TOWARDS A POST-2020 COMMON AGRICULTURAL POLICY

The European institutions committed themselves to adopting a new reform by December 2020. However, this deadline was unable to be met. Negotiations (trilogues) have been launched with a view to reaching a final agreement by summer 2021.

LEGAL BASIS


PREPARATIONS FOR THE POST-2020 CAP

Work on the post-2020 CAP started with the Dutch Presidency of the Council at an informal meeting in May 2016. Subsequent Council presidencies continued the process that had been initiated by launching a reflection on the main agricultural challenges to be addressed.

The Commission, for its part, set up a task force in January 2016 to reflect on the future of agricultural markets policy, which presented its final report in November 2016. On the Second Pillar, the ‘Cork 2.0’ conference in September 2016 led to the adoption of a declaration highlighting ten key policy guidelines for the future of rural development policy in Europe.

As part of the mid-term review of the multiannual financial framework 2014-2020, the Commission adopted an ‘omnibus’ legislative proposal on 14 September 2016 (COM(2016) 0605) which impacts a large number of European policies, including the CAP. In principle, the aim was to make technical adjustments to the basic acts in force in order to simplify existing instruments. Ultimately, at the instigation of the European Parliament, this has become a real mini-reform of the CAP. The European Parliament drew on the recommendations of the Agricultural Markets Task Force to table supplementary amendments aimed at improving the existing mechanisms. An agreement with the Council was reached in October and the text was published in December 2017 [Regulation (EU) 2017/2393, OJ L 350, 29.12.2017]. The improvements agreed concern the scope of producer organisations, strengthening agricultural insurance and income stabilisation tools, the rules for green payments and
payments to young farmers, and the definition of ‘active farmer’ (enabling the Member States to apply this very flexibly).

The Commission launched a public consultation exercise on the future of the CAP in February 2017 which ended in May 2017. The resultant Communication entitled ‘The Future of Food and Farming’ was published on 29 November 2017 (COM(2017) 713). This document, which was vague from the operational point of view, focused on agricultural governance, announcing a radical change in the implementation model of the CAP. A European Parliament own-initiative report (the Dorfmann Report) on the Commission communication was followed by a resolution adopted in plenary on 30 May 2018 (P8_TA(2018)0224).

THE CONTEXT OF THE LAST CAP REFORM

The 2013 CAP reform was decided on in the midst of a recession. Since then, the economic and institutional environment has changed. Growth returned, but remained weak, before turning negative as a result of the COVID-19 pandemic. In addition, geopolitical developments have increased market uncertainty (the United Kingdom’s exit from the Union in January 2020, a crisis in the traditional EU-US partnership following the election of President Trump). At the same time, trade multilateralism is stagnating, without the increasing number of bilateral agreements being able to cushion the effect of protectionist tendencies and trade conflicts. Finally, new challenges are emerging related to climate change and sustainability with the entry into force of the Paris Agreement (COP 21), while technological innovations, and in particular the digital revolution, are having a considerable impact on the production, processing and distribution of foodstuffs.

On 24 December 2020, the European Union and the United Kingdom reached an agreement on their future relationship. This agreement safeguarded the most important issues by providing for a trading system without tariffs or quotas to take account of the United Kingdom’s position as Europe’s leading trading partner, particularly in the agri-food sector (see Fact Sheet 3.2.10, table VI). However, the consequences of the new customs procedures and the additional administrative costs for operators are not entirely clear, not to mention the uncertainty the pandemic is causing for agricultural markets. The Commission expects that the impact of the COVID-19 crisis will result in slow growth and that the European economy, including the agricultural sector, will not return to its pre-pandemic level before 2023.

FINANCIAL PROPOSALS FOR THE POST-2020 CAP

The Commission proposal on the multiannual financial framework (MFF) for the years 2021-2027 (COM(2018) 0322 of 2 May 2018) established the future agricultural budget. Even if the Union continues to devote a significant part of its budget to agriculture (28.5% of the total over the period in question) (see Fact Sheet 3.2.10, table I), some very significant cuts in real terms (-15%) have been proposed, due to the exit of the United Kingdom (a net contributor to the budget) and the financing needs resulting from the new priorities of the EU (migration, external borders, digital economy, transport).
In the wake of the economic crisis triggered by the COVID-19 pandemic, the 2018 draft long-term budget was superseded in May 2020 by a second proposal supplemented by the economic recovery plan (‘NextGenerationEU’). The European Parliament adopted its position in its resolutions of 14 November 2018 [P8_TA(2018)0449], 23 July 2020 [P9_TA(2020)0206] and 17 December 2020 [P9_TA(2020)0360]. Following a lengthy process of negotiations between the two arms of the budgetary authority, an agreement was concluded on 17 December 2020 [Regulation (EU, Euratom) 2020/2093]. The CAP budget for 2021-2027 has been set at EUR 336.4 billion in constant 2018 prices, which should be compared with the budget for the period 2014-2020, after the deduction of expenditure for the United Kingdom (see Fact Sheet 3.2.10, table I, column 1). The first pillar retains its primacy [the European Agricultural Guarantee Fund (EAGF), EUR 258.6 billion, 78.4%], even if it decreases by 10%, while the big loser is rural development [European Agricultural Fund for Rural Development (EAFRD), EUR 77.8 billion], which falls by 19 % (see Fact Sheet 3.2.10, table I, column 5).

The adoption of the MFF 2021-2027 also enabled the EU’s framework programme for research and innovation, Horizon Europe, to enter into force with a budget of EUR 95.5 billion, of which some EUR 10 billion is earmarked for the agricultural sector.

**LEGISLATIVE PROPOSALS FOR THE POST-2020 CAP**

On the basis of the draft MFF of May 2018, the Commission has presented the legislative framework for the CAP for the period 2021-2027 [COM(2018)0392, COM(2018)0393 and COM(2018)0394 of 1 June 2018]. The core of the reform concerns the implementation model of the CAP, focused on results and on subsidiarity, which gives Member States a much more prominent role in the deployment of agricultural interventions. In future, the EU should set the substantive parameters (CAP objectives, basic requirements, main types of first and second pillar intervention), while the Member States should devise strategic multiannual plans in order to attain the specific objectives and targets decided jointly.

The future CAP will focus on nine objectives reflecting its economic, environmental and socio-territorial multifunctionality. It will retain its two pillars as well as the two agricultural funds to support national programmes according to a range of measures chosen by taking an integrated approach. In any case, direct payments will remain the priority elements of the new CAP. In addition to the new governance of the CAP, the other highlights of the reform proposals are:

— With regard to the first pillar, the redistribution of direct support acquires fresh momentum: the Commission has proposed digressive payments above EUR 60 000 and compulsory capping (maximum EUR 100 000 per beneficiary); in addition, the sectoral intervention programmes are transferred from the Common Market Organisation (CMO) to the new national strategic plans;

— The new green architecture is much more flexible in its design and management, being entrusted to the national authorities. It comprises three strands: the new conditionality (formerly ‘cross-compliance’) – mandatory, but more flexible in detail; the climate and environmental eco-schemes (which will be funded by the EAGF
and will replace the green payment currently in force) and agri-environmental and climate measures (financed by the EAFRD);

— As regards the second pillar: the EAFRD is no longer a Structural Fund under the common framework of Cohesion Policy; the co-financing rate is reduced by ten points; the Commission is concentrating interventions in the interest of simplification; finally, the rules of the Leader programme become the responsibility of Cohesion Policy, even if its financing is ensured by the agricultural budget.

THE ONGOING DISCUSSIONS

Portugal, which took over from Germany the rotating presidency of the Council on 1 January 2021, undertook to find a compromise on the CAP with the European Parliament before summer 2021. The initial trilogue negotiation meetings have already led to a degree of rapprochement between the co-legislators with regard to: 1) the simplification of conditionality for farmers who implement equivalent measures under eco-schemes; 2) the drawing up of an indicative list of eco-scheme practices, of a non-binding nature; 3) the increase in the number of products eligible for public intervention, as suggested by Parliament; 4) the extension of vine planting rights until 2045 (a date which is midway between that proposed by the Council – 2040 – and the date suggested by Parliament, 2050) limiting the authorised increase in areas to 1%; 5) de-alcoholised wines with a protected designation of origin (PDO) and a protected geographical indication (PGI); 6) a performance review based on a biennial report by the Commission rather than an annual report as proposed by the latter; and 7) the reduction of tolerances permitted in relation to the indicators of the objectives set in the strategic plans (35% for the first review in 2025; 25% for the second review in 2027), while the Council originally proposed 45% and Parliament 25%.

However, these trilogues also showed the lack of room for manoeuvre of the Council Presidency, which has to have each item discussed validated by national experts; they have, in addition, highlighted the main points of disagreement, namely: 1) the definition of ‘active farmer’; 2) the implementation of a hybrid CAP application model, with a certain degree of monitoring of compliance (with the rules) in addition to the new (results-based) performance monitoring system, which had been proposed by Parliament but was rejected by the Commission and the Council, which feared an increase in red tape; 3) the social conditionality of direct aid proposed by Parliament (most Member States consider that the subject should be dealt with in a separate legislative act or through national measures); 4) the capping of direct aid (optional according to the Council, mandatory according to Parliament); 5) the extension of public intervention periods throughout the year; 6) the special safeguard clauses (proposed by MEPs) to impose additional import duties in case of non-compliance with EU environmental and health standards; 7) market crisis management tools; and lastly, 8) the green architecture, which reveals major differences concerning: practices linked to environmental conditionality (the Council favours crop diversification rather than the rotation advocated by Parliament); the minimum envelope for eco-schemes (20% of direct payments proposed by the Council, as opposed to 30% requested by
Parliament); a possible points system to be applied to the eco-schemes (considered too complex by the Council) and, finally, percentages of non-productive areas on farms.

The final phase of the agricultural negotiations has overlapped with the discussions on the ‘European Green Deal’ which began on 11 December 2019 with a Communication from the Commission (COM (2019) 0640). The Green Deal plans to build a sustainable and climate-neutral growth model for 2050, which will have a major impact on the European agri-food system. Some specific proposals were made in May 2020, including the Biodiversity Strategy for 2030 and the ‘Farm to Fork Strategy’ aimed at strengthening food security, reducing the consumption of pesticides, fertilisers and antibiotics, supporting agricultural innovation and improving consumer information [COM(2020)0380 and COM(2020)0381 of 20.5.2020]. In line with the Commission’s recommendations of December 2020 addressed to each Member State [COM(2020)0846], the courses of action adopted under the Green Deal will have to be followed up by national strategic plans to be presented during 2021, which should be implemented from 2023 onwards.

### TRANSITIONAL MEASURES UNTIL 31 DECEMBER 2022

Pending the conclusion of the negotiations on the post-2020 CAP reform, the co-legislators have adopted Regulation (EU) 2020/2220 (OJ L 437 of 28.12.2020), which extends the current rules by two years (until 31 December 2022) with some changes. Some of the changes to the current system include: the lowering of the trigger threshold to grant compensation for income reductions and climate- or disease-related losses, from 30% to 20% in the context of risk management measures; and the integration of an additional EUR 7.5 billion under the agricultural component of the European economic recovery plan (see Fact Sheet 3.2.2). At least 37% of these funds must go to organic farmers and to environmental and animal welfare measures and 55% must be geared to investments for a resilient, sustainable and digital recovery and for the installation of young farmers.

Regulation (EU) 2020/2220 should allow Member States sufficient time to draw up their respective strategic plans and to facilitate the establishment of the administrative structures necessary for the successful implementation of the new CAP. The state aid rules concerning agriculture and forestry have also been extended for two years.

### ROLE OF THE EUROPEAN PARLIAMENT

The European Parliament reaffirmed that CAP funding should be maintained in real terms after 2020 (P8_TA (2018)0449 of 14.11.2018) [see Fact Sheet 3.2.10, table I, column 3]. Subsequently, the Committee on Agriculture and Rural Development (Comagri) appointed rapporteurs for each legislative act: Ms Esther Herranz (Group of the European People’s Party) on the new architecture of the CAP; Ms Ulrike Müller (Group of the Alliance of Liberals and Democrats for Europe) on the new cross-cutting regulation; and Mr Eric Andrieu (Group of the Progressive Alliance of Socialists and Democrats in the European Parliament) on the amended proposal on the CMO. In April 2019, Comagri voted on the three strands of the proposals. After the European elections in May 2019, the new elected representatives revised

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