TOWARDS A POST-2020 COMMON AGRICULTURAL POLICY

The reform of the common agricultural policy (CAP) was completed in 2013 and entered into force in 2015. The European institutions are committed to adopting a new reform taking account of the multiannual financial framework 2021-2027 before the end of the current period (2020).

LEGAL BASIS


IMPLEMENTATION OF THE CAP 2014-2020

The basic regulations underlying the new CAP were published in December 2013. Member States had to make crucial choices in 2014, given the diversity of the implementing rules governing the new direct payments system and the room for manoeuvre it affords them. Most States, except one (Germany), have used the coupled payments option with very different rates, eight have decided to apply the redistributive payment, and fifteen States have implemented the Small Farmers Scheme. Lastly, as regards ‘green payment’, five Member States have given farmers the option of complying with some of their obligations by adopting equivalent practices. Moreover, the choices of land areas designated Ecological Focus Areas vary considerably within the EU (the commonest being areas of nitrogen-fixing plants – a category which is eligible in every country except Denmark, while only eight countries have included terraces in their lists). In addition, fifteen countries have transferred amounts between the two pillars: net transfers from the first pillar to the second stood at some EUR 4 billion for the period as a whole.

As regards the second pillar, between December 2014 and December 2015 the Commission approved all 118 rural development programmes drawn up by the twenty-eight Member States. Twenty Member States have chosen to implement a single national programme, and eight have opted to use more than one programme (allowing, for instance, more account to be taken of their geography or administrative arrangements) (see Fact Sheet 3.2.6).
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 (unfair commercial practices in the agri-food chain, climate change and water resources, risk management and the role of coupled payments, etc.).

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 REFORM OF THE CAP FOR THE POST-2020 PERIOD

The 2013 CAP reform was decided on in the midst of a recession. Since then, the economic and institutional environment has changed. Growth has returned but remains very low. 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) and the UN's commitments to sustainable development, while technological innovations, and in particular the digital revolution, are having a considerable impact on the production, processing and distribution of foodstuffs.

**LEGISLATIVE 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), there are very significant cuts in real terms (-15 %), 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). The agricultural envelope amounts to EUR 324.2 billion in constant 2018 prices, which should be compared with the previous 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), 78.4%), even if it decreases by 11%, while the big loser is rural development, which falls by 28%.

On the basis of the new MFF, the Commission has presented three proposals for regulations setting out the legislative framework for the CAP for the period 2021-2027 (COM(2018) 0392, 0393 and 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 an integrated approach. In any case, direct payments (decoupled and coupled) 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 is proposing 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 (mandatory, but more flexible in detail); the climate and
environmental programmes (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 European Agricultural Fund for Rural Development (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, although some measures lose their visibility (such as agro-ecological farming); 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

The initial reactions to the Commission's proposals show a broad consensus on the proposed objectives, but reveal major divergences on the means implemented to achieve them and to ensure that management is simplified and more efficient.

The main bones of contention are: the budget cuts foreseen in the CAP for the period 2021-2027; the scope of the national strategic plans, which could be very different and may fail to meet the objectives set at European level (especially at the environmental level); the imposition of a compulsory ceiling of aid, considered too restrictive for the majority of Member States and their professional organisations, which are more disposed to an optional solution; the level and pace of external convergence of direct aid (seven Member States have called for the acceleration of the harmonisation of support per hectare of the 27, but eight others are resolutely opposed to this approach); the administrative burden resulting from the new performance requirements; and lastly, the scope of some proposed delegated and implementing acts has been called into question, in particular because they could go beyond the Commission's management powers.

It is clear that without a financial agreement, it will not be possible to adopt the reform of the CAP because of the budgetary importance of the agricultural instruments. As expected, the existing deep divergence of views around the future budgetary framework had an impact on the agricultural negotiations. In December 2019, the Finnish Presidency of the Council tried to find a compromise on the overall level of the 2021-2027 financial framework and the distribution of expenditure between the Union’s traditional policies (CAP, cohesion) and its new priorities. The proposal included the reduction of the multiannual financial envelope to 1.07 % of European gross national income (GNI) while increasing the rural development budget by EUR 10 billion (see Fact Sheet 3.2.10, table I, column 4), though this did not lead to any agreement. Following this initial failure to reach an agreement, the EU Heads of State and Government met again on 20 and 21 February 2020. The President of the European Council, Charles Michel, presented a proposal which, although slightly increasing the total budget for 2021-2027 as compared to the Finnish Presidency’s draft (to 1.074 % of GNI), amounted to a 14 % fall in the overall amount allocated to the CAP (see Fact Sheet 3.2.10, table I, column 5). After two days of debate, the red lines set by the advocates of the CAP and cohesion policy on the one hand, and the ‘frugal’ countries
on the other – which wanted to see a budget tightened to 1 % of the GNI – persisted. The representatives of the 27 thus went their own separate ways without an agreement.

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. Among the amendments adopted, the landmark decisions concerned:

— The CMO: strengthening supply control measures as a continuation of the milk package; improved competition rules to further encourage producer organisations; and the extension of the regulatory tools for the wine sector;

— Strategic plans: launch in 2022; external convergence of support per hectare to be completed in 2027; targeting the financial allocation under the first pillar (60% for the basic payment and the redistributive payment; 20% for the ecological programme; 10 + 2% for coupled support; 3% for sectoral schemes); second pillar financial allocation (targeting 30% of environmental objectives and 30% of investment and risk management measures); capping of aid at EUR 100 000 unless Member States apply a redistributive payment of 10%; a 15% limit for transfers from the first to the second pillar and 5% from the second to the first pillar;

— Horizontal regulation: improvement of the common framework for audits and controls; crisis reserve financed with EUR 1.5 billion.

After the European elections in May 2019, the new elected representatives started to revise the amendments adopted by Comagri in the previous parliamentary term with a view to concluding the first reading in June 2020.

The final phase of the agricultural negotiations will overlap 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. Specific proposals are expected in March 2020, concerning a number of areas: amongst others, biodiversity, forests or levels of greenhouse gas emissions, including the so-called Farm to Fork strategy aimed at strengthening food security, reducing the consumption of pesticides, fertilisers and antibiotics, supporting agricultural innovation and improving consumer information. 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 will in principle be implemented from 2022 onwards.

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