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EU Budget: the Common Agricultural Policy beyond 2020

The European Commission today published proposals for regulations modernising and simplifying the Common Agricultural Policy (CAP).

These proposals are for a regulation on the CAP Strategic Plans (a proposed new way of working covering direct payments to farmers, rural development support and sectoral support programmes), a regulation on the Single Common Market Organisation (CMO) and a horizontal regulation on financing, managing and monitoring the CAP. These proposals give shape to the ideas for the future of the CAP, as outlined in the Communication on the Future of Food and Farming, presented by the Commission in November 2017.

Why reform the Common Agricultural Policy?

Since 1962, the Common Agricultural Policy (CAP) has successfully fulfilled its original objective of providing income support to farmers in order to guarantee the supply of good quality, safe and affordable food for European citizens. The adaptability of the CAP over this time has ensured its continued relevance. The world is moving fast and so are the challenges facing not only farmers but our society as a whole. Climate change, price volatility, political and economic uncertainty, rural depopulation and the growing importance of global trade: farmers are constantly adapting to changing circumstances and legislators must ensure that they are provided with adequate support based on clear and simplified in the medium and long term.

The CAP is leading a transition towards a more sustainable agriculture. It needs to foster the sector's resilience and support farmers' income and viability. It needs to ensure that agriculture plays its full role in relation to the environment and climate challenge and it needs to fully accommodate digital innovations that make the jobs of farmers easier, reduce red tape and support generational renewal. With over 50% of EU population living in rural areas, efforts are needed to keep them attractive and vital as living spaces in terms of growth and jobs, but also infrastructure, mobility and basic services. By contributing to economic dynamics in rural areas and its socio-cultural life, EU agriculture plays an important role as does the new CAP by aiming at keeping sustainable farming in place throughout Europe and investing in the development of rural areas and communities.

Today's legislative proposals introduce a simplified and modernised policy better fit to meet these challenges and objectives.

What budget is available for the CAP 2021-2027?

The Commission proposal for the multiannual financial framework (MFF) 2021-2027 includes €365 billion for the CAP (in current prices). This corresponds to an average share of 28.5% of the overall EU budget for the period 2021-2027. Out of this amount for the CAP, €265.2 billion is for direct payments, €20 billion for market support measures (EAGF) and €78.8 billion is for rural development (EAFRD).

An additional €10 billion will be available through the EU's Horizon Europe research programme to support specific research and innovation in food, agriculture, rural development and the bio-economy.

What are the objectives of the future CAP 2021-2027?

The future CAP will focus on nine general objectives reflecting the economic, environmental and social importance of the policy:

1. Support viable farm income and resilience across the EU territory to enhance food security;
2. Enhance market orientation and increase competitiveness including greater focus on research, technology and digitalisation;
3. Improve farmers' position in the value chain;
4. Contribute to climate change mitigation and adaptation, as well as sustainable energy;
5. Foster sustainable development and efficient management of natural resources such as water, soil and air;
6. Contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;
7. Attract young farmers and facilitate business development in rural areas;
8. Promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
9. Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare.

Fostering knowledge, innovation and digitalisation in agriculture and rural areas is a cross-cutting objective.

How do you expect to achieve these objectives?

The future CAP will deliver more benefits for our citizens while significantly simplifying and modernising the way the policy works, both for farmers and for Member States. Rather than rules and compliance, the focus will shift to results and performance. Moving from a one-size-fits-all to a tailor-made approach means the policy will be closer to those who implement it on the ground. This approach will give far greater freedom to Member States to decide how best to meet the common objectives at the same time as responding to the specific needs of their farmers, rural communities and society at large.

At EU level, the focus will be on:

- Setting common objectives;
- Listing necessary interventions and a common 'toolkit' of measures that can be used by Member States to achieve the common objectives;
- Preserving the single market and a level playing field for all farmers across the Union;
- Ensuring safeguards to guarantee that the policy does what it sets out to do, and;
- Providing a set of indicators to assess progress.

Member States will be able to tailor the tools to their own specific needs, setting out how they plan to do so in a comprehensive CAP Strategic Plan.

These CAP Strategic Plans will set out how each country proposes to meet the overall CAP objectives, mindful of its own specific needs. They will define a strategy and explain

how actions under both pillars will contribute to reaching these objectives. The plans will also set the targets for reaching the objectives; progress towards achieving these targets will be assessed at Member State level and verified by the European Commission in a new annual monitoring and review exercise.

Each CAP Strategic Plan will need prior approval from the European Commission to ensure that it remains consistent with the EU-wide objectives, maintains the common nature of the policy and does not distort the single market or lead to excessive burdens on beneficiaries or administrations.

How will you assess the results?

A common set of result indicators will be agreed at EU level to ensure a level playing field for farmers in every Member States.

Each year, countries will submit a performance report to the Commission to show the progress they have made, based on these specific result indicators. The Commission will review the reports and consider recommendations for improving performance if necessary.

A new system of possible sanctions and rewards will also be introduced to ensure that progress is made. For example, Member States that meet their climate, environment and biodiversity targets will be eligible for a reward of up to 5% of their rural development allocation at the end of the MFF period. At the same time, when the annual performance report indicates that sufficient progress is not being made, the Commission will be able to intervene to ensure that funding is better focused on results. This could involve, for example, imposing a specific action plan to get the national programme back on track, suspension of payments and/or re-programming, depending on the nature of the underperformance.

How does this make it simpler for farmers and national administrations? And how does it modernise the CAP?

Farmers know better than anyone what support they need to improve their performance. With the new CAP Strategic Plans, Member States can work with farmers to determine what needs to be done at national or regional level to meet the agreed EU objectives, with greater flexibility to choose the most appropriate measures to achieve results. The list of broad measures agreed at EU level will also be streamlined - for example, the new CAP defines eight broad areas for action within rural development (environment & climate; young farmers; risk management tools; knowledge & information, etc.) rather than the current 69 measures and sub-measures. Allowing Member States to be more accountable as to how they can best meet the overall goals, rather than an overly prescriptive one-size-fits-all approach will be both simpler and more effective.

The Commission will also focus on ensuring that governance systems in each Member State work effectively, in turn allowing them to decide whether proposals are eligible for EU support rather than checking the eligibility conditions of each individual project beneficiary as is currently the case.

The new CAP will encourage the take-up of new technologies, both by farmers and by national administrations, to help simplify their work. For example, a new monitoring system will be developed based on systematic, year-round remote observation of agricultural activities. This will, wherever possible, replace traditional control methods such as on-the-spot checks, significantly reducing the control burden. Further use of other digital tools such as the so-called geo-spatial application (GSA), which uses satellite technology to enable farmers to make accurate claims about their land and thus reduce the level of errors in declarations and avoid penalties, will also be encouraged. Farmers' applications for direct support will come pre-filled by Member State administrations with as much up-to-date and reliable information as possible, using existing tools such as the Land Parcel Identification System, saving considerable time for farmers.

Under the new CAP, Member States will be required to make available to farmers a system of farm advisory services (FAS), which will cover a wide range of issues detailed in the Regulation itself. These include, among others: advice on **all** the requirements and conditions at farm level that stem from each country's CAP Strategic Plan; how to ensure compliance with environmental legislation on water, pesticides, clean air, etc; risk management; and access to innovation and technology. These advisory services will be fully embedded in the wider Member States' Agricultural Knowledge and Innovation Systems (AKIS), which include also researchers, farmer organisations and other relevant stakeholders.

Will farmers be treated equally across the EU?

The new framework of the CAP provides for further convergence of direct payment levels among Member States by closing 50% of the gap between EU aid levels per hectare and 90% of the EU average. This contributes to the Commission's commitment to ensure a fairer distribution of direct payments.

How can you ensure a fairer distribution of payments to farmers and to smaller and medium-sized farms?

Direct payments will remain an essential part of the policy, as farmers' income needs to be supported to foster a smart and resilient agricultural sector.

The Commission is proposing a reduction of payments as of €60,000 and compulsory capping for payments above €100,000 per farm. Labour costs will be taken fully into account. This is designed to ensure a fairer distribution of payments.

The amounts freed up will be redistributed within each Member State either through a redistributive direct payment or rural development, primarily to ensure that a higher share of each country's direct payment allocation goes to small and medium-sized farms. Member States will also be able to offer to small farmers a round sum per year, a far simpler administrative procedure for recipients who would not have to fill in annual claims to receive their payments. It will be up to each individual member state to define how to classify small farmers, as each country's agricultural sector is different.

Each country will also have to apply more stringent definitions to ensure only genuine farmers receive support. As with small farms, the precise definition will be left up to each Member State to decide (subject to Commission approval in the CAP Strategic Plan), based on a number of factors such as income tests, labour inputs on the farm, the object clause of businesses and/or their inclusion in business registers. The definition must ensure that no support can be granted to those whose agricultural activity forms only an insignificant part of their overall economic activities or those whose principal business activity is not agricultural. The regulation also stipulates that the definition agreed in each Member State must not exclude by definition pluri-active farmers (i.e. those who are actively farming but who are also engaged in non-agricultural activities outside their farm).

How will young farmers benefit from the future CAP?

Attracting young people into the sector and helping them establish themselves as viable businesses is one of the main priorities of the CAP post-2020. Young farmers will benefit from a number of measures, some mandatory, others voluntary:

- Member States will have to reserve at least 2% of their national allocation for direct payments specifically to support young farmers setting up in the profession, either in the form of a top-up payment in addition to their basic income support

or through installation grants; countries are free to set aside a larger sum to encourage young farmers if they identify a specific need to do so.

- The maximum amount of aid for the installation of young farmers and rural business start-ups will be increased to €100,000.
- Each country's CAP Strategic Plan will have to present a specific strategy for attracting and supporting young farmers, including how national and EU support can be used more consistently and effectively.
- Rural development funding can be used to support schemes aimed at improving access to land and land transfer, traditionally a major barrier to young farmers joining the profession. These schemes could include: farm partnerships between generations of farmers; farm succession or transition planning services; brokerage for land acquisition; innovative national or regional organisations engaged in promoting and facilitating matching services between young and old farmers, etc.
- Young farmers will continue to benefit from investment support and knowledge transfer/training supported by rural development funds.
- Member States will be allowed to establish financial instruments supporting working capital for young farmers, who often face significant difficulties raising finance given the high investments and low returns of a farm at the start-up phase. The Commission will also enhance cooperation with the European Investment Bank, especially via the fi-compass platform, to learn from experiences and best practices on specific schemes for young farmers.

How will the new CAP support environmental and climate action?

Three out of the nine specific objectives in the future CAP will concern the environment and climate – covering the issues of climate change, natural resources, biodiversity, habitats and landscapes.

In their CAP Strategic Plans, Member States will have to spell out how they intend to meet these objectives, ensuring their farmers meet all their requirements with regard to the environment and climate. They will also detail how they will use funding from both CAP pillars to support their strategy. Targets will be set and assessed each year to gauge progress.

Ensuring a high level of ambition with regard to climate, environment and biodiversity will be achieved in a variety of ways:

A new system of "conditionality" will link all farmers' income support (and other area- and animal-based payments) to the application of environment- and climate-friendly farming practices. Making support conditional on enhanced standards is an improvement on the existing rules in the current CAP.

A new system of so-called "eco-schemes", funded from national direct payment allocations, will be mandatory for Member States, although farmers will not be obliged to join them. These eco-schemes will have to address the CAP environment and climate objectives in ways that complement the other relevant tools available and go beyond what is already requested under the conditionality requirements. However, it will be up to each Member State to design them as they see fit. One example could be an eco-scheme to fund zero use of fertilisers in order to improve water quality. The payments involved could be offered either as "top-ups" to farmers' direct payments, or as stand-alone schemes whose payment values are based on the extra costs and income losses involved for farmers.

Member States will be required to dedicate at least 30% of their rural development budget to environment and climate measures. Rural development funding will be used to support climate and environment-friendly actions, in particular so-called 'agri-environment-climate commitments' which will again be mandatory for Member States to offer but voluntary for

farmers. Rural development budgets can also be used to fund a range of other actions such as knowledge transfer, eco-friendly investments, innovation and co-operation. Such support could concern farmers, forest managers and other interested parties in rural areas.

Funding for environment-related measures in areas of natural constraints (ANCs) such as mountainous or coastal regions, will now be in addition to the 30% of rural development

In line with the Union's commitment to implement the Paris Agreement and the United Nations Sustainable Development Goals, actions under the CAP are expected to contribute 40 per cent of the overall CAP budget to climate action.

What is the role of research, innovation and new technologies in the future CAP?

The future CAP will encourage increased investment in knowledge and innovation, and enable farmers and rural communities to benefit from it. The main instrument supporting innovation under the new CAP will continue to be the European Innovation Partnership (EIP-AGRI), notably via the support of bottom-up innovation projects carried out by operational groups. The EIP-AGRI innovation approach focuses on knowledge exchange, in which all actors are interactively involved in the process.

An **additional €10 billion** funding will be available through the EU's Horizon Europe research programme to support specific research and innovation in food, agriculture, rural development and the bio-economy. Horizon Europe will have a pivotal role in co-creating the knowledge needed to modernise the agricultural sector. The synergies established between Horizon Europe (with transnational projects) and the CAP (with projects at regional / local level and the CAP networks) will help build the agricultural knowledge and innovation system which aims to accelerate the uptake of innovative practices among all actors in rural areas.

What is a Common Market Organisation (CMO)? Why are only certain sectors covered by these?

A Common Market Organisation (CMO) refers to the set of rules used to organise the single market for agricultural products. These rules cover a wide range of aspects: the market safety net (public intervention and private storage aid), exceptional measures in case of market disturbance, marketing standards, the school scheme offering milk and fruit & vegetables to school children, trade provisions and a number of operational programmes for a series of sectors: fruit and vegetables, apiculture, wine, hops, and olives.

Most of the CMO Regulation will remain unchanged in the future CAP, with a few exceptions. One major change is that the above-mentioned operational programmes will have to be integrated in each country's CAP Strategic Plan and Member States will have the possibility (if they considerate necessary) to design operational programmes (otherwise called sectoral interventions) for other sectors. These can be all agricultural sectors - everything from cereals and meat to seeds and live plants and trees - but excluding ethyl alcohol and tobacco. Member States can set aside up to 3% of their pillar 1 budget for these sectoral interventions. These schemes will support producers who come together through producer organisations to take common actions in favour of the environment or fostering a better position in the food chain.

Is there specific support for certain sectors?

Certain specific product sectors undergoing difficulties will continue to benefit from additional support to improve their competitiveness, sustainability or quality (known as

coupled income support, or voluntary coupled support under the current CAP). These sectors must be considered important for economic, social or environmental reasons.

The Commission is proposing to maintain the existing list of potentially eligible sectors (in other words, those sectors that have been eligible to receive voluntary coupled support since 2013 - the most recent list is available [here](#)). In addition, the Commission is proposing to extend this list to include non-food crops (other than short-rotation coppice and excluding trees) used for the production of products that have the potential to substitute fossil fuels.

Eligible Member States can allocate a maximum of 10% of their direct payments to coupled income support. An additional 2% can be set aside to support protein crops.

Is there a special regime in place for the EU's outermost regions?

Given the particular agricultural challenges of the EU's outermost regions, additional support for farmers is available under the CAP. Proposed funding for these regions - the French overseas departments (Guadeloupe, French Guiana, Martinique, Réunion, Saint-Martin, and Mayotte), the Azores and Madeira, and the Canaries - is set at €627.63 million per year for the seven-year period.

Direct payments available to farmers in the outermost regions will remain well above the support levels paid in other Member States.

This figure does not include potential additional funding for these regions from the rural development budget. This can be used to support actions to restore, preserve and enhance biodiversity in agriculture and forestry, and promote economic development in rural areas in these outermost regions. The EU contribution to rural development schemes in these areas has been raised to 70%, compared to around 40% elsewhere.

How will the new CAP help farmers to face crises and risks?

The current CAP already helps farmers deal with the uncertainty of their profession, through income support (direct payments), market measures, support for risk management tools, and training and investments under rural development.

The new CAP maintains this approach, while introducing further improvements:

- Current provisions on public intervention, private storage and exceptional measures are unchanged and remain available to support EU farmers in case of need.
- Member States will in future have the possibility to dedicate up to 3% of their pillar 1 allocation to help support sectors other than those (such as fruits and vegetables, wine or olive oil) already benefiting from sectoral programmes. The aim is to stimulate actions by producer organisations in favour of competitiveness, sustainability and risk/crisis management, among others.
- The existing practice of setting aside a portion of the overall Pillar 1 funding will be maintained to create an 'agricultural reserve', which can be used for market measures and exceptional support measures. This reserve will be at least €400 million in total every year, and will be filled by rolling over the crisis reserve from 2020 (i.e. under the current CAP and from the current MFF) into 2021; in the subsequent years, all unused funds will again be rolled over. Rolling over the reserve, rather than opting to fill the reserve anew each year and reallocate the unused funds to the Member States, will significantly reduce the administrative burden.
- Member States will have to support risk management tools under rural development to help farmers manage production- and income-related risks which are outside

their control. This type of support, which will be in the form of financial contributions to premiums for insurance schemes and mutual funds, encompassing both production and income risks, will be mandatory for all Member States. Support for different actions such as investments and training to help farmers prevent risks or to deal with their consequences become mandatory under rural development.

- An EU-level platform on risk management, in the form of a single multi-stakeholder hub, will be set up to help all the actors involved, from farmers and public authorities to research institutes and the private sector, share knowledge and exchange experience and best practice.
- It will also be possible to use financial instruments to facilitate access to working capital, for example to help farmers overcome a temporary shortage of liquidity caused by an unexpected crisis.
- The Horizon 2020 programme will finance research on risk management, farm digitisation and smart use of big data in agriculture, while the European Innovation Partnership (EIP-AGRI) can also support projects in the field of risk management.

How will the new CAP contribute to the future of EU rural areas?

With over 50% of the EU population living in rural areas, it is important to ensure that they remain attractive, dynamic and sustainable; with good quality jobs, economic growth, and access to quality infrastructure, mobility and basic services. Agriculture is at the heart of many rural communities and, through its support for farmers and rural communities, so is the CAP.

The simplification of rural development, with broad objectives set at EU level and more flexibility for Member States to tailor their actions to their specific needs, will ensure that rural development support remains effective across the EU. Increasing the co-financing rate for Member States will allow them to maintain an ambitious level of investment in rural areas.

This is also why the future rural development funding will be targeted at where it can bring real added value - the development of the local, rural and agricultural economy - leaving other EU funds to focus on large infrastructure projects, including broadband. One key element of future rural development policy will be promoting the development of Smart Villages in rural areas alongside improved local infrastructure.

What is the difference between current and constant prices and what are the real savings in the future CAP budget? How will the CAP budget be distributed among Member States?

The Commission has provided unprecedented transparency by presenting for the first time ever its proposal for the new long-term EU budget on 2 May both in current and in constant 2018 prices.

However, current prices represent the actual amounts that the final beneficiaries will get from the EU budget. Each annual EU budget is agreed in current prices, and Member States contribute to the overall EU budget in current prices.

This is the same methodology that has been used in the past for expressing the CAP budget, making the current proposals directly comparable with previous budgets.

Constant prices, taking out inflation, are used to compare the economic impact of investments over a longer time span. It is easy to switch from constant to current prices and vice versa because the Commission uses (and has always used) as a proxy for future inflation rates, a fixed annual inflation rate of 2% when making its calculations.

As a result, savings of 5% for the CAP budget in current prices are proposed.

Allocations per Member States in current prices – in million €				
	Direct payments	Markets	Rural development	TOTAL
BE	3 399.2	3.0	470.2	3 872.4
BG	5 552.5	194.5	1 972.0	7 719.0
CZ	5 871.9	49.5	1 811.4	7 732.9
DK	5 922.9	2.1	530.7	6 455.6
DE	33 761.8	296.5	6 929.5	40 987.8
EE	1 243.3	1.0	615.1	1 859.4
IE	8 147.6	0.4	1 852.7	10 000.7
EL	14 255.9	440.0	3 567.1	18 263.1
ES	33 481.4	3 287.8	7 008.4	43 777.6
FR	50 034.5	3 809.2	8 464.8	62 308.6
HR	2 489.0	86.3	1 969.4	4 544.6
IT	24 921.3	2 545.5	8 892.2	36 359.0
CY	327.3	32.4	111.9	471.6
LV	2 218.7	2.3	821.2	3 042.1
LT	3 770.5	4.2	1 366.3	5 140.9
LU	224.9	0.2	86.0	311.2
HU	8 538.4	225.7	2 913.4	11 677.5
MT	31.6	0.1	85.5	117.1
NL	4 927.1	2.1	512.1	5 441.2
AT	4 653.7	102.4	3 363.3	8 119.4
PL	21 239.2	35.2	9 225.2	30 499.6
PT	4 214.4	1 168.7	3 452.5	8 835.6
RO	13 371.8	363.5	6 758.5	20 493.8
SI	903.4	38.5	715.7	1 657.6
SK	2 753.4	41.2	1 593.8	4 388.4
FIN	3 567.0	1.4	2 044.1	5 612.5
SE	4 712.5	4.1	1 480.9	6 197.4

Allocations per Member States in constant 2018 prices – in million €				
	Direct payments	Markets	Rural development	TOTAL
BE	3 020.8	2.6	417.9	3 441.3
BG	4 930.2	172.8	1 752.4	6 855.4
CZ	5 218.2	44.0	1 609.7	6 871.9
DK	5 263.5	1.8	471.6	5 736.9
DE	30 003.0	263.5	6 158.0	36 424.5
EE	1 102.4	0.9	546.6	1 650.0
IE	7 240.5	0.4	1 646.4	8 887.3
EL	12 668.8	391.0	3 170.0	16 229.8
ES	29 750.3	2 921.7	6 228.2	38 900.2
FR	44 464.1	3 385.1	7 522.4	55 371.6
HR	2 207.7	76.7	1 750.1	4 034.5
IT	22 146.8	2 262.1	7 902.2	32 311.0
CY	290.8	28.8	99.5	419.1
LV	1 967.4	2.0	729.7	2 699.2
LT	3 343.9	3.7	1 214.2	4 561.7
LU	199.9	0.2	76.5	276.5
HU	7 587.8	200.6	2 589.1	10 377.4
MT	28.0	0.1	75.9	104.1
NL	4 378.5	1.8	455.0	4 835.4
AT	4 135.6	91.0	2 988.8	7 215.5
PL	18 859.5	31.3	8 198.2	27 088.9
PT	3 741.0	1 038.6	3 068.1	7 847.7
RO	11 869.7	323.0	6 006.1	18 198.8
SI	802.8	34.2	636.1	1 473.1
SK	2 444.5	36.6	1 416.3	3 897.5
FIN	3 169.0	1.2	1 816.6	4 986.8
SE	4 187.7	3.7	1 316.0	5 507.4

What are the next steps?

The proposals for the three regulations for the new CAP 2021-2027 will be sent to the European Parliament and the Council. The co-legislators will then be responsible for taking their respective positions in relation to the Commission's proposals.

A swift agreement on the overall long-term EU budget and its sectoral proposals is essential to ensure that EU funds start delivering results on the ground as soon as possible and that farmers are provided with the necessary certainty and predictability for their business and investment decisions.

Delays similar to the ones experienced at the beginning of the current 2014-2020 budgetary period could potentially mean that farmers and national administrations would not benefit from the reduced bureaucracy, greater flexibility and more effective results that the new CAP will bring. Any delays in approval of the future budget would also delay the start of thousands of potential new projects across the EU designed to support farmers and rural communities, tackling issues from strengthening environmental protection to attracting new farmers.

An agreement on the next long-term budget in 2019 would provide for a seamless transition between the current long-term budget (2014-2020) and the new one and would ensure predictability and continuity of funding to the benefit of all.