



## **The future of food and farming - Communication on the Common Agricultural Policy post-2020**

Brussels, 29 November 2017

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#### **Why is a new reform necessary?**

The Common Agricultural Policy (CAP) is one of the oldest policies of the European Union (EU). It successfully fulfilled its original objectives of securing supply of good quality, safe and affordable food products while supporting European farmers. Since 1962, the CAP has undergone many reforms and its adaptability is what makes it still relevant. The world is moving fast and so are the challenges facing not only the farmers but our societies as a whole. Climate change, price volatility, political and economic uncertainty, growing importance of global trade: farmers need to learn every day how to operate in a changing environment and it is up to the legislators to accompany them throughout these changes and to provide legal clarity and simplicity in the medium and long term.

The European agricultural policy turned the EU into the agri-food superpower that it is now: the EU is the first agri-food exporter globally, has an unparalleled reputation for its culinary heritage and food products, and for the savoir-faire of its producers. But the EU cannot be complacent: a success can also hide many individual difficulties.

The CAP needs to lead the transition towards a more sustainable agriculture. The CAP needs to help foster the sector's resilience in times of crisis and support farmers' income and viability. The CAP needs to fully accommodate digital innovations that make the everyday jobs of farmers easier, reduce red tape and could favour the sector's much-needed generational renewal. The CAP needs to strengthen European rural areas, which are the core of our European traditions and family farm model.

The Communication published today provides orientations in terms of addressing these objectives and meeting the emerging challenges, with a less prescriptive approach and greater subsidiarity at Member State level, to bring the CAP closer to those who implement it on the ground.

#### **How can the revised policy be discussed without knowing what the budget and the next Multiannual Financial Framework (MFF) will be?**

Money is a means to an end. The Communication discusses how to improve the CAP's value for money. Now is the time to reflect on our objectives and future architecture of the policy. This will steer the debate without prejudging the Commission proposal for the next Multiannual Financial Framework (MFF), expected for May 2018.

#### **Why does the Communication not contain more detail on some issues?**

The Communication points towards the challenges and opportunities ahead, puts forward orientations and indicates further paths to be explored. More debate and work will be needed over the next months to advance on the directions outlined therein and to refine concepts. The same way that the Communication outlines a less prescriptive approach and more subsidiarity, the Commission wants to continue the debate on practicalities with a wide range of stakeholders and co-legislators.

#### **What are the next steps?**

Over the next months the discussion and work on the concrete objectives, architecture and design of the future policy will advance in parallel with the work on the next MFF. This will be done notably in form of an impact assessment exploring different options by making use of the elements gathered from stakeholders and citizens (e.g. the public consultation carried on in 2017, Re-Fit inputs, the Cork 2.0 conference "The CAP: Have your say" conference) and intensifying the collection and processing of evidence. Following the expected Commission proposal for the next MFF in May 2018, legislative proposals on the future CAP are expected before the summer of 2018.

#### **How will the future CAP be simpler for farmers and administrations in Member States?**

Who wants to measure their hedges because "Brussels said so"? Why would an Italian farmer face the same environmental requirements as a Finnish farmer though they farm in very different conditions?

The future CAP will have common objectives and a set of measures to achieve the said objectives. From this common set of measures, Member States, either at national or regional level, will be able to pick their preferred panel of options to achieve the goals set at EU level.

Moving from a one-size-fits-all to a tailor-made approach means that the EU requirements will be reduced to a strict minimum. The actual needs on the ground will be assessed and fed by Member States into a CAP strategic plan approved at EU level. We are aiming at establishing a pact of trust with our rural areas, with our farmers.

The strengthening of farm advisory services for farmers and the full implementation of geospatial aid applications will also of course further support the simplification of aid applications and the implementation of investment measures.

### **How will this new approach function in practice?**

The Union should set the basic policy parameters based on the objectives of the CAP, fulfilling the EU Treaty obligations but also the already agreed objectives and targets on for instance the environment, climate change (COP 21), and a number of sustainable development goals.

Each Member State should establish a "CAP strategic plan", which would cover interventions in both pillar I and pillar II. This plan will tailor CAP interventions to maximise their contribution to EU objectives taking better into account local conditions and needs, against such objectives and targets. At the same time, Member States would also have a greater say in designing the compliance and control framework applicable to beneficiaries (including controls and penalties).

These strategic plans would be prepared not in isolation but in the framework of a structured process and the Commission would assess and approve such plans. This would maximise the contribution of the CAP towards the EU priorities and objectives and the achievement of Member States' climate and energy targets. It would also enhance the EU added value and preserve a functioning agricultural internal market.

While Member States should bear greater responsibility and be more accountable as to how they meet the objectives and achieve agreed targets, the new approach will continue to ensure a level playing field, preserving the common nature and the two pillars of the policy.

### **Is it the first step to renationalise the CAP?**

This EU added-value has never been questioned and the CAP remains one of the flagship EU policies. Acknowledging that one size does not fit all is pragmatic. What are the local realities? What are the farmers' concrete circumstances? This is about acknowledging the varied agriculture, agronomic production potential, climatic, environmental and socio-economic conditions across the EU. It is about embracing our diversity instead of trying to impose one single model.

The input gathered by the EU-wide online public consultation from February until May 2017 was strongly supportive of the added-value of managing agricultural policy at European level since this ensures a level playing field within the single market. Only with a common European approach can agriculture respond more effectively to the shared challenges such as environmental protection and climate action. The need to maintain economic, social and territorial cohesion across the EU as well as the need for a common framework of sharing best practices was also frequently mentioned.

While the specific details of the implementation of the measures will be done at national/regional level, the EU will guarantee a well-defined regulatory and budgetary framework in order to ensure that our common objectives are met through common instruments, in line with the EU Treaties and to fulfil the EU's international commitments on climate and sustainable development.

### **Why is the CAP relevant for the environment?**

Agriculture covers almost half the land surface area of the EU, and on that territory it works in a very close relationship with the environment. On the one hand, it depends on various natural resources - i.e. soil, water, air and biodiversity - and is heavily influenced by the climate. On the other hand, agriculture shapes the environment in which it operates - not only through its use of natural resources but also by creating and maintaining landscapes that embody our European diversity and provide essential wildlife habitats.

The CAP has an essential role in making farming's relationship with the environment and climate as mutually beneficial as possible. It also offers support in some cases to rural-based non-agricultural businesses which can influence the environment - e.g. in the forestry sector and other parts of the bio-economy.

The future CAP needs to promote and support climate-smart farming, it needs to place sustainability at the core of its priorities and actions.

### **How will the future CAP support farmers in protecting the environment?**

As a foundation, farmers receiving income support from the CAP will have to apply various environment- and climate-friendly practices. Member States will determine the detail of these - in line with the need to meet EU-level objectives but also taking into account national, regional and local circumstances. The system will draw on strengths currently observed in the CAP but will involve fewer and less complex rules in EU legislation.

Eco-friendly action which goes beyond this foundational level of good practice will be supported through schemes which are voluntary for farmers - at a relatively basic level, and above that more advanced schemes. Once again, Member States will be responsible for designing the schemes, in such a way as to meet EU objectives translated into national, regional and local terms.

The CAP will also place strong emphasis on unlocking the potential of research, innovation, training and the use of advice to improve care for the environment and climate, including through greater resource efficiency.

### **If you entrust environmental commitments to Member States, how can you ensure a level playing field among farmers? Will we end up with 28 different systems?**

Today's Communication marks a significant step change in the implementation of the CAP. Respecting the commitment to subsidiarity and less complexity, the Commission's scrutiny of national/regional plans will ensure that choices made are not manifestly mistaken or inadequate to meet the performance objectives and the basic EU requirements. The Commission would assess and approve the national/regional strategic plans with a view to maximising the contribution of the CAP towards the EU priorities and objectives and the achievement of Member States' climate and energy targets. This is important to ensure the maintenance of a common approach to the delivery of environment and climate objectives across Member States. Increased ambition is the only viable policy option in this regard.

The Commission will also maintain its key roles as guardian of the Treaties and as the institution ultimately responsible for the management of the EU budget and, as part of the process of scrutinising national/regional plans, the Commission will look carefully at how to avoid over-regulation.

### **Are the two pillars (direct payments/market measures and rural development) remaining in place?**

The two pillars are two complementary facets of the CAP, which should remain in place. They structure the CAP around two essential broad types of intervention. The first pillar supports farmers on an annual basis in the form of direct payments and market measures, which are subject to compliance with basic rules and environmental objectives. The second pillar is a multiannual and flexible investment tool, more adapted to the local realities of each Member State, in particular to help support longer term projects.

### **How can we ensure that the future CAP will be fairer and that smaller and medium-sized farms will get the support they need?**

In 2015, the first year of implementation of the last CAP reform, 20% of farmers received around 80% of direct payments. This raises understandable concerns of economic efficiency and social equity in the public debate.

In fact, this reflects the concentration of land and the nature of the support, which is largely area-based. Furthermore, more than half of its beneficiaries are very small farms and most of the payments (72% in 2015) go to medium-size professional (family) farms (from 5 to 250 ha) who manage most of the EU agricultural land (71%) hence are the main responsible for the delivery of public goods and environmental benefits.

Still, the Commission is committed to explore ways to further target direct payments more effectively and ensure a fair and better targeted support of farmers' income across the EU, as evoked in the *Reflection paper on the future of EU finances*. The following non-exhaustive list of possibilities should be further explored:

- A compulsory capping of direct payments taking into account labour to avoid negative effects on jobs;
- Degressive payments could be introduced as well, as a way of reducing the support for larger farms;
- Enhanced focus on a redistributive payment in order to be able to provide support in a targeted manner e.g. to small-medium sized farms;
- Ensure support to genuine farmers, focussing on those who are actively farming in order to earn a living.

### **Will farmers be treated equally across the EU?**

At the same time as the CAP is ensuring that support is targeted to genuine farmers, focussing on those who are actively farming in order to earn their living, it also needs to play its role in following the principles of "Equality between its Members, big or small, East or West, North or South", which were recalled by President Juncker in his State of the Union address of 2017.

In this sense, it should reduce differences between Member States in CAP support. Even if the wide diversity of relative costs of labour and land as well as the different agronomic potentials across the EU should be acknowledged, all EU farmers face similar challenges with regard to market volatility, the environment and the climate.

### **What is the role of the CAP to promote rural prosperity?**

The CAP is not only acting on the farming sector, but helps boosting local rural economies and enhancing rural prosperity. Rural development funds can for example support the setting up of an artisan's business. New jobs' opportunities and increase of growth potential can appear in rural areas through support of new rural value chains such as clean energy, the emerging bio-economy, the circular economy and ecotourism, investments in infrastructure, natural and human capital, including vocational training, programmes to develop new skills, quality education and connectivity. "[Smart villages](#)", as an emerging concept, will help communities address issues of inadequate infrastructures and employment opportunities.

### **How can the Commission encourage the setting-up of young farmers and generation renewal in the sector?**

Generational renewal should become a priority in a new policy framework, but Member States are in the best position to stimulate generational renewal using their powers on land regulation, taxation, inheritance law or territorial planning. The CAP should give flexibility to Member States to develop tailor made schemes that reflect the specific needs of their young farmers.

The CAP strategic plans could include support for skills development, knowledge, innovation, business development and investment support. The CAP should also help mitigate this risk in the first years after launching a farming business by providing an EU-wide system of support to the first installation. Access to financial instruments to support farm investments and working capital should be facilitated and better adapted to the investment needs and higher risk profiles of new entrants. Support to the new generation of farmers could be combined with the appropriate incentives to facilitate the exit of the older generation and the transfer of knowledge among generations as well as to increase land mobility and facilitate succession planning.

### **Why does the CAP need to support innovation? What is the rationale?**

Agriculture and our rural areas face a number of challenges for which new solutions need to be found. We need better advice and more innovation. Public involvement in research and innovation is necessary to bridge the gap between rural areas in demand of digital innovations and better connectivity and providers of new technologies.

For example, sensors could detect and prevent poor health in animals early on and reduce the need for treatment. Real-time access to information about sunlight intensity, soil moisture, markets, herd management and more provides for better and faster decisions by farmers.

It makes sense to cooperate on research an innovation at EU level. By learning from each other in different parts of the EU we will develop better knowledge and will adopt innovation faster.

### **When facing volatility and market crisis, what kind of support can the farmers expect from the future CAP?**

Be it sanitary or phytosanitary crises, climate change-related events or market volatility, farmers face high risks and pressure on incomes. The Commission has always and will always stand by farmers, as evidenced by the two latest solidarity packages each worth €500 million, but the higher frequency of risks calls more a more systematic approach.

The farming sector needs an adequate framework for risk management, which combines EU-level support with Member States' national tools and private sector instruments.

For example, the possibility to set up a sector-specific income stabilisation tool, with lower loss thresholds to trigger compensation, is expected to make it more attractive for both farmers and administrations. At the same time, a careful assessment needs to be carried out as to whether new tools or types of support should be introduced. In this context, cooperation among farmers and along the food chain should be fostered, including mutualisation and integrated services, for risk sharing purposes.

### **What will the EU-level platform on risk management entail?**

The limited awareness of farmers and other stakeholders of the available tools and their relative lack of

experience in implementing them has been one of the main barriers to the uptake of risk management instruments in the last few years.

The EU-level platform on risk management will be a platform for all actors involved, from farmers and public authorities to research institutes and private sector players (ex. insurance companies) to share knowledge and exchange best practices.

The Commission will be involved, as appropriate, as a facilitator and will develop the platform on a dedicated website.

Under the platform, expert groups, working panels, seminars and events will be organised around specific risk management topics, e.g. loss calculation using index-based systems. Moreover, the platform will offer the possibility to gather together private or public initiatives on risk management at local level, and relevant work in other policy fields, e.g. climate change adaptation, agro-meteorology, etc.

### **Why should the CAP stimulate investments and how can financial instruments support farmers?**

A flexible CAP investment tool is essential to support competitiveness, innovation, climate change adaptation and mitigation and ultimately the sustainability of agriculture and rural areas. Modernising a farm, setting up new technologies, renovating irrigation systems are all actions that require a lot of frontload money and are substantial financial efforts that farmers cannot be expected to do all on their own. The public funds available for grants are not sufficient to address the growing investment needs of the sector. Rough estimations show that the market gap for financing agriculture is between €1.6 and €4.1 billion for short-term loans, and between €5.5 and €14.8 billion for long-term loans.

Financial instruments, such as loans, guarantees and equity funds, can ease access to finance for those farmers (e.g. small holders, new entrants, etc.) or agri-food producers, who find it difficult to obtain the necessary funds to either enter the business or develop it. By bringing together EU and private funding, they shall have a multiplier effect, i.e. increased investment volumes (leverage).

MEMO/17/4842

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