty meeting most of its own food needs. The policy was designed to encourage farmers to produce food by guaranteeing internal prices and incomes.

Approximately 38% of the EU budget is spent on agriculture and rural development. This money finances income support for farmers in the form of direct payments, measures to promote rural development and market measures, where the EU can take measures to deal with difficult market situations such as a sudden drop in prices. In the case of direct payments, they can remunerate farmers for environmentally-friendly farming and delivering ‘public goods' such as taking care of the countryside.

Since the entry into force of the Treaty of Rome, in which the foundations of the CAP were laid down, the policy has been the subject of successive reforms. In general, these have sought to improve the competitiveness of the agricultural sector, promote rural development and address new challenges. These changes have culminated in the most recent reform, covering the 2014 to 2020 period, which was adopted in 2013. The current Parliament has therefore had to deal with the implementation of this reform. In addition, it has had to consider new proposals for the CAP for the post 2020 period, which were proposed by the Commission on 1 June 2018.

Challenges

As part of its proposals for modernising and simplifying the CAP, the Commission published a series of background documents examining the main climate and environmental, socio-economic and economic challenges facing EU agriculture and rural areas.

- **Low farm incomes**: these are significantly below average wages in the economy in a large majority of Member States. EU-28 average farm income is only around 40% of average income.
- **Falling employment**: as a source of employment in the primary sector, agriculture faces a long-term trend of sectoral decline. One in four agricultural jobs have disappeared since 2005.
- **Low EU agricultural productivity growth**: the EU's agricultural productivity growth is low, averaging only 0.8% per annum in the period 2005-2015. This situation was further compounded by low levels of public investment in agricultural research and development over the years 2012 to 2016.
- **Compliance costs**: it is reported that EU farmers face higher costs for compliance with legislation compared to their competitors (in the case of pigs and poultry farms for example, compliance costs can amount to between 5 and 10% of production costs).
- **Ageing farm population**: in 2013, close to one-third of all farmers in the EU were older than 65, while only 5.6% were younger than 35 years. For each farmer younger than 35, there are 5 to 6 farmers older than 65 in Europe. Furthermore, young farmers face difficulties in accessing both capital and land.
- **Low levels of training**: more than two-thirds of EU farmers have not received any agricultural training other than their own practical experience.
- **Price and income volatility**: the sector has been the subject of both price and income volatility. In the case of the former, this has been demonstrated for the main agricultural sectors such as dairy, beef, pig meat and cereals. In the case of the latter, evidence shows that up to 20% of farmers have experienced income drops above 30% each year.

Challenges such as those outlined above exist within a rural context, characterised by significant variations and disparities in relation to age structure, levels of remoteness, economic activity,
education and labour market features and relative poverty. Research shows how isolated rural areas suffer much more from a lack of social inclusion and a poorly performing labour market compared to those rural regions that are close to urban areas. Agriculture within the EU is considered to be highly vulnerable to climate change. It is also seen as a significant driver of greenhouse gas emissions through land use and land use change.

Potential

Despite these challenges, EU agriculture is recognised for its output of safe, high-value foods. It has developed a high level of quality in respect of food safety, nutritional value, and production methods. Its production structures are highly diversified. Part of its success in terms of export performance is reflected in a positive agro-food trade balance. Though the structure of farming within the EU is highly diversified, the sector benefits from operating within a single market of European consumers. The Commission has noted that a common approach towards supporting agriculture helps to ensure a level playing field for EU farmers.

EU agricultural products have proven to be very competitive on world markets. The value of EU exports reached €137.9 billion in 2017 – an increase of just over 5 % compared to 2016. The trade balance for agri-food products in 2017 was also positive with an export surplus of €20.5 billion. Market access for EU agricultural products has improved through bilateral agreements involving an ambitious programme of trade negotiations. One example is the Economic Partnership Agreement between the EU and Japan, which entered into force on 1 February 2019. The European Parliament gave its consent in December 2018, clearing the way for the conclusion and entry into force of the biggest trade agreement ever negotiated by the EU.

The Commission’s communication on the CAP post-2020 notes the significance of research and innovation. Increasingly the potential contribution innovation can make to agriculture and rural areas is being recognised, not least through the contribution investment in research and development can make to productivity growth in agriculture as well as in terms of sustainable development. In this regard, the Commission’s long-term strategy for agricultural research and innovation has an important role to play. In addition, the potential role and opportunities that precision farming can offer European agriculture have been recognised in a study undertaken for members of the European Parliament by Parliament’s Scientific Foresight (STOA) unit on ‘Precision agriculture and the future of farming in Europe’.

Public expectations for EU involvement

Evidence on how important agriculture and rural areas are to EU citizens is available from a Eurobarometer survey undertaken in December 2017. Entitled ‘Europeans, Agriculture and the CAP’, it follows on from previous surveys on this topic dating back to 2007.

Some key findings from the December 2017 survey indicate the following:

- More than nine out of ten people (92 %) think agriculture and rural areas are important for the future, as shown in Figure 1. This represents an increase of two points since 2009.
- At least 85 % in every Member State think agriculture and rural areas are important for the future, ranging from 98 % of respondents in Portugal, 97 % in Belgium and 96 % in Spain to 85 % in Romania and 87 % in Croatia. Compared to 2015, most countries have either recorded no change or a slight decline in the proportion who think agriculture and rural areas are important.
- There is an indication that those aged 25 and over are the most likely to say agriculture and rural development are very important for the future. While 56 % of those aged 55 and over consider this to be the case, the figure falls to 44 % for 15 to 24 year-olds.
In terms of what the main responsibilities of farmers should be, these were considered to cover: the provision of safe, healthy food of high quality (55%), ensuring the welfare of farmed animals (28%) and protecting the environment and tackling climate change (25%), while 22% mentioned supplying the population with a diverse range of quality products.

Ensuring the provision of safe, healthy and high quality food was considered by more than six out of ten respondents (62%) to be the main objective of the EU in terms of agricultural and rural policy. This represents a six-point increase from 2015. Protection of the environment and tackling climate change were mentioned by 50% of respondents representing a six-point increase from 2015. There was also a three-point increase in the proportion who mentioned ensuring a sustainable way to produce food at 46%.

Examining the surveys in terms of what they reveal about the profile and significance of the CAP, the evidence points to a high level of awareness of the CAP on the part of respondents (some 67% having heard of it); and more than six in ten respondents (61%) agree that the CAP benefits all European citizens and not only farmers. There is a recognition that the CAP is succeeding in those areas considered to be most important by respondents such as in the provision of healthy food of high quality and the protection of the rural environment. There is also a consistency in the survey results concerning the perceived importance of the priorities of the CAP. For example,

- almost nine in ten (88%) considered strengthening farmers’ role in the food chain to be important. This is a significant finding as the issue of unfair trading practices in the food supply chain is the subject of a legislative proposal in the current Parliament. This is further explained in an EPRS briefing;
- almost 84% considered developing research and innovation to support the agri-food sector to be important;
- while 84% also thought that encouraging young people to enter the agricultural sector was important.

This support for the CAP and the priorities cited above is also reflected in citizens’ attitudes to financial aid for farmers, the current CAP budget and future financing levels. More than four in ten (45%) think the financial support currently given to farmers is about right and just over one quarter (26%) feel it is too low, again reflecting a level of consistency in these results, give or take a few percentage points when the 2013, 2015 and 2017 surveys are compared (Figure 2). When EU citizens were probed as to the main reasons to justify the CAP’s share of the total EU budget, the following responses were elicited:

- 30% of respondents felt such aid made it possible to ensure sustainable farming;
28% felt it made it possible to guarantee the food supply of Europeans; one quarter (24%) indicated that the production of food products in the EU was more expensive than elsewhere as a result of stricter standards; almost nine in ten (88%) were in favour of the EU making subsidy payments to farmers for farming practices that are beneficial to the climate and the environment.

In terms of future financial support, which is highly relevant given current discussions over the next MFF and the CAP budget, more than four in ten respondents (44%) wanted to see an increase in EU financial support to farmers over the next 10 years, while just over one in ten (12%) wanted to see a decrease, and 29% wanted no change. This means that more than seven in ten (73%) want to see EU financial support to agriculture either remain the same or be increased. The Commission’s analysis of the survey has identified a longer-term trend since 2007 that points to an increase (of 15 percentage points, i.e. from 29% to 41%) in the proportion who want funding to rise. The Commission also suggests that these results highlight ‘the strong link between what Europeans want from agriculture and what they expect from the CAP and agricultural policy’ (Special Eurobarometer). This reflects a shift in focus of the CAP from ensuring the supply of food to its current focus on food quality, animal welfare and environmental standards.

EU framework

Legal framework

The basic rules and objectives relating to the CAP are set out in Articles 38 to 44 and Annex I of the Treaty on the Functioning of the European Union (TFEU). Article 39 sets out the objectives of the CAP: (i) to increase agricultural productivity, (ii) to ensure a fair standard of living for farmers; (iii) to stabilise markets; (iv) to ensure reasonable prices for consumers.

The current legal framework for the 2014-2020 CAP is principally governed by four EU regulations, namely:

- Regulation (EU) No 1307/2013 covering agricultural income support in the form of direct payments to farmers;
- Regulation (EU) No 1308/2013 establishing a common market organisation of the markets in agricultural products;
- Regulation (EU) No 1306/2013 covering horizontal issues such as the financing, management and monitoring of the CAP; and
- Regulation (EU) No 1305/2013 dealing with rural development.

The legal framework for the CAP as outlined above is the subject of intense debate as part of discussions concerning the future of the CAP in the post 2020 period. At the end of November 2017, the Commission adopted a communication on the future of food and farming. This followed one of the largest public consultation exercises ever undertaken into the views and expectations of a wide
range of stakeholders as they relate to agriculture, rural areas, the CAP and its future. On 1 June 2018, the Commission adopted a set of legislative proposals setting out a legislative framework for the CAP for the 2021 to 2027 period, comprising three proposed regulations:

- a proposal for a CAP strategic plan regulation (covering direct payments to farmers, rural development support and sectoral support programmes);
- a proposal for a CAP horizontal regulation (covering financing, managing and monitoring the CAP);
- a proposal for an amending regulation (amending regulations on the Single Common Market Organisation, quality schemes for agri-food products and on specific measures for the outermost regions and smaller Aegean islands).

Financial framework

Figure 3 shows the pattern of CAP expenditure over the years 1980 to 2017 both in absolute values and as a share of the EU budget. The trendline indicates that the CAP’s share of the total EU budget has been declining over the past 25 years, ranging from 73% in 1985 to 41% in 2016.

This downward trend in the CAP’s share of EU spending reflects in part the impact of the changes arising from successive reforms of the CAP.

In the 1980s, CAP spending focused mainly on price support through intervention and export subsidies. In the 1992 CAP reform, market price support was reduced and replaced by producer support in the form of direct payments. Agenda 2000 continued the reform process and rural development policy was introduced as a second pillar. In the 2003 reform, most direct payments were decoupled from production. The 2013 reform covering the 2014–2020 period entered into force on 1 January 2015. It re-orientated the CAP towards environment-related objectives including a new greening component as part of the system of direct payments. When it comes to the different types of intervention, the system of direct payments under the first pillar of the CAP represents around 72% of the CAP budget. These payments take the form of basic income support based on the number of hectares. They are complemented by a series of other support schemes targeting specific objectives and types of farmer. The second pillar of the CAP supports the EU’s rural development policy and is implemented through 118 rural development programmes drawn up by the Member States.

Deliveries of the current parliamentary term

Policy initiatives – legislative achievements

In addition to its role in relation to the CAP, on the wider legislative front, the European Parliament has delivered a number of key legislative proposals relating to agriculture, approved through the co-decision procedure. This includes two legislative files left unfinished at the end of the previous
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parliamentary term namely: animal health law and legislation on plant pests. Though the volume of legislation listed in box 1 may be limited in terms of the number of legislative files compared to the equivalent period in the case of national parliaments, the significance of these legislative achievements should not be underestimated. They involve meaningful reforms as the following brief analysis shows.

Box 1 – Selection of key agriculture-related legislation adopted by the European Parliament and approved through the co-decision procedure between 2014 and 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Legislation</th>
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| 2016 | Animal health law – Regulation (EU) 2016/429 on transmissible animal diseases  
Animal Breeding Regulation (EU) 2016/1012  
Aid scheme for the supply of fruit and vegetables, bananas and milk in educational establishments – Regulation (EU) 2016/791  
Plant health legislation: protective measures against plant pests – Regulation (EU) 2016/2031 |
| 2017 | Omnibus Regulation – Agricultural provisions Regulation (EU) 2017/2393  
Official Controls Regulation (EU) 2017/625 |
Regulation (EU) 2019/4 on the manufacture, placing on the market and use of medicated feed  
Regulation (EU) 2019/5 on medicinal products for human and veterinary use  
Regulation (EU) 2019/6 on veterinary medicinal products |

Data source: Legislative Observatory, European Parliament.

- In the case of the aid scheme for the supply of fruit and vegetables and milk to schools, the European Parliament has been instrumental in strengthening the scheme, increasing its overall budget and making it more focused on healthy eating measures. Parliament’s resolution provided for accompanying educational measures aimed at reconnecting children with agriculture (the need for which is reinforced by the findings from the Eurobarometer survey cited earlier on the attitudes of young people to agriculture).

- The Regulation on Organic Production and Labelling revises the existing legislative framework for one of the fastest growing sectors within EU agriculture. The new regulation should increase consumer confidence in organic products, help to prevent fraud and make it easier for small farmers to switch to organic farming.

- To ensure the uniform application of EU food and feed law, rules on animal health and welfare, plant health, plant reproductive material and plant protection products, the Regulation on Official Controls adopted by Parliament and Council in March 2017 lays down a harmonised approach in respect of official controls across the EU’s agri-food chain.

- Similarly, the regulations passed by Parliament and Council concerning transmissible animal diseases and plant health are fundamental to ensuring the prevention of animal diseases and plant pests. In the case of the former, the new law links animal health and welfare, connecting it to human health. It merges around 40 legal acts into one basic act creating a single regulatory framework for the rules related to the control of transmissible animal diseases, which can have a significant impact on animal and public health and on the economy (consider the impact of African swine fever, foot and mouth disease, etc.). Likewise an effective plant health regime is essential for protecting the health, economy and competitiveness of the EU’s plant production sector. The experience of the impact of the plant pathogen Xylella fastidiosa on olive groves in the Italian region of Apulia in 2014 is evidence of how damaging harmful organisms can be.

- The EU’s zootechnical legislation (or Animal Breeding Regulation), adopted by Parliament and Council in June 2016, provides a single legal framework for the rules
applicable to the breeding, trade and entry into the Union of breeding animals and their
germinal products. It aims at the promotion of free trade in breeding animals and their
genetic material by providing for harmonised rules on the regulation of breeder’s
associations, entry of purebred breeding animals, the issuing of pedigree certificates
and the carrying out of performance testing and genetic evaluation.

The new Regulation on Integrated Farm Statistics, adopted by Parliament and Council
in July 2018, provides an updated framework for European statistics at the farm level. It
will therefore contribute to the creation of the knowledge base necessary for making
informed decisions on where to allocate EU funding in the future. Parliament
contributed to and supported the main ideas contained in this legislation covering
issues such as farm safety, young farmers, organic production as well as the impact of
policies on the female workforce in agriculture.

Parliament has also adopted new regulations updating the existing legislative
framework for veterinary medicines and medicated feed. The package represents a
significant milestone in efforts to tackle antimicrobial resistance in the EU.

This brief overview of Parliament’s main legislative achievements which relate to agriculture at this
stage in its eighth term would be incomplete without reference to the ‘Omnibus’ Regulation –
Agricultural Provisions (Regulation (EU) 2017/2393). This contained changes to the various legal
instruments concerning multiannual funding programmes in areas such as the structural and
investment funds as well as the CAP regulations. Adopted by Parliament and Council on
13 December 2017, it represents a significant achievement for this Parliamentary term for a number
of reasons.

It is the first occasion that changes to the basic regulations of the CAP have been
formally approved since the 2013 reform.

While many of these changes are of a technical nature, they provide for a range of
policy-related simplification measures. For example, Member States were given
greater discretion in the application of ‘active farmer’. In the case of young farmers, the
new regulation allows Member States to increase young farmers’ payments.

Other changes provided for cover a range of pertinent issues such as: simplifying and
extending the greening rules for direct payments; improving the bargaining position of
farmers in the food supply chain. The regulation also introduced a new sector-specific
income stabilisation tool.

The changes applied from 1 January 2018 as a result of the procedure followed by
the Agriculture and Rural Development (AGRI) Committee. It requested and obtained
from the two ‘lead committees’ (the Committee on Budgets (BUDG) and the Committee
on Budgetary Control (CONT) the opportunity to take these agricultural provisions
forward to Parliament’s plenary, where they were adopted on 12 December 2017. This
enabled the adopted regulation to enter into force on 1 January 2018. (A later entry into
force would have resulted in a delay in the application of some of the simplification
measures until 2019).

Subsequent feedback from a range of stakeholder bodies has been positive.

The Omnibus Regulation (Agricultural Provisions) can be seen as a further phase in efforts to simplify
the CAP. Simplification has been a major topic of discussion in Parliament, Council and the
Commission since the entry into force of the 2013 CAP reform.

Parliament’s scrutiny and budgetary control roles

This is a reminder of Parliament’s important scrutiny role in respect of both the Commission and
Council. In the area of agricultural policy, Parliament’s AGRI committee has a pivotal role to play.
Responsible for scrutinising the European Commission’s work in relation to agricultural policy, this
goes beyond probing the EU institutions on their respective actions. It extends into preparing
opinions, producing reports for legislative proposals under the co-decision procedure between
The AGRI committee has taken the opportunity to scrutinise and probe the Commission on a wide range of issues such as: the persistent difficulties facing European fruit and vegetable and dairy producers resulting from the Russian import ban, the need to address what it perceived as a crisis in the milk sector, the issue of animal welfare, as well as substantive discussions with the Commission on the content of delegated acts and the ongoing implementation of CAP instruments. The Committee has also held a traditional exchange of views with the incoming presidencies of the Council. This scrutiny role has enabled Parliament to focus on a wide range of policy topics that have a critical bearing not only on how the current CAP is being delivered but also on future policy considerations for the post-2020 period. In support of this work, Parliament’s Policy Department has commissioned some 40 studies (see box 2), undertaken by independent experts and published during this eighth Parliamentary term. Their aim has been to assist the AGRI committee in its work, including its consideration of the range of policy and operational issues that fall within its remit. In most cases, the requests for these studies were initiated by members of the AGRI committee through its secretariat. Three further studies are scheduled for completion in 2019.

| Box 2 – Topics covered in European Parliament Policy Department’s studies published (or forthcoming) between 2014 and 2019 on agriculture and rural development policies |
| 2014 | Precision agriculture  
EU Member States in agri-food world markets  
Trends in EU-third countries trade of milk and dairy products | CAP tools to enhance family farming  
Family farming in Europe  
Comparative analysis of risk management tools |
| 2015 | The EU’s fruit and vegetables sector  
Farmland grabbing in the EU  
Farmers’ incomes in EU Member States | The agricultural inputs sector in the EU  
Implementation of the first pillar of the CAP |
| 2016 | Farm structural change (two studies)  
The food value chain in the EU  
Risk management tools  
The role of the EU CAP in creating jobs | The EU’s external action and the CAP  
CAP reform: challenges in agriculture  
Post-quotas EU sugar sector  
Rural development policy implementation |
| 2017 | Consequences of climate change  
The EU cattle sector  
Policy support for productivity vs sustainability  
Flexibility and the CAP  
EU-UK agricultural trade | Preserving agricultural soils in the EU  
Implications of Brexit for the EU agri-food sector  
Young farmers  
Possible transitional arrangements for EU-UK in agriculture |
| 2018 | Urban and peri-urban agriculture  
Revival of wolves and other large predators  
The CAP strategic plans beyond 2020  
New competition rules for the agri-food chain  
Comparative analysis of global agricultural policies  
Appraisal of the communication on the future of food and farming’ | Agricultural trade  
Towards the CAP beyond 2020  
CAP support beyond 2020  
The sectoral approach in the CAP beyond 2020 |
| 2019 | The impact of the digital economy on food-chains and the CAP (forthcoming)  
Mega-trends in the agri-food sector (forthcoming)  
EU farming employment: current challenges and future prospects (forthcoming) |

Data source: Research4Committees.

Parliament has important budgetary control powers. A key ‘deliverable’ is the power of discharge, i.e. final approval of how the budget for a specific year has been implemented. The AGRI committee has acted in support of this power of discharge by, for example, adopting the opinion on the discharge as it has done for 2014, 2015 and 2016. It has also held an exchange of views with the BUDG committee on the priorities for the annual budget from an agricultural perspective. In this way, AGRI committee members are able to argue the need for the budget to maintain sufficient funding for agriculture, especially in light of the challenges the sector faces. At their meeting of February 2018, AGRI committee members gave a strong defence of the CAP in an exchange of views.
with the Commissioner responsible for budget and human resources, Gunther Oettinger. A number of Members of the European Parliament stressed that they considered CAP support to be essential to the survival of farms and that even moderate cuts would have substantial effects on farmers' incomes.

Non-legislative actions

When it comes to other achievements or deliverables of this eighth parliamentary term, there are a number of non-legislative actions that Parliament has undertaken in the agricultural policy field.

- Parliament has adopted **opinions** that help to highlight views on a wide range of issues, such as the protection of animals during transport. In the case of the latter, the AGRI committee adopted a **resolution** on 24 January 2019, calling for strong and harmonised enforcement of Regulation (EC) 1/2005 on the protection of animals during transport. ¹ This text is scheduled for debate and vote by Parliament at the February 2019 plenary session.

- Parliament has hosted **public hearings** by the AGRI committee (often in association with other committees) on issues such as: the labelling of origin for agricultural and food products; new breeding techniques; antimicrobial resistance; protein crops; the impact of the CAP on developing countries; genetic diversity and conservation; price volatility; and simplification. In this regard, Parliament has hosted a number of public hearings launched by a **European Citizens' Initiative** (ECI). (Established by Regulation (EU) 211/2011, ECIs provide a platform for the citizens of Europe to ask the Commission to propose legislation on matters falling within EU competence). One AGRI committee meeting was devoted to a public hearing launched by the ECI entitled 'Stop Vivisection'.

- There have been **joint AGRI meetings with other committees**, such as for example between the Environment, Public Health and Food Safety (ENVI) and Industry, Research and Energy (ITRE) Committees on the implementation of the EU forest strategy; joint meetings between the AGRI, Development (DEVE) and ENVI committees to discuss and raise awareness of the importance of soils involving the Food and Agriculture Organization (FAO). The AGRI committee has engaged in dialogue with both the European Court of Auditors and the Budgetary Control (CONT) Committee, reflecting its desire to see controls that are better targeted and adapted to realities on the ground.

- The **crisis in the milk sector** was addressed early on in Parliament's eighth term following the expiry of milk quotas at the end of March 2015, where through the AGRI committee Parliament pressed the Commission for action to be taken to soften the impact of the crisis. In July 2015, Parliament adopted a **resolution** on ‘prospects for the EU dairy sector – review of implementation of the dairy package’ on the basis of a report drawn up by the AGRI committee (Rapporteur: James Nicholson, ECR, UK). After Parliament’s resolution and the extraordinary meeting of the **Agriculture Council** held in September 2015, the Commission presented a €500 million **package to support European dairy farmers**. ⁵

- **International dimensions of agricultural policy** that have involved Parliament have included: Parliament's support for the **promotion of EU agricultural products**; the effects of the **Russian ban** on certain EU agri-food products where Parliament has urged the Commission to do what it can to support the European producers affected (See Parliament’s **resolution** of 18 September 2014). For the adoption of the 2019 draft budget, Parliament has **called** on the Commission to ensure that any margins left within the budget are sufficient to address: crises such as the effects of the Russian ban; trade agreements (where both the Parliament and the Council decide whether or not to approve trade agreements); and Parliament’s position on **developing countries**. (In its **resolution** of 30 May 2018 in response to the Commission’s communication on the future of food and farming issues, Parliament makes clear that CAP reform ‘should respect the right of developing countries to shape their agricultural and food policies
without weakening their food production capacities and long-term food security, in particular those of the least-developed countries’).

Potential for the future

Looking to the remainder of the eighth Parliamentary term, there are a number of substantive issues for Parliament to address. These include negotiations over the next MFF for the 2021-2027 period, including the overall budgetary allocation for the next CAP, the associated legislative framework in the form of the three legislative proposals as outlined above, as well as the finalisation of the legislative process concerning unfair trading practices in the food supply chain. The Commission’s proposal for the next MFF includes €365 billion for the CAP in current prices and €324.2 billion in 2018 constant prices. A comparison of these figures with the previous MFF for the EU-27 in the 2014-2020 period has been undertaken by Parliament’s Policy Department for Structural and Cohesion Policies, taking into account the Commission’s adjustments for the departure of the UK and variations for the point of reference chosen (i.e. total allocations for 2014-2020 or for the last year of the current MFF). This analysis indicates that these proposals would represent a reduction of 12% in constant prices in the overall allocation to the CAP (see Table 1). However, the analysis explains that such a reduction in the CAP allocation would have a differential impact in terms of the current pillar structure within the CAP. EU funding for Pillar II could fall by around 25% to 28% in real terms. The Commission is inviting Member States to increase their co-financing contribution to rural development programmes.

Table 1 – CAP sub-ceilings in the MFF (commitments in €m in current and constant 2018 prices)

<table>
<thead>
<tr>
<th></th>
<th>CURRENT EU-27 2021-2027</th>
<th>CONSTANT 2018 prices EU-27 2021-2027</th>
<th>CURRENT Comparison with previous MFF</th>
<th>CONSTANT 2018 prices Comparison with previous MFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAGF</td>
<td>286 195</td>
<td>254 247</td>
<td>0.5 to 2%</td>
<td>-7 to -11%</td>
</tr>
<tr>
<td>EAFRD</td>
<td>78 811</td>
<td>70 037</td>
<td>-17 to -19%</td>
<td>-25 to-28%</td>
</tr>
<tr>
<td>Total CAP</td>
<td>365 005</td>
<td>324 284</td>
<td>-5 %</td>
<td>-12 %</td>
</tr>
</tbody>
</table>


In response to the Commission’s proposals, Parliament passed a resolution on the future of food and farming (Rapporteur: Herbert Dorfman, EPP, Italy) as well as a resolution on the 2021-2027 MFF and own resources in May 2018. For its interim report on the 2021 to 2027 MFF, Parliament adopted a resolution on 14 November 2018, confirming its priority for maintaining the financing of the CAP for the EU-27 at the level of the 2014-2020 MFF in real terms while budgeting the initial amount of the agricultural reserve.

On the legislative front, progress is expected to be made in relation to the issue of unfair trading practices in the food supply chain. Parliament has consistently sought to encourage a pro-active attitude and approach from both the Commission and the Member States in addressing these practices, which are damaging for the incomes of farmers. This is evidenced by its efforts through resolutions highlighting imbalances in the food supply chain, as expressed in a 2012 resolution and reinforced in a June 2016 resolution. In the case of the latter, Parliament invited the Commission to submit a proposal for EU-level framework legislation to tackle unfair trading practices. Members of the European Parliament urged the Commission to proceed as quickly as possible. The Commission’s legislative response was a proposal for a directive introducing a minimum standard of protection relating to unfair trading practices across the Member States. This dossier (Rapporteur: Paolo De Castro, S&D, Italy) has progressed to a point where on 24 January 2019 the AGRI committee
approved the provisional agreement. The agreed text is expected to be submitted for adoption during the March 2019 plenary. If approved by both Parliament and Council, it could enter into force in 2020. This would represent a significant achievement in policy delivery terms for Parliament, which has striven to keep the issue of unfair trading practices on the policy agenda for many years.

MAIN REFERENCES


ENDNOTES

1 See Modernising and simplifying the CAP: Economic challenges facing EU agriculture; Socio-economic challenges facing agriculture and rural areas, Climate and Environmental challenges facing agriculture and rural areas, European Commission, December 2017.


3 The agreement will open up the Japanese market of 127 million consumers to key EU agricultural exports. (See EU/Japan Strategic Partnership Agreement 2018/0122).

4 Parliament’s Conference of Presidents (President of the European Parliament and political groups’ leaders) had tasked the AGRI committee with drafting an implementation report on how EU rules in this area were being implemented. See Dinu A., Regulation (EC) No 1/2005 on the protection of animals during transport and related operations, European implementation assessment, EPRS, European Parliament, October 2018.

5 See Tropea F., Measures to support dairy farmers after the end of EU milk quotas, EPRS, European Parliament, October 2015.

6 Figures quoted in constant prices remove the impact of price changes, providing a measure of the actual change in prices (and not just an increase due to the effects of inflation). Current prices make no adjustment for inflation.

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