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Report Highlights:

Just over one third of the European Union (EU) budget, the Common Agricultural Policy (CAP) for 2023-2027 was formally adopted after extensive stakeholder dialogue and negotiation between the co-legislating EU institutions: the European Commission, the Council of Member States (MS) Agriculture Ministers (AGRIFISH), and the European Parliament. Major changes from the previous CAP include a new “delivery model” that de-centralizes funding and the requirement that EU Member States develop National Strategic Plans (NSPs) in line with Commission priorities, such as the EU Green Deal. Feedback on the NSPs is provided by the Commission and enables MS governments to itemize CAP funding to the needs of MS farming communities and rural areas.

General information:

A political agreement was finalized on the EU CAP 2023-2027 after “trilogue” negotiations concluded over the summer 2021 by the Commission’s co-legislating institutions, the AGRIFISH MS Council and the European Parliament. A final vote and approval by the European Parliament occurred on November 23 while AGRIFISH provided final approval on December 2, 2021. The CAP legislative framework is delineated by the [Common Market Organization](#), the [Strategic Plan](#), and the [Horizontal Regulations](#).

Key areas: The policy features of the CAP 2023-2027 are built around [9 key objectives](#) that diverge little from the previous iteration of the CAP.

- Unchanged are the standard per farm direct payment and environmental incentives, previously “green measures” and now “eco-schemes” (at least 25% of the budget for direct payments), and other social provisions governing, for example, labor rights, EU labor standards and other employment guarantees for seasonal workers.
- At least 35% of the rural development funds will be allocated to measures to support climate, biodiversity, environment and animal welfare.
- Operational programs in fruit and vegetable sector will allocate at least 15% of their expenditure on environment.
- 40% of the CAP budget will have to be climate-relevant.
- 10% of the direct payments will be dedicated to redistributive income support to smaller and medium-sized farms.
- Mandatory but flexible definition of an active farmer who can receive certain EU support by EU countries.
- At least 3% of the direct payment budget allocated towards young farmers.

New provisions aim to align the 2023-2027 CAP with the broader Commission political agenda, including the EU [Green Deal](#) Farm to Fork and Biodiversity strategies. Another change is the decentralization of CAP funding management and administration from Brussels to MS through NSPs and other mechanisms, allowing MS to develop their own policy objectives that align with the needs of their domestic farming communities and rural areas.

The following are highlights of the 2023-2027 CAP framework:

[Common Market Organization \(CMO\):](#)

- Strengthens the economic leverage of farmers in the food supply chain by expanding opportunities for cooperatives and similar types of structures to organize.

- Agricultural practices that exhibit higher environmental, animal health or animal welfare standards than EU-wide or MS national levels are to be exempt from competition law.
- Improve transparency within the agri-food supply chain by monitoring market fluctuations through EU observatories that will provide statistical data and information necessary, including reports and alerts.
- Measures such as temporary voluntary production reduction schemes may be introduced to react against threats of market disturbance.
- Regarding wine, the authorization scheme for vine plantings is extended to 31 December 2045.
- In case of labelling of wines and aromatized wines, the nutrition declaration on the label may be limited to energy value, but in such a case full information must be provided
- by electronic means identified on the label. De-alcoholised or partially de-alcoholised wines are included in the category of grapevine products, but they must be clearly labelled as such. Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) status may be granted only to partially de-alcoholised wines. PDO and PGI products represent the excellence of European agricultural food production. The EU dictates precise regulations for their protection, creating specific quality standard regimes that protect the good faith of the consumers and with the purpose of giving producers concrete instruments for identifying and promoting products with specific characteristics in a better way, as well as protecting them from unfair practices.
- Concerns about imports and lower standards of products entering the EU single market could be addressed by political declarations.
- The issue of including sugar in products eligible for public intervention was also addressed in a joint statement by all three co-legislating institutions, committing to assess the conclusions of a soon to be published study.
- The amendment to further restrict the use of dairy terms on plant-based alternatives was dropped.

[CAP Strategic Plans:](#)

- Unlike the previous CAP, MS are not preparing rural development plans for the CAP 2023-2027, rather a CAP National Strategic Plan including all agriculture related plans. Critics say this approach can lead to renationalization of the CAP, as responsibilities are shifted from the EU to MS.
- Amendments to the original Commission proposal include a clearer link between the CAP National Strategic Plans and the EU's GD environmental commitments, a redistribution of funds in favor of environmental measures, small farms and young

farmers and a new social provision that, for the first time, connects direct payments to farmers with minimum working conditions on farms.

Horizontal Regulation:

This legislative piece provides the framework for adapting the financial management and monitoring rules to a new CAP “delivery model”. The Horizontal Regulation seeks to achieve greater responsibility to MS and simplification. A shift from ensuring single transaction compliance to a monitoring system of performance in each EU MS, and reduced bureaucracy, among other things. Expenditures are allocated under the European Agriculture and Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). An explanation of these two funds can be found in in [GAIN Report Nr. E80041](#).

- Shared management in the EAGF payments: MS paying agencies make payments to beneficiaries of market-related expenditure and direct payments with the Commission reimbursing the Member States on a monthly basis afterwards.
- These payments are subject to financial and budgetary discipline that ensures the respect of set annual ceilings.
- A reserve for major crises affecting agricultural production or distribution was established, for a total amount of €450million per year.
- The shared management principle also applies to EAFRD payments. The Commission does not make payments to beneficiaries, but makes funds available to MS within a set ceiling for expenditures under rural development programs.
- Most of the provisions on control of expenditure compliance with EU rules are common to both the EAGF and the EAFRD.

Although the 2023-2027 CAP Horizontal Regulation is similar to the previous CAP framework, there are some changes necessary to adapt the functioning of the funds and the system of controls and penalties in the new delivery model. The goal is to simplify the entire financial governance of the CAP.

- The EAGF and the EAFRD are maintained as a two-pillar structure of the CAP.
- The reimbursement of payments is largely unchanged.
- A single agency per country will manage expenditures, with the possibility for MS to establish one national agency, or one per region.
- Simplified rules and procedures for the agricultural crisis reserve set at a €450 million a year and carry-over of unused amounts.
- Performance-based control system: an annual performance report would focus on outputs and results instead of compliance on granular EU rules.
- Introduction of the single audit approach, reducing audits and on-the-spot checks.
- Further simplification to offer flexibility as regards rules on controls and penalties, while ensuring systematic checks.

- Some parts of the current CAP horizontal regulation have moved to the CAP strategic plans or CMO regulations, such as the provisions on the farm advisory system, cross-compliance and monitoring and evaluation, and provisions on controls and penalties related to agricultural market policy.

Stakeholders' reactions to the future CAP:

The largest political group in the European Parliament, the European People's Party, [highlighted](#) that the “decision on the agreement on the Common Agricultural Policy (CAP) is vital to European food production. In their press release regarding the vote that went “in favour” of the CAP will help to keep our food affordable and production in Europe close to consumers. It guarantees the quality of our European products and ensures a balance between the economic, social and ecological sustainability of European farming”.

The second largest political group (S&D) was not fully happy, as they wanted further reforms. “The reform that will shape the new [...] Common Agricultural Policy represents an ambitious step forward. We would have wanted more concrete turning points on several aspects, but we should not forget that we kicked off the reform process in 2018 with the damaging Commission proposal, which would have completely renationalised the CAP and not fulfilled the European-level ambition for more competitive and sustainable agriculture.” – stays in their [press release](#).

The principal farm lobby in Brussels, COPA-COGECA, welcomed the adoption of the package in a [press release](#) and reminded that there are several steps to be taken before CAP 2023-2027 becomes operational. As they wrote: “(...) The new climate, social and environmental requirements included in the newly adopted CAP represents an evolution of farmers' commitments to produce more sustainably. It will demand considerable efforts at a time when the short-term challenges and uncertainties are many and are putting the sector's competitiveness at stake. We now count on the national authorities and the European Commission for a quick adoption of the CAP Strategic Plans.” Furthermore, COPA-COGECA urged EU MS to focus on investments, innovation and cooperatives where “the “National Strategic Plans must seriously consider the future of investments in agriculture and the innovations that we will need to feed Europe's future.” Investments will be key for farmers and their cooperatives in the future CAP to improve the overall performance and the sustainability of the land. The NSPs should reinforce the role and the tools given to producer organisations - such as cooperatives - to diversify production, to reduce costs, and undertake ambitious collective action.”

Budgetary context:

The CAP still represents one third of the overall EU budget, even without the UK, the post-Brexit. The departure of the UK from the EU has grave implications to the EU budget, or Multiannual Financial Framework (MFF). The 2021-2027 MFF was impacted not only from the revenue side, but also from the expenditure side.

There was a significant delay in the adoption of the rules in the new CAP, as a result of many factors, such as the tedious negotiations leading up to Brexit. To address this delay, the MFF was initiated for the first time with a transitional period (2021-2022). In addition to the general budget, a Next Generation EU recovery fund was introduced that supports the economic challenges from the COVID-19 pandemic across different policy areas, such as rural development.

For the transitional period, the previous CAP rules apply, while the new 2023-2027 CAP rules will not be in effect until January 1, 2023. The table below provides a comparison of funding between the current and previous CAP.

| CAP | 2014-2020 (EU-28) (in billion euros) | 2021-2027 (EU-27) (in billion euros) | % change |
|---|---|---|-----------------|
| Market Related Funds & Direct Payments | €312,735 | €291,090 | -6.9% |
| Rural Development | €95,577 | €95,5 | -0.01% |
| Total CAP | €408,312 | €386,590 | -5.31% |
| Total EU Budget | €959,510 | €1,074,300 | +11.9% |
| CAP Percent of total EU budget | 42,55% | 35,2% | -7.35% |

Source: https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2014-2020/funding-programmes/heading-2-sustainable-growth-natural-resources_en; https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget_en; https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/new-cap-2023-27_en

Attachments:

No Attachments.