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CAP Strategic Plans: **Stuck in silos**

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Executive summary

The project **CAP Strategic Plans** co-organised by ARC2020 with the Good Food Good Farming network is now completing its fourth year since its launch in 2020. 2023 can be seen as the end of a policy reform cycle and beginning of a new one for the Common Agricultural Policy, aka CAP. Just recently, the Commission published its main takeaways and conclusions on the joint effort and collective ambition of the CAP Strategic Plans 2023-2027 (CSPs). Not surprisingly, the Commission sees and portrays the approved plans as "*collectively moving towards higher level of ambition*. There are accompanying well-funded ways to spread this news, regardless of reform failures and untouched inequalities.

This report **"CAP Strategic Plans: stuck in silos"** produced by ARC2020.eu presents critical and constructive thinking on CAP, which in our view, is in fact very far away from reaching higher level of ambition. *Stuck in silos* is an invitation to critically appraise the substance and directions of the CAP Strategic Plans also in light of the relevant legislations and practices deeply interconnected with CAP (e.g., state aid, sustainable food systems, nature restoration, chemical pesticides and herbicides, seeds and GMO, animal welfare, trade). From an integrated agri-food and rural perspective, responsible policy makers overlook legal loopholes, derogations, monitoring flaws, wider deregulations in agri-food laws, and poor CAP policy integration with related legislations (seeds, food, nature, pesticides) in the name of 'security', 'sustainability', 'simplification', or 'modernisation'.

These systematic drawbacks cannot be just footnotes in yet another DG AGRI's report concerned mainly with making much of positivist claims and political overtones. Critical elements represent essential points for objective assessments and coherent policy perspectives. After all, it is in the interest of everyone to elevate the CAP to higher sustainability performance: and while a coherent approach is not always easy, it is the only way to go.

The report **'CAP stuck in silos'** is one hand a recollection of the 15 policy analyses published in 2023 by ARC2020 and available online. On the other hand, it is an invitation for responsible policy makers to openly acknowledge policy shortcomings and incoherences, to aid in seeking solutions to effectively align CAP promises to existing realities. To learn more about how many evolutions came to shape the current CAP, readers can consult the free-to-download reports of the three previous editions of the CAP Strategic Plans project:

- Project Year 2020: CAP Reform Post 2020: Lost in Ambition?
- Project Year 2021: CAP Strategic Plans: Lost in Details?
- Project Year 2022: CAP Strategic Plans: Reforming the CAP in wartime

Without the cooperation with committed actors at different levels of agri-food and rural policies and practices, this action-research project would have not been possible. ARC2020 cannot express enough gratitude for your support.

Background

Many key events in 2023 have marked a CAP, in our view, still stuck in silo thinking and action instead of pursuing a holistic and coherent policy transition towards agroecology and sustainable food systems. It is not true that *"alternatives do not exist"*, as advocated by many politicians: it is rather that alternatives are ignored or de-prioritised. The lack of pro-active cooperation and integration between agri and health in the legislative work towards a Sustainable Food Systems Law is an obvious example of this silos acting, but unfortunately not the only one.

More examples display a rather incoherent pathway for the future of agriculture towards sustainability commitments and should raise serious concerns rather than celebratory conclusions by DG AGRI:

- the lock-in and socio-environmental effects of the rapidly growing EU and national subsidisation of private insurance in the context of increasing farmers' dependency on financial corporations, along with concurrent low public incentives for resilient mitigating strategies (e.g., agroforestry, on-farm diversification, small-medium cooperatives);
- the continued CAP derogations to GAECs in the name of increasing productivity for food security in wartime;
- the attempt at rapid de-regulation of GMOs as 'neutral' and silver bullet solution to wider sustainability problems;
- the rising transparency concerns and fair competition of growing state aid support in agriculture;
- the dumping of agri-food commodities to protect "free-markets", while instead advocating the use of public fundings to solve *market and diplomatic failures* through EU agricultural reserve funds; and,
- the additional 10 years approval granted by the Commission for the use of Glyphosate in the face of rejecting the promised Sustainable Use of Pesticide Regulation.

Inconsistencies have been common over these four years working in the political and knotted affairs of the CAP. We learned that long-term visions and coherent strategies do not always reflect or cope with the powerful interests, speculations, and path dependencies shaping today's decisions to deal with contingencies and crises. The 'extraordinary' crises that are used to justify business-as-usual decisions are the 'ordinary' reality of policy making in CAP.

Back in 2020, the main concerns of our policy analyses and networking were concentrated on the substance of the CAP reform itself, and whether the 2018 Commission proposal for a fairer and green CAP would be coherent and consistent with its own promises. Maintaining a strong European and public dimension vis-à-vis the risks of CAP nationalisation and deregulation were, relatedly, concerns too.

With a new Commission set in place, the attention then shifted towards the alignment between the CAP and the European Green Deal's targets and initiatives. Up to today, we have seen the CAP slowly but surely losing both its internal and external consistency.

Over these years, the context in which the CAP reform post-2020 evolved has been ever changing. This has provided many opportunities to dominant political forces to undermine every small change proposed towards real fairness or environmental restoration.

First, Brexit prompted the first steps towards restructuring the CAP delivery and interventions due to alterations in the bloc's budget and framework.

Then, the COVID-19 pandemic hit people's lives, but also global trade and supply chains. The importance of food security and resilience reached an unprecedented level of awareness throughout Europe, but not even a global pandemic like COVID-19 managed to alter the mainstream course of action concretely and permanently in the CAP. Agri-environmental derogations, legal exemptions, *ad hoc* clauses, and poorly monitored market crisis interventions have instead swallowed up the scope and magnitude of any urgent measures to change the CAP.

And lately, global wars like the one unfolding in Ukraine exhibited the vulnerabilities and geopolitical dependencies of the EU agri-food systems. Tragic wars are nonetheless directly exploited to reinforce financial speculations, socio-environmental deregulation, and a technofix agenda that prioritises productivity and trivialises planetary boundaries and equity.

This sequence of events has been interpreted politically in diverse ways. Predictably, the predominant influence has come from agri-industrial lobbies, pressuring policymakers to enhance short-term productivity in the name of a very partial and particular interpretation of food security, as well as to bolster the agri-chemical industry and advocate for the postponement of crucial CAP conditionalities.

Credit: Adèle Violette

Where are we now?

Whatever about changing circumstances at EU level, the new delivery model (NDM) promised by the CAP reform has changed little in substance, other than triggering an ongoing process of nationalisation and weaking of the level playing field. The disregard of the Commission's Observation Letters sent to the Member States during the approval stages of the CSPs, and the continuing approval of environmental derogations throughout those years, already signalled that the NDM and the 'structured dialogue' cannot deliver an effective framework to steer the Member States towards the CAP and European Green Deal's objectives. Similarly, the new Performance Monitoring and Evaluation Framework (PMEF) leaves high flexibility to the Member States and little steering capacity to the Commission to make meaningful changes during the implementation.

All in all, this NDM that increases subsidiarity is turning the CAP into a more fragmented policy with systematic push backs when it comes to linking the CAP with new food, seeds, environmental or climate regulations. This trend makes it harder for researchers and civil society organisations to analyse the broader EU effects of the policy.

Indeed, civil society and independent researchers now have to look and understand the complexity of what is happening at their Member State level, before having the time to look at and link their work with the multiple legislative procedures at EU level. For instance, while French NGOs are pushing for changing their eco-scheme, Czech farmers are requesting the revision of their redistributive system. And in the meantime, a very small number of actors can link the policy levels while considering wide EU policy-making behind national and regional developments around rural, food, and farming. This works all to the benefit of consolidated actors in agri-food and rural affairs, like powerful agri-industry lobby groups, but also corporate consultancy companies funded by EU research and innovation funds, but also DG AGRI's technical assistance. The watchdog, networking, and advocacy roles of independent civil society groups are becoming ever more precarious and marginal.

Throughout the year, the continued war in Ukraine and its consequences on agricultural markets and commodity imports and exports, especially wheat, kept moulding the political priorities and narratives. EU agriculture and the CAP spent the year in crisis mode. The agricultural reserve was first activated in 2022 and the 2023 budget was fully used by September. The Commission is already proposing a 43 million euros (10% of total budget) from the 2024 reserve to support Greek and Slovenian farmers affected by natural disasters. On top of that, Member States are increasingly turning toward state aid funding, approved by the Commission. Those funds are fast-approved and justified by the growing damages and threats posed by climate change, though they often distribute national resources with poor transparency and little socio-environmental conditions attached.

A large part of the Agricultural reserve budget (100 Million + top up options of 200% with national funds) was directed towards helping farmers in Member States neighbouring Ukraine. The influx of grain inland instead of through sea commerce has caused many price imbalances that impact local prices and logistics. But although most of the agricultural reserve money (and deregulated national aid) was allocated by the Commission to compensate farmers, Member States such has Poland and Hungary are flexing their muscles, refusing to let grain cross their borders anyway. What some are now calling a grain war seems to be fracturing the EU single market and agricultural common market organisation even more.

Finally, the CAP has also been marked by the Green Deal's downfall, especially when looking at the Farm to Fork Strategy (F2F). While the CAP was a disappointment when looking at environmental ambition and potential for transitioning out of the industrial model, some hope still remained that the Farm to Fork would deliver new legislations that would provide better frameworks to negotiate future CAP amendments and the next CAP.

Many legislations such as the Sustainable Food System Law, the Animal Welfare Directive revision or the Sustainable Use of Pesticides, could have provided meaningful targets and frameworks to guide and, at the same time, to be integrated in the upcoming rounds of CAP Strategic Plans revisions or reforms.

After this year of implementation for the CAP, we feel EU agriculture, rural and food policy is portraying itself as more ambitious and integrated, but when we look at the concrete steps, the picture seems more and more fragmented not only across various policy fields, but also among governance levels and actors pursuing their own interests and consolidating their political agendas instead of converging and transitioning.

What to look for in 2024?

Taking a critical look at the CAP should not divert us from the fact that it is still time to make changes in it. First, there are still many opportunities to change this CAP programming from within, as we've explained in last year's report (p.7). Here transparency for the changes and their justifications will be key. Especially for the uptake of eco-schemes, there is great amount of work for adjusting their design or building capacity through good practices' networks and guidelines.

But some eyes are already turning towards the CAP-post 2027. Although Member States are still troubleshooting the CAP's implementation and have no intention to start discussing the next arrangements, DG AGRI's is already preparing the ground for the next CAP reform in the form of strategic dialogues and messages like "*drawing lessons from the CAP*" or "*recommendations*".

The European Parliament' elections in 2024 will set the political landscape for the future of CAP, bearing in mind also the settings of Council determining the Multiannual Financial Framework and the new Commission in place. Furthermore, if overarching strategies like the Farm-to-Fork or Biodiversity Strategies are scrapped or emptied out, the CAP consistency with wider EU sustainability objectives might be undermined from the outset.

While it may appear premature to discuss the next CAP already, it is crucial to note that the implementation of the current CAP was significantly delayed. Initially slated for 2020, it has only been fully executed by the end of 2023. And with elections coming up, this Commission's last words will certainly feature the CAP. In order to go into 2024 with a clear view, here are the main CAP milestones for 2024.

Timing	CAP Milestones
November 2023	Commission's summary report of Member States' CAP Strategic Plans: analysis of Member States collective ambition to address joint Green Deal efforts and CAP objectives.
End 2023	Informal discussions on CAP post-2027.
2024	First Annual Performance Report from Member States (implementing act explaining the required content)
2 months later	Annual Review Meeting between Commission and Member States
2024 (before elections)	Official public consultation/debate on CAP post 2027
June 2024	EU Elections
December 2024	Ex-post evaluations of Rural Development Programmes 2014-2020
2024	Yearly CAP amendment opportunity
2025	According to this SHERPA Horizon 2020 project, the Commission should publish a regulatory proposal for the CAP post 2027
2025	First biennial performance review of each CAP Strategic Plan 2023-2027

Table 1: CAP Milestones (sources: aeidl)

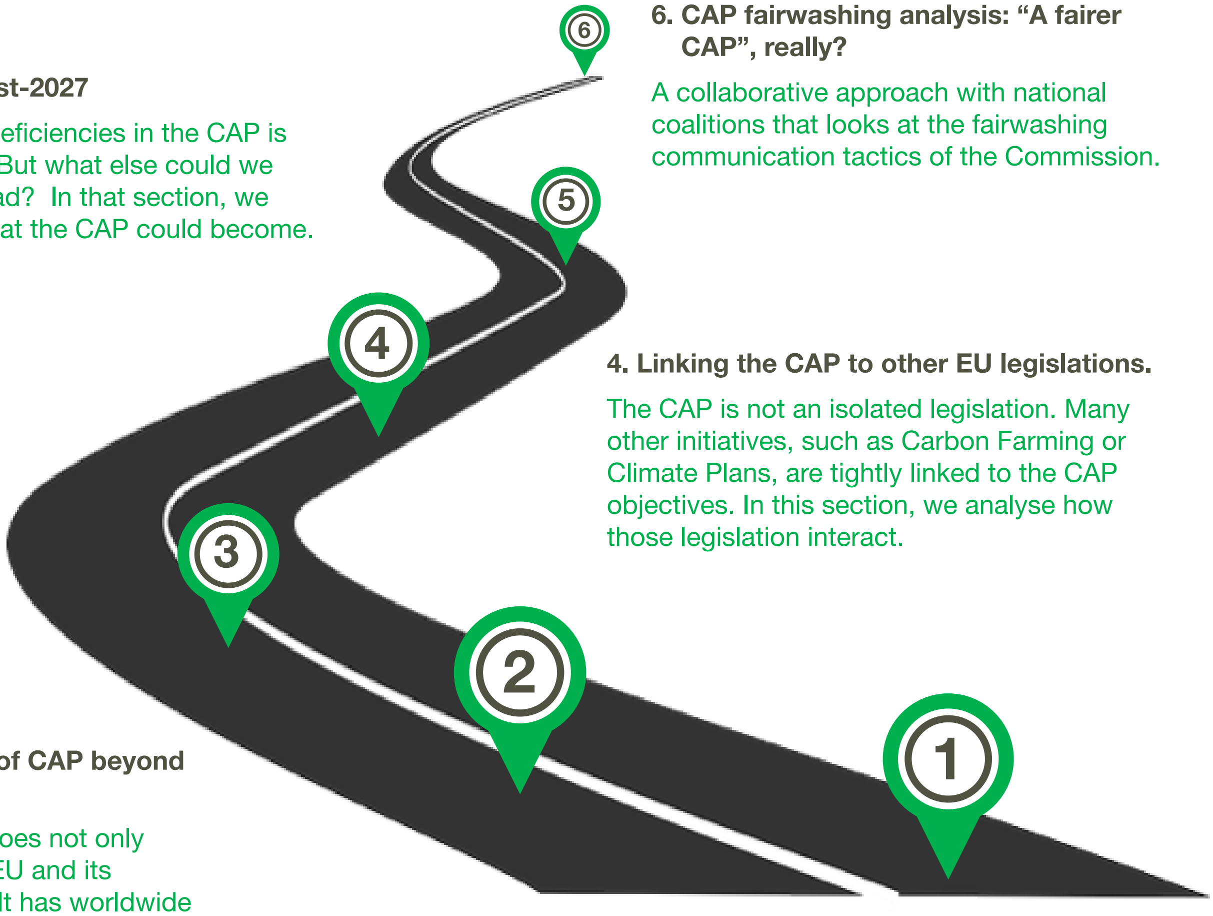
Overview of 2023 policy analyses

6. CAP fairwashing analysis: "A fairer CAP", really?

A collaborative approach with national coalitions that looks at the fairwashing communication tactics of the Commission.

5. CAP post-2027

Point out deficiencies in the CAP is one thing. But what else could we have instead? In that section, we explore what the CAP could become.



4. Linking the CAP to other EU legislations.

The CAP is not an isolated legislation. Many other initiatives, such as Carbon Farming or Climate Plans, are tightly linked to the CAP objectives. In this section, we analyse how those legislation interact.

3. Impact of CAP beyond the EU.

The CAP does not only affect the EU and its members. It has worldwide consequences, on which we focus in this section.

2. CAP analysis on the EU level.

In this section, we put on our EU lenses and look at CAP components and their influence at EU scale.

1. CAP analysis on the Member State level.

This section comprises the analysis that focuses on specific Member States issues.

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CAP plan in Czechia: redistributive payments and the counter-productive tension between small and big

Terezie Daňková, Mathieu Willard, Matteo Metta *February 2023*

A well-designed redistributive payment is an essential tool to reduce inequalities among CAP beneficiaries and farming systems. But as is often the case, the best design strongly depends on national and regional specificities. The Czech Republic's approach to the redistributive payment is a good example of that. The Czech CAP Strategic Plan has now been approved by the European Commission. But in the weeks leading to the final approval, Agricultural Associations representing the larger farms of Czech Republic had been strongly protesting against the proposed 23% share of direct payments dedicated to redistributive income support. From the outside, one might think that these demonstrations were aimed at defending the exclusive interests of large farming corporations and landowners. But the reality is not so simple, as the situation could affect small and medium sized farmers as well. In this article, Terezie Daňková, a Czech farmer from South Bohemia, helps us understand the intricate history and structural composition of Czech farming that makes this issue so complex.

Introduction

Through its now approved CAP Strategic Plan, Czech Republic implemented the highest redistributive income support budget of all Member States (23% of the direct payments envelop). This subsidy will be granted to all farms, on the first 150ha. Other countries have dedicated less budget share but designed a more targeted approach via narrower eligibility criteria which can effectively shift money specifically towards the first hectares of small-medium farms (e.g., Italy). Some other countries have instead set up both low shares of redistributive payments (just the minimum 10%), and/or vague eligibility criteria that water down the very essence of this tool. Finally, other countries proposed a minimum redistributive payment as a way to remove capping over large landowners, thus backsliding in terms of fairness compared to the previous CAP (e.g., Italy).

In the last rounds of negotiations with Brussels (2022), the Czech decision about redistributive payments had been largely criticised by Agricultural Associations representing the large agricultural holdings. At first glance, it could be argued that this subsidy is necessary and justified by the need to support small scale farming and attract more young farmers. And it is true. But the specific Czech context invites us to appraise this measure with a sharp eye.

First, it is important to note that small/large scale farming does not bear the same meaning as it might in western Europe. In the Czech context, farms could be considered small even when ranging up to 200ha. This is due to historical events that shaped Czech agriculture. The concept of large-scale farms is also to be defined with precision as two main structures can be found around Czech Republic. Some large agricultural holdings are owned by one or a few farmers. However, others are owned by many farmers. All farms have their own specificities, but the situation could be synthesised as presented in the figure below.

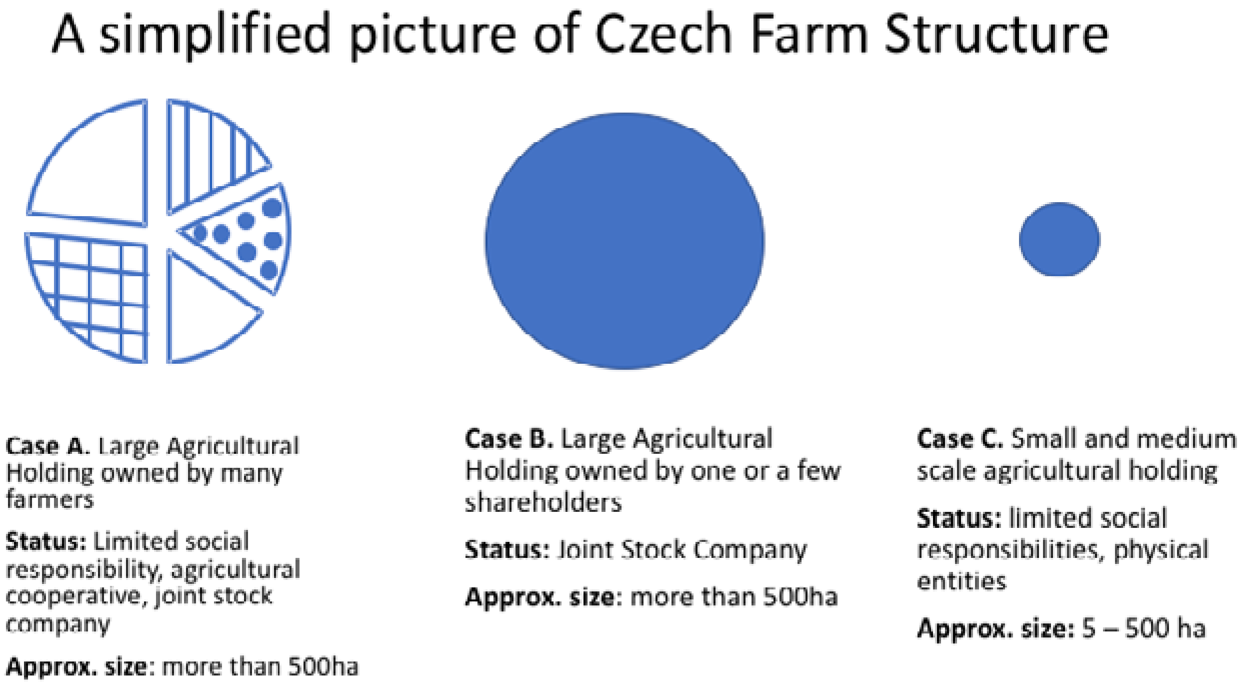


Figure 1: Simplified picture of Czech Farm Structures (Source: Matteo Metta's elaboration)

While trying to develop Figure 1, we contacted Martin Pýcha, Chairman of the Agricultural Union of Czech Republic, for additional information on the ownership structures of those different cases (e.g. approximative number of owners in each case). But as the public administration, including the State Agricultural Intervention Fund, treats each farm as a single entity, this kind of data was not collected.

In the current Czech Strategic Plan, all farms, regardless of their structure, will receive the same amount on their first 150ha. On that basis, farmers under case A can legitimately feel penalised. Indeed, you could find situations in which a farmer would receive only a fraction of the redistributive income although he/she works full time on the farm and his/her effective shares in the cooperative provide him/her with land ownership that is actually similar or smaller than a farmer on his own in case C. Table 1 below provides an example of this.

Here below, you will find an article written by Teresa Daňková, a Czech Farmer, detailing historical reasons for the current situation and reflecting on the counter-productive effect that poorly designed subsidiarity has on farming communities. Besides this insightful contribution, we will check out other CAP Strategic Plans and see if solutions can be found in other countries that might be applied in Czech Republic.

A fight between the small and the big helps no one

A redistributive payment of the amount that has been put forward reinforces the battle line of small versus big farms. None of today's farmers is to blame for the structure of Czech agriculture, but also of Czech society in terms of the willingness and ability to actually live in a village and farm. Although the desire to achieve an ideal is understandable, we should be careful whether we are throwing the baby out with the bathwater. In our case, if we do not support the layer of medium-sized Czech enterprises and their Czech managers, we will be left with a landscape managed by multinational holdings with islands of tiny Czech farmers.

First, some historical overview

To understand the development, we have to go back a long way in history. The de facto liquidation of the Czech middle and small nobility after the Battle of White Mountain (1620) enabled the gradual consolidation of most land holdings in the hands of a few noble families. With the Czechoslovakia republic (1918-1939) came the land reform and, in a few years, the creation of a peasantry averaging a few hectares of fields and meadows, a piece of forest and a few cows. The future farmers bought the land mostly in several pieces, so that they could grow potatoes and grain on one piece, graze elsewhere, and water their cattle elsewhere.

Figure 2: Small Czech village (Hoslovice) in 1950 (sources: author's own elaboration)

These peasants farmed during the First Republic (1918-1939), the Second World War (1939-1945) and were eventually, for the most part, subjected to forced collectivisation in the 1950s. At that time, the farmers on these farms were mostly second generation farmers, born on the farms or children when their parents started farming in the 1920s. By the 1950s they were in their forties and had to join cooperatives. Some of them lived until the Velvet Revolution of 1989, their children having grown up "under the cooperatives". Many of those children chose a different path in life than working in agriculture.

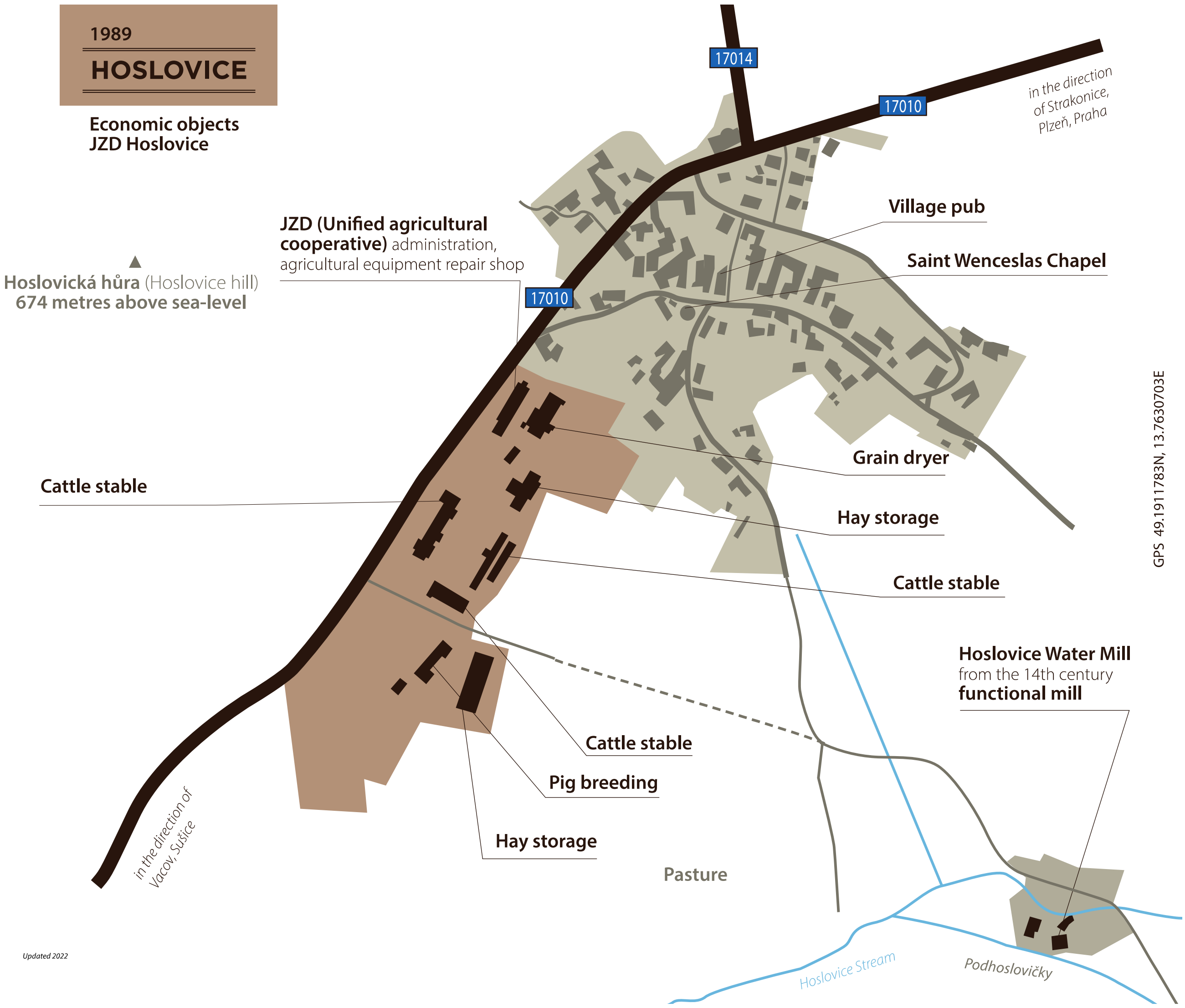


Figure 3: Small Czech village (Hoslovice) and its farming infrastructures in 1989 (sources: author's own elaboration)

In the 1990s, land and property returned to the original owners and their heirs. However, the structure of these assets had changed fundamentally. The tiny barns had long become large garages and behind the village often was one large estate. During this restitution period, properties were returned in the form of rural cottages and farmhouses adapted to the raising of a few cattle, plus a few acres of fields, as was the case before the communist era.

The vast majority of owners and their heirs did not want to farm the land. A minority took it up with what was returned, sometimes succeeding in building small paradises over 30 years. Besides those small farms emerged the large group we are talking about in this article. These are the people who stayed to farm on the cooperative basis they knew at the time. Some remained cooperatives structurally or changed to form a company. They were able to come to an agreement, to exploit the potential of those agricultural areas. They bought the lands of those who did not want to go along with the peasant life and started farming in the era of free market capitalism.

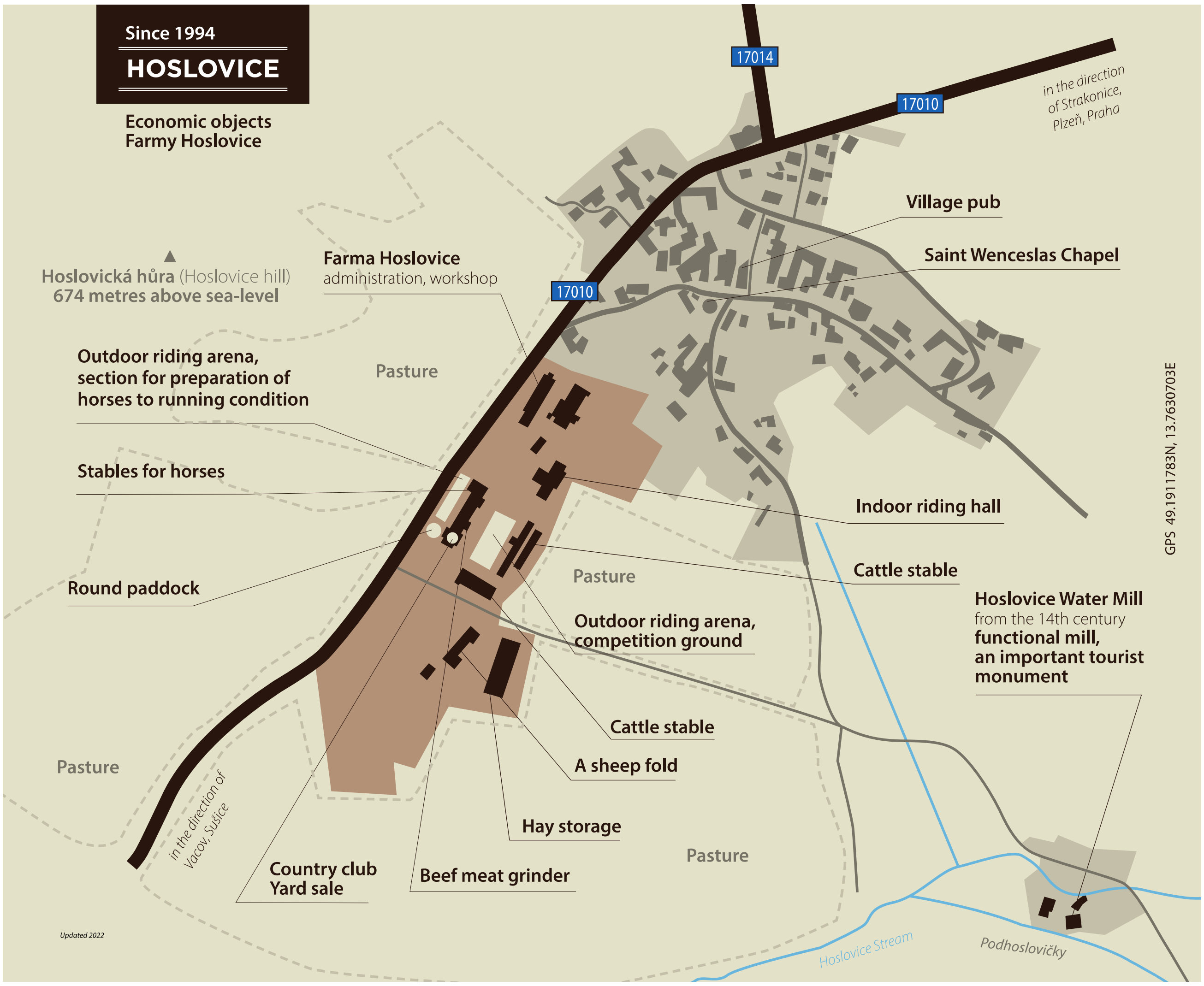


Figure 4: Small Czech village (Hoslovice) and its farming infrastructures in 1994 (sources: author's own elaboration)

In the last thirty years, many structures have already seen a generational change. In many places there have been and will continue to be mergers of companies because of the lack of heirs. And farmers' children have all the rights to aspire for a life outside the countryside. The Josephine reforms established that right a long time ago (1780-90).

So here we have an agriculture that is simply largely made up of relatively large farms, up to two thousand hectares.

Small VS Big farms: an opposition that is not new in Czech Republic

For the past fifteen years, society and the media started to draw the equation confronting big farm-bad farm to small farm-good farm. The issues surrounding big fields notably in loss of biodiversity are certainly of great importance. But to resolve it by attacking the people who agreed to make a deal in the 1990s is not a happy outcome.

This battle between small and big farms started when the de facto abolition of support for 'young farmers' in legal entities was decided.

If you took thirty hectares and started farming on your own, you got a million Czech crown. And on top of that million, you got support points for every other investment application. But if you took over your parents' share in a legal entity and took on the additional uneasy task of arranging consensus among the other owners (ask any flats owners committee chairman), you would not qualify for support as a young farmer.

The reason for the abolition was because of the difficulty of control and the possibility of circumvention. For example, the owner of a farm could sign over a couple dozen hectares to any young person who would come once in a while for a weekend, and apply for a young farmer subsidy, without it being seen as circumvention. Certainly, it could be argued that, at the same time, the limit for investment grants was increased from 30 million to 150 million and that, therefore, compensation was provided to the larger ones. But since then, the line of war between the small and the large has been clear and deepening.

This injustice nurtured resentment in affected farming communities.

Redistributive payment

The increased budget for the redistributive payment is a mean to attract a number of small farmers into the countryside. Certainly, a noble goal. But again, the reality of who will benefit from this subsidy is deepening divides It will be distributed regardless of farm structure, penalizing therefore the cooperatives or private structures owned by large groups of small farmers.

Let's illustrate that with an example. In the new Czech CAP Strategic Plan, the allocated amount for the basic income support is 72€/ha, and the allocated amount for the redistributive payment is 154€/ha on the first 150ha. What happens if we compare the subsidies received by a cooperative structure farmed by multiple owners and a smaller farm with one holder. The structures represented are hypothetical but proposed so that each farmer would own the same area.

	Small farm	Cooperative
Number of holders	1	20
Number of hectares	100 ha	2000 ha
Hectares per farmer	100 ha/farmer	100 ha/farmer
Basic Income Support	7200 € 7200 €/farmer	144000 € 7200 €/farmer
Redistributive payment	15400 € 15400 €/farmer	23100 € 2310 €/farmer
Total	22600 €/farmer	9510 €/farmer

Table 1: Comparing direct payments for 2 hypothetical farming structure in Czech Republic (source: Czech CAP Strategic Plan)

Although this scenario is hypothetical, it shows how discriminating the redistributive payment can be to farmers organized under cooperatives.

Again, penalising farmers that find themselves in structures that were historically formed to make the best out of a situation (the fall of the Soviet Union) is not going to unify the farming community around common goals for social and environmental justice.

We definitely need young people to farm dozens of hectares and create their own little paradise. But that life is not nearly as idyllic as it first appears. And in the meantime, it is absolutely certain that we badly need managers for the farming cooperatives and companies. And their task in terms of getting some consensus across multiple owners is a hugely difficult one, since cooperative members farm not only their own land, however take care of land the others as well. Any societal shift that discourages one of them, or leads their spouse, partner or offspring to say, "we don't need this" is a terrible shame.

A redistributive payment that works for all? The case of France's GAECs

In France, farmers can decide to form cooperatives to farm some land together. Those legal entities are called GAEC (Groupement Agricole d'Exploitation en Commun / agricultural grouping for collective management), a French acronym not to be confused with the Good Agricultural and Environmental Conditions.

In order for each farmer that is part of a cooperative to be able to benefit from redistributive payments on his share of land, France has developed the "transparency for GAECs" mechanism, ensuring the recognition of activities provided by farmers that are part of a cooperative. Under certain conditions that ensure equity between individual farmers and farmers in cooperatives, each partner of the cooperative can thus apply for the same amounts of subsidies as individual farmers, for a similar share of land being farmed.

In the European legislation on CAP Strategic Plans, this opportunity for cooperative structures is clearly defined (for the redistributive income, see article 29-6): "In the case of a legal person, or a group of natural or legal persons, Member States may apply the maximum number of hectares referred to in paragraph 3 at the level of the members of those legal persons or groups where national law provides for the individual members to assume rights and obligations comparable to those of individual farmers who have the status of a head of holding, in particular as regards their economic, social and tax status, provided that they have contributed to strengthening the agricultural structures of the legal persons or groups concerned."

Going back to Figure 1, this kind of tool could be used to evenly distribute the redistributive income among farmers from case A and case C. And by developing an effective cooperative transparency mechanism, it should be possible to avoid circumvention by case B.

We informed Martin Pýcha, Chairman of the Agricultural Union of Czech Republic, about this French mechanisms. This information was new to him, but he seemed interested in his answer: "We will check it out and, if that is the case, we will start discussions on procedures that would also not penalise members of cooperatives and shareholders of other types of corporations in the Czech Republic for their willingness to cooperate with each other."

Conclusion

Czech specifics need to be communicated in Brussels, and communicated well, regardless of the very emotional clash that is being fought here now. Solutions do exist as we've shown above, but are either voluntarily not used, or unknown to decision-makers and farmer's representative bodies. Only with all cards put on the table and full transparency on how decisions are being made can we have a constructive debate and start working towards common goals.

When two argue, the third benefits. If we let the divide between individual small farmers and small farmers under cooperative or company structures deepen, it is the biggest landowners, who do not live in the region and just use it to generate profit at the cost of degrading the land and the region as a whole, that might end up benefiting. That would give yet another edge to the globalised food market and imported food, a hard blow for Czech food sovereignty.

This big vs small debate needs to be sorted out with a more detailed, targeted lens that do justice to the small-medium active farmers, individual or aggregated together in larger organisations. Only then can we start talking about other sensitive but essential topics in Czech Republic, such as countryside care, nutritional quality food, the number of landscape features that will be supported by public funding, soil fertility, farmer-landowner relationship, the advent of precision farming that brings with it the need for machinery with acquisition costs in the millions, and more. We need to solve this issue to be able to address all together the other challenges of our time.

CAP plan in Germany: bold changes required

Daniela Wannemacher and Phillip Brändle | Translated and adapted by Mathieu Willard | *February 2023*

On January 1st, 2023, the new funding period of the Common Agricultural Policy began. The EU member states, including Germany, have all developed National Strategic Plans to implement the new EU requirements. However, as the following article shows, this reform and its national implementation are not sufficient to achieve environmental, climate, animal welfare and social objectives. The federal government is therefore called upon to make ambitious use of the opportunity for a first annual review of the Strategic Plan. Moreover, with a view on the reform post-2027, the government must advocate for a fundamental system change aimed at ensuring that EU funds are used exclusively for rewarding social, environmental, animal welfare and climate actions.

This article is an adaptation of an article written by the authors for the Agrar Bündis Critical Agricultural Report 2023.

A look back at the German Strategic Plan approval process

When Cem Özdemir became Minister of Agriculture in December 2021, the expectations of the associations of the German coalition "Agrar-Plattform" regarding progressive adjustments to the plan were high. On the to-do list, promoting organic farming, environmental and climate actions and a fair distribution of funds.

But the war in Ukraine gave weight to the voices speaking out in favour of relaxing the environmental standards of the CAP to intensify production. Derogations from current and future GAEC standards were put on the table.

At a conference of German agriculture ministers (AMK) on April 1, 2022, the agricultural impacts of the war, especially in relation to the CAP, were debated between the federal government and the Länder (States). In the run-up to the conference, the Agrar-Plattform called on the ministers in a joint statement not to give in to pressure from the agricultural and food industry, arguing that food security and environmental, climate and animal protection should not be opposed.

A few rectifications to the obvious weaknesses of the CAP Strategic Plan (CSP) were also proposed:

- New premiums for grazing cows
- Increased organic premiums in the second pillar
- Improved protection of biodiversity through all tools
- New subsidy for significant reduction of nutrient excesses
- Improved protection of wetlands through tillage restrictions

Moreover, the coalition proposed to suppress the so called "Austrian Rule" that limits the budget allocated to eco-schemes to 23%, in order to boost it to 25%, adding 90 million euros annually for environmental, climate and animal protection. It was also proposed to increase both the reallocation to the Second Pillar and the budget for First Pillar eco-schemes over the course of the funding period.

At the same time, Germany received its observation letter, highlighting shortcomings on environmental ambition and distributive justice. From the point of view of the national chairman of the working group for rural agriculture (AbL), Martin Schulz, the observation letter was a great opportunity for the Ministry of Agriculture to make significant improvements to the CAP from 2023. However, the freshly elected Green Minister of Agriculture, Cem Özdemir, largely missed the opportunity for far-reaching improvements.

Even worse, Minister Özdemir, together with the federal states, subsequently gave in to pressure from the agricultural and food industry and softened the CAP in favour of "food security". In Germany, for example, it was decided to make full use of the possibility granted by the EU Commission to suspend GAEC 7 (crop rotation) and GAEC 8 (non-productive areas), even though it had been repeatedly [made clear by scientists] that the expected effect on food production would be marginal.

Credit: Adèle Violette

Middle-sized farms, the big losers?

The missed opportunity for improving the German CAP has resulted in a Strategic Plan generating disparity between farm structures.

According to an Abl study[1], the evolution of subsidies at farm level carried out by scientific institutions, the administration and associations over the course of the year showed that medium-sized farms in particular will lose subsidies from the first pillar on a large scale compared to 2022, farms on grassland sites being particularly affected. The magnitude of the loss will depend on their ability to take part in eco-schemes to replace the greening payments of the previous funding period.

Small farms are more likely to make up for the loss of the greening payments through the increased redistributive payment. And large farms, especially in arable farming, will find it comparatively easier to compensate that loss. Significant gains in direct payments could be recorded due to the introduction of the coupled income support for livestock and the increase in the young farmer premium. However, this only applies to the latter if they have sufficient area to claim the full premium.

1 Abl.: Auswirkungen der Reform der GAP nach 2023 auf die Prämienhöhen verschiedener Betriebstypen und Betriebsgröße – Kurzanalyse. Hamm/Berlin 2022

Will the system change come in 2028?

The approval process being completed, the debate is now focussing on the possibilities for adjustments within the current funding period (it is possible for the member states to further develop their strategic plans every year) and on the reform of the CAP post-2027.

With regards to the coming reform, the signs for a fundamental change in the system look good at first glance. According to the federal coalition's agreement, the federal government wants to present a concept note on how direct payments can be appropriately replaced by rewarding climate and environmental services, as early as 2023. Existing reward systems based on points are also part of the election programs and positions of the SPD and Greens.

In June 2021, the Conference of Agriculture Ministers also welcomed the premium models of AbL and the German Association for Landscape Conservation (Deutschen Verband für Landschaftspflege) and decided to test them further. The Commission on the Future of Agriculture also recommended that CAP funds be "gradually and fully converted into payments that make concrete services in the sense of social goals economically attractive".

Another factor that should not be underestimated is the pressure for change that will arise from 2023 due to the overwhelming complexity of the CAP. This is increasingly leading to the impression, not only in the agricultural world but also in administrations, that the CAP is a system that needs to be reformed and that a new start is necessary.

Despite those positive signs within Germany, it should not be forgotten that there are still strong forces, especially at European level, who want to stick to the existing system or even advocate a watering down of the existing greening measures.

The EU Commission also wants to present the first key points for the CAP post-2027 as early as 2023. It is to be feared that the Commission, referring to the consequences of the war in Ukraine, will focus more on further intensifying production. Furthermore, there is currently a very clear stance, particularly in the eastern member states of the EU, that area payments should be maintained. From the point of view of many associations of the Agrar-Plattform, it is therefore all the more important that Minister Özdemir clearly communicates and proactively advocates the exit from flat-rate area premiums in 2028.

We thus recommend the development, publication and pro-active representation of a concept note for the CAP post-2027 by the federal government, in which all funds are used for a fair and income-effective remuneration of services in the field of environmental action, climate and animal protection.

Taking advantage of the first annual review of the Strategic Plan

The debate around the CAP post-2027 must not result in the annual adjustment opportunities in the form of amendments to the German CAP Strategic Plan being left unused.

The need to enable further support for structurally and ecologically important grassland farms as quickly as possible and to actually make the funds of the basic payment available to the farms that need them the most is pressing.

Here below are our recommendations for amendments of the German CAP Strategic Plan that should be proposed for the first annual review:

1. Increase the budget for organic schemes and agri-environmental and climate measures under the second pillar.
2. Ensure sufficient funding for the expansion targets of organic farming.
3. Introductuce a Germany-wide grazing premium for dairy cows.
4. Introduce a reward system for balanced nutrient cycles and improvements in the protection of wetlands and biodiversity.

5. Make use of the opportunity to co-finance the transition of animal husbandry to organic and extensive systems.
6. Ensure a fair distribution of the funds of the basic payment according to actual needs, e.g. by significantly increasing the redistributive payment, introducing capping and degressivity, better adapt the eco-schemes according to the size of the field and/or farm.

A system change in 2027 must also take place in plannable steps for the agricultural holdings and must not lead to breaks. As early as October 2020, prominent members of the Greens with agricultural expertise, including Renate Künast, Robert Habeck, Martin Häusling, Harald Ebner, Friedrich Ostendorff and Anton Hofreiter, presented a paper that describes the "the stages of transformation of the Common Agricultural Policy (CAP)". The Federal Ministry of Food and Agriculture (BMEL) should endorse this paper and adopt a bold and change-promoting stance.

CAP plan in Germany: ambition has yet to come

Aaron Scheid (Ecologic Institute), Sophie Ittner (Ecologic Institute) *March 2023*

The German CAP Strategic Plan has the potential for an ambitious CAP 2023 to 2027. While the debate on the next CAP post-2027 is already starting, in this article we argue that the German government needs to exploit all potential in the current CAP to increase the ambition towards more climate change mitigation and the protection and enhancement of natural resources and biodiversity. The coalition agreement gives them the mandate to do so.

This article is a synthesis of a report you can found here. For more analyses from Ecologic, you can also check their website.

Everything is still possible for the German CAP 2023-2027. An overview.

When the new coalition of Social Democrats, Greens and Liberals came into office end of 2021, expectations were high that the Ministry of Food and Agriculture under a Green flag would use its full mandate to progressively adjust the German CAP Strategic Plan (CSP) (see more information on the German CAP Strategic Plan approval process). But the mic never hit the floor. Member States CSPs can be amended once per year, and according to the coalition agreement of the German government the current architecture will be reviewed by the middle of the legislative period[2] and adapted if necessary.

While the debate on the next CAP post-2027 is already at the starting blocks, the German government needs to exploit all potential for the current CAP to increase its ambition towards better climate change mitigation and the protection of the environment. The coalition agreement gives the mandate to do so. This article will shed some light on the German CSP, its contribution towards climate change mitigation, the protection and promotion of biodiversity and natural resources and the budget distribution based on the report "Environmental and Climate Assessment of Germany's CAP Strategic Plan" published in February 2023.

2 This would be end of 2023 or beginning of 2024

A budget made from shadows and light

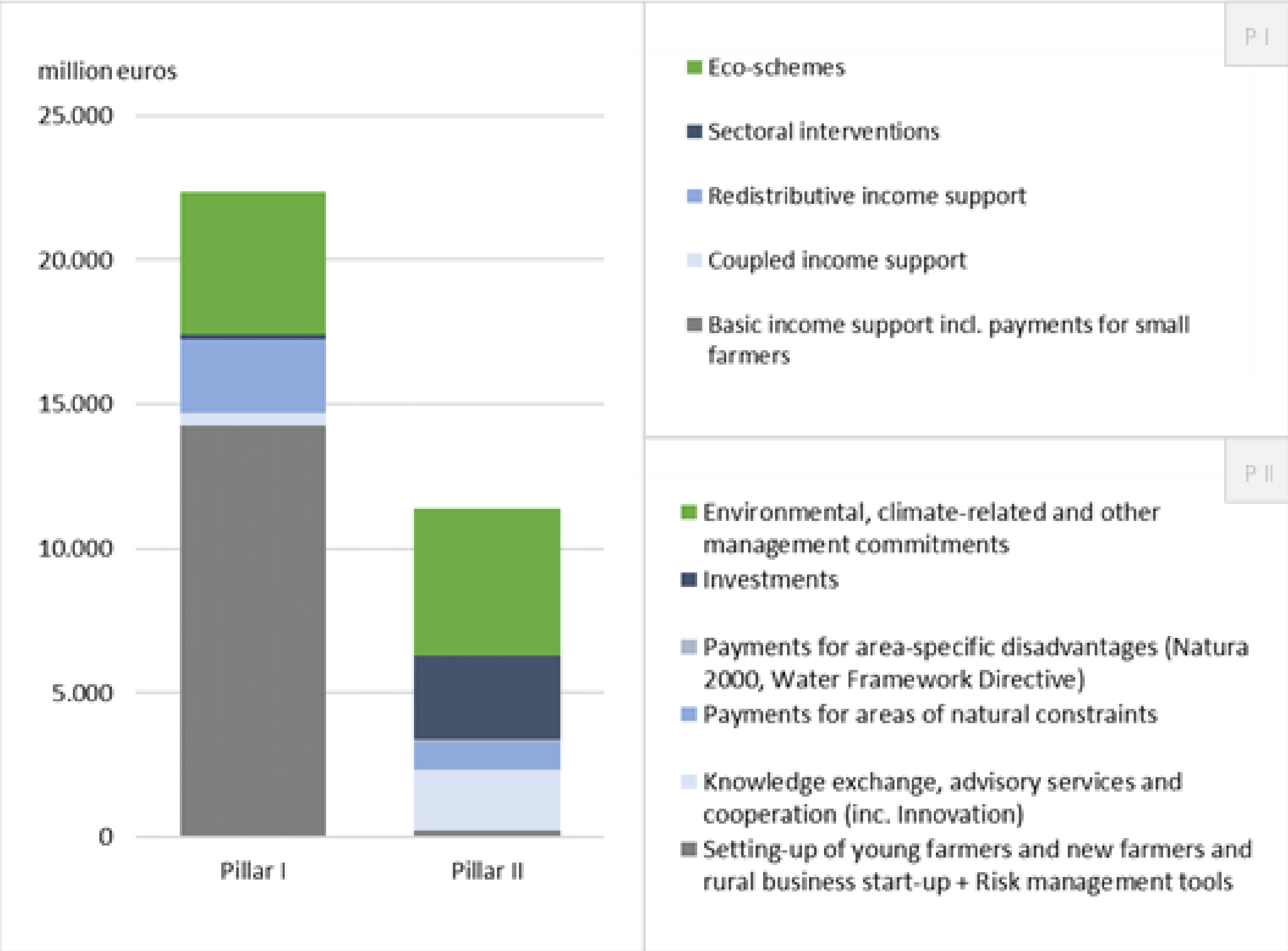


Figure 1: Budget allocation of interventions in Pillar I (P I) and Pillar II (P II) in million euros in Germany. Green measures are expected to contribute to the achievement of environmental and climate mitigation objectives, blue measures are partly expected to contribute, while grey measures are very unlikely to contribute to the achievement of environmental and climate mitigation objectives.

Within Pillar I, the eco-schemes and partly the sectoral measures are expected to have positive effects on climate and environment. However, Germany ultimately opted for the so-called "Austrian rule" limiting the budget for the eco-schemes to 22% (of Pillar 1 budget) of the payments rather than the 25% required by the European Commission. By far the largest share of the eco-scheme budget is spent on achieving the biodiversity objectives, followed by promoting sustainable development of natural resources, while only a small extend of the budget is spent on achieving the climate objectives.

In contrast to the eco-schemes, in Pillar II Germany exceeds the minimum budget (35%) on environmental and climate objectives[3] by far with almost 60% (11.4 billion euros). Most of this money goes to agri-environmental and climate measures, which

3 This includes the so-called 'ringfencing' consisting of the following interventions: environmental, climate and other management commitments (ENVCLIM), compensation payments for area-specific disadvantages in relation to the Water Framework Directive (WFD) and EU nature directives (ASD), investments (INVEST) targeting these objectives, as well as 50% of the payments for areas of natural constraints (ANC).

account for 45% of the second pillar budget. A closer look confirms that there is a clear focus on measures to promote biodiversity (15% of the total Pillar II budget) and organic farming (20% of the total Pillar II budget), while only 1.3% of the Pillar II budget is spent on climate mitigation and 2% and 2.3% on water and soil protection, respectively.

Nevertheless, the budget alone does not determine the effectiveness of the CAP, as the design of the interventions plays a central role. We'll look at this in the next sections.

Poor climate mitigation performance

Given the urgent need to reduce greenhouse gas (GHG) emissions from agriculture to meet the targets of the Farm to Fork strategy and the German Federal Climate Change Act, and the fact that Germany is the second largest emitter of GHG from agriculture in the EU, expectations were high that Germany would make significant efforts to reduce its GHG emissions from agriculture. Instead, Germany is missing the opportunity to offer ambitious measures that contribute significantly to climate change mitigation through the first pillar[4].

The eco-schemes primarily serve to achieve other objectives like the protection of biodiversity and thus the effect on climate mitigation remains often indirect. Only the eco-scheme on agroforestry (DZ-0403), which is being offered for the first time in Germany, aims primarily at the conservation of stored carbon in soils and biomass and thus at climate mitigation. However, the effectiveness of this measure remains low due to its unambitious targeted of only 1% of agricultural land and its low funding rate compared to other eco-schemes.

Within Pillar II, the measure directly addressing climate change mitigation[5] offers a set of sub-measures to foster the conversion of arable land into grassland, extensive grassland management, rewetting and management of peatland, water retention in the landscape and cooperative climate protection. While important, these measures do not sufficiently address the urgent need for GHG emissions reduction from land use change, fertilizer use, and animal husbandry. Although the measures on the extensification of grassland and the conservation and rewetting of peatlands[6] address this, the area coverage remains low. For example: Livestock-dense regions such as Lower Saxony, North Rhine-Westphalia and Hesse do not offer any extensification of grassland measure. The same holds true for peatlands. Not all peatland-rich federal states offer peatland-measures to their farmers and if they do, only a small proportion of the peatland area is covered.

Biodiversity: the big winner?

Overall, the German Strategic Plan offers more for the protection and enhancement of biodiversity than on climate change mitigation[7]. The eco-scheme to improve biodiversity and habitat conservation[8] is financially best equipped out of all seven eco-schemes and includes four sub-measures: Two low-threshold measures with potentially low impact on biodiversity (e.g. planting flower strips) and two more complex sub-measures (non-productive land and old grassland stripes) which can be beneficial for nature conservation.

However, it remains questionable if farmers really choose complex options when they have the chance of low-effort alternatives. Nevertheless, the sub-eco-scheme on non-productive land offers an interesting top-up approach for GAEC 8 to enable farmers to go beyond the mandatory non-productive land of 4%.

4 Scheffler et al. 2022 also concluded that the first pillar in Germany contributes only 20 % to climate protection.

5 The measure is called “Management commitments to improve climate protection” (EL-0101) and is part of the agri-environmental and climate measures.

6 The measure is called “Peatland rewetting and the promotion of paludiculture” (El-0101-03)

7 This was also found by the study from Scheffler et al, 2022 based on the draft CAP strategic plan.

8 “Provision of land to improve biodiversity and habitat conservation” (DZ-0401)

However, top-up approaches only work if minimums are implemented. With the derogation of GAEC 8, the minimum of 4% non-productive land in Germany was abandoned and with that the innovative approach of the top-up.

Also, worth highlighting is the eco-scheme on result-oriented extensive management of permanent grassland with at least four regional characteristics. The result-oriented approach is especially attractive, which could lead to high demand by farmers while the effectiveness of the measure on protection and promotion of biodiversity remains moderate.

More is possible to protect soil and water

Water bodies in Germany largely fail to receive good ecological status, while nitrates levels drive the failure of the Water Framework Directive[9][10]. The CSP could be key to reduce pressure on water bodies from agricultural production by incentivising low-input system approaches. Instead of trying to get the most out of the CAP, Germany has settled for the minimum such as in GAEC 4, where they set the minimum requirement of 3 meters for buffer stripes along all watercourses. In addition, the Strategic Plan mentions nutrient pollution as very high priority in Germany but forgets to reflect this adequately through programming specific interventions.

Pesticide contamination of water bodies is a largely underestimated problem. The eco-scheme on prohibiting the use of chemical-synthetic pesticides[11] offers an interesting approach because it can be a first step for farmers that consider going organic in the future. Trial-and-error measures or space to explore new practices are important for farmers. However, this no-pesticide eco-scheme offers a low remuneration which will likely lead to a low uptake by farmers.

Healthy soils are key for sustainable food provision and climate change mitigation and adaptation. Soil erosion and compaction, in addition to the loss of organic matter and soil biodiversity, pose a particular threat to soil quality. The German Strategic Plan tries to reflect this through minimum requirements on tillage management to reduce the risk of soil degradation and erosion (GAEC 5) and soil cover (GAEC 6). However, as important as these minimum requirements are, attractive voluntary interventions are necessary to spur soil health on agricultural land. The agri-environment and climate measure directly targeting soil quality[12] through the creation of erosion strips, improved crop rotations and the cultivation of (fodder) legumes remains low in its area coverage.

9 https://www.umweltbundesamt.de/en/data/environmental-indicators/indicator-ecological-status-of-lakes#assessing-the-development

10 https://www.umweltbundesamt.de/en/data/environmental-indicators/indicator-ecological-status-of-rivers#assessing-the-development

11 The measure is called “Management of arable or permanent crop areas of the holding without the use of chemical-synthetic plant protection products” (DZ-0406)

12 Officially called „Management commitments to improve soil protection” (EL-0103)

Credit: Adèle Violette

First annual review of the Strategic Plan as the next stepping stone

The current Strategic Plan for 2023 falls short of expectations with vast room for improvements. Key lessons learned are:

- Potential for large-scale climate mitigation within the Strategic Plan falls short of expectation with Pillar I measures hardly contributing to climate change mitigation and low funding compared to biodiversity.
- Clear focus on the protection and enhancement of biodiversity, which needs to be positively recognised, while demand and effectiveness are decisive to unlock the potential.
- The enhanced conditionality covers only the absolute minimum with regards to the diffuse pollution of water bodies.
- The plan contains a variety of interesting voluntary measures but the interest by the Federal States is often low to implement them accordingly.
- There is a risk of low uptake by farmers of interesting voluntary measures due to low remuneration.

The German CSP has the potential for an ambitious CAP 2023-2027 period with regards to environmental, biodiversity and climate objectives, while the new CAP architecture gives Member States the flexibility to do so. The German government would be well advised to use this flexibility for an ambitious CAP. To improve the potential impact of CAP spending we recommend to:

- Ensure that there are no further derogations to the enhanced conditionality after 2023. The exemption in 2023 on crop diversification (GAEC 7) and fallow land (GAEC 8) must remain an exception.
- Increase width of buffer strips within GAEC 4 to a minimum of 5 metres to achieve a uniform base-

line for buffer strips through the German regions, including the prohibition of pesticide and fertilizer usage in these buffer strips.
- Introduce eco-schemes to reduce nutrient losses through improved nutrient planning especially in regions with intensive livestock farming.
- Apply increasing unit amounts per additional percentage for the eco-scheme on non-productive land, to incentivise farmers to increase their fallow land to the maximum of 6% and meet the EU Biodiversity Strategy target of a total of 10% non-productive land.
- Ensure that the Federal States implement a minimum set of rural development interventions in Pillar II, which are highly beneficial for environment and climate change mitigation, taking regional characteristics into consideration.
- Phase out direct payments on drained peatlands, while using eco-schemes and rural development interventions to prepare the long-term rewetting of peatlands. These measures include the conversion of arable land on organic soils to grassland, the extensification of the use of peatland grassland, and the reduction of livestock in these areas.
- Introduce interventions that support mixed-crop livestock systems, a high on-farm feed production ratio and the reduction of livestock units per hectare at farm level, especially in regions with high livestock density.

The German government is not alone in improving the Strategic Plan. For the first time a CAP strategic plan advisory committee consisting of economic, social and environmental stakeholders supporting the agricultural ministry on the implementation and development of the CSP. This advisory committee can play a crucial role in the adaptation of the strategic plan towards a more ambitious CSP in the coming years.

CAP plan in Denmark: The art of bypassing fairness

Ph.D **Rasmus Blædel Larsen** *June 2023*

The struggle to cap and redistribute direct payments received by the largest landowners, to support smaller farms, thereby enabling a more divers and resilient rurality, has come up against the whole financial system in Denmark. So how did Denmark end up without capping or redistributive payments? And how could the Commission accept such a proposal?

Introduction

The protracted process of finishing the current CAP-reform, completed 3 years after the previous CAP-period expired, has proven to be every bit as vulnerable to national inertia as feared. Take Denmark as an example. Whether it was a deliberate strategy to finalise the CAP Strategic Plan (CSP) so late that the Commission would lose yet another deadline if they chose to follow up on the issues unresolved is hard to know. What is clear is that quite a number of issues articulated by the Commission in its observation letter to Denmark as well as those raised by DG Envi/Clima were disregarded, when the Danish CSP was approved in August 2022.

The lack of ambition toward meeting the greener objectives in the Farm to Fork strategy is not surprising in a Danish context and is obvious in the lack of congruence between the spirit and guidelines of the CAP itself and the Danish CSP. In the following we will however focus on the fate of the obligatory redistribution-measures of the new CAP, aiming to support smaller farmers and by extension rural communities.

The Danish context

Perhaps a crash-course in Danish farm-realities would be helpful. The small country of 5,8 mil. inhabitants, just 40.000 km2 and only 8000 full-time farmers, is home to 3 global players in the food-industry: Arla (dairy), Danish Crown (pork) & Danish Agro (grain & grass). Denmark exports 80% of its production and has traditionally belonged to a 'Gang of Four'. This is Euro-shorthand for specific member states - Denmark, UK, Holland and Sweden - with a highly technologically developed farming-sector, based on the high input - high output business-model. These four have long been staunch advocates of abandoning the CAP-subsidies. The reasoning behind this anti CAP positionality is that Denmark is at the forefront of efficiency and productivity and would therefore out-compete others if the market was liberalised.

That tune changed under the financial crises in 2008-2009, which showed just how debt-ridden the Danish farmers were/are. Approximately 80% of the pig farmers were insolvent in the years following the financial crises and many Danish farmers were forced, by their banks, to sell their acquisitions in Eastern Europe, just to pay the interests on their loans.

Evidence of the graveness of the situation became apparent in 2010 when the Economic Council of Denmark wrote a special report on the situation (p.61), stating that it would be better to abandon farming altogether . This held for both the individual farm-level as well as on a societal level, where it would be economically advisable to invest the resources in other sectors. The total amount of debt that the Danish farmers owe is 600 bil. euros and the Danish financial system is therefore an influential stakeholder in all agricultural legislation and regulation[13]. An indication of just how sensitive the situation is in Denmark can be deducted from the fact that the large farmer's lobby-organisation Landbrug&Fødevarers (L&F) member list is secret. Researchers however have disclosed that all major Danish banks, as well

13 https://research.ku.dk/search/result/?pure=en/publications/vilkaar-virkeligheder--vanskeligheder-i-dansk-landbrug(77bffd55-53c9-4531-ac65-b3e7cfc3d510).html

as many other financial service-providers are indeed members[14].

Since 2010 the situation has somewhat stabilised, although the number of farmers continues to decrease (latest prognoses is 5000 by 2030) and thus the size of the remaining farms are increasing. Denmark has the highest average farm-size in the EU. An average full-time farm is +200 ha. and the national average when all farmland is included is 70 ha. The average price of a farm in Denmark is in the vicinity of 10 mil. euros - among the highest in the union.

This situation is making it not only impossible for young farmers to acquire a farm, but even well-consolidated farmers looking to expand will find it difficult to raise the capital needed. The short-sighted solution to this problem has been to liberalise the land-market. Since 2015 Denmark has the most liberal (e.g. no regulations or land-register) land market in the EU, as a report written for the commission in 2021 showed.

This rather undemocratic and non-transparent state of play was implemented in order to attract venture capital (pension funds, hedge-funds and other large capital-holders) so that the technological edge can be maintained, and the long overdue generational shift can be made without the banks losing their investments. There are of course many other aspects to the Danish farm-structure, but to assess the struggle to redistribute CAP-subsidies from the largest farms to the smaller ones, these are the key factors.

Strong lobby influence and lack of transparency

It should be noted that all previous attempts within the CAP-context to create assistance to small-holders and promote rural resilience have met a similar fate in Denmark. The lobby-organisation for the big industrial farmers (L&F) has succeeded in inventing creative arguments and projects in order to channel available funds in pillar 2 back into pillar 1 and the largest farms. This way most of the available funds allocated outside pillar 1 have been funding research-projects into efficiency in feeding, handling manure and greenhouse gasses - and even research aimed at undermining the science behind the nitrogen-regulation. Nitrogen-leaks from the nigh 32 million pigs and cows, that come through the Danish production-facilities annually is one of the most contested environmental issues in Denmark.

And so, it was with some anxiety that the Danish farmers - small and large - witnessed the new obligatory redistribution within the CAP; and the fact that the actual implementation was left up to the Danish administration to design in the CSP.

The first suggestion for a CSP from the Danish authorities was send out in the fall of 2021. The public hearing-phase, during which all stakeholders had the opportunity to suggest alterations, lasted a couple of months.

What followed after the hearing-phase had been concluded is only known indirectly through the final outcome of the CSP. Subsequently the ‘improved’ CSP - a 462 page, highly technical text - was sent to Brussels without being made public to the Danish stakeholders - who could not know to what extent the initial plan had been changed. The small-scale farmers Frie Bønder Levende Land (FBLL) have since accused the national administration of incorporating wholesale the alterations suggested by L&F in their 80-page response to the initial plan. It therefore came as a real shock when the final and approved plan was made public on the last day of August, just 4 months before its implementation.

The result: no Capping or Redistribution. The Danish authorities, helped by the 80-page lobby-produced report, succeeded in obtaining approval of a central - if contentious - argument: the large farms need the money more than the smaller ones; thus, it would be unfair to redistribute the CAP in Denmark - and anyway Denmark does not need to redistribute.

14 http://www.organictoday.dk/landbrugstop-optraeder-under-falsk-varebetegnelse/

Credit: Adèle Violette

Is redistribution unfair to Danish farmers?

The Danish CSP begins by readjusting the priorities of the Farm to Fork strategy - as is often the case within a Danish agri-context - highlighting how the main goal of the CAP is to promote and support "an intelligent, competitive and robust and resilient farming-sector in order to guarantee food security in a long-time perspective". Then environmental issues are mentioned as a priority and only then the CSP tackles the issue of "strengthening the socio-economic structure in the rural areas" (p. 22) - which on the next page is exemplified by initiatives to construct bio-refineries (to get rid of the manure).

On page 36-38 the strength, weakness and potentials of the Danish farming-sector are outlined. Curiously for an official document of this nature, the public servants write: "In spite of the fundamental positions of strength (…) the international competition is sharp and weaknesses in the Danish farm production are exposed." Then the international meat-markets, the inability to make the generational shift, the negative impact of environmental/climate related measures on being competitive are listed as examples of said vulnerability. Another weakness mentioned is that "the sector's investments are decreasing - which is related to the high levels of debt. Finally, it is a fundamental weakness, that the Danish Farming sector is dependent on external subsidies from - among others - the EU." (p.36)

The reason for including these quotes are that some 100 pages further into the CSP they are being used - or misused - to argue that redistribution is unfair.

On pages 113-14, under the heading 3,4: **Concerning the objective of a more just distribution and a more efficient targeting of the income-subsidies,** the Danish CSP produces some astounding and largely undocumented claims. The language is convoluted, but the gist of the argument is as follows: Small farm-holders are old and receive pension from the state. Small farm-holders are married to someone who contributes to the household-economy. Small farm-holders only use 35 hours/year of external manpower and thus do not contribute to the creation of jobs in rural areas. And finally the overall economic situation shows that large farms are debt-ridden and smaller farm-holders generally are much better off. The numbers quoted in the text are that large farms have on average a 26% solvency while small farmers have an average of 46%. (p.113-14)

The Danish authorities therefore conclude that it would be unfair towards the large farms to fulfil the obligatory redistribution contained in the new CAP. If this, however, should pose a problem in getting the CSP approved, the Danish authorities put forward the argument that implementation of the various measures to simplify the direct payments will shortly have redistributed a substantial amount from the larger to the smaller farms anyway.

Here is an example of how they go about documenting these claims.

Under the subheading: **A more just distribution of the money,** the CSP reads: "The analysis of the Danish authorities shows that the abandonment of payment rights will lead to a redistribution of the subsidies from the fulltime to the part-time farmers amounting to 47 mil. kr. (approx. 7 mil. euro). The abandonment of the payment-rights means that a total amount of 2 billion kr. (approx. 300 mil. euro) will be redistributed. This will cause a more just distribution of the support, as all farms will receive equal payment per hectare." (p.114)

Then follows a section calculating the part of the salary paid to farm helpers which is constituted by CAP-funding - on various sizes of farms. It is truly difficult to understand the math behind and the many numbers involved, but it boils down to this analysis: the larger the farm, the smaller the proportion of the salaries comes from the EU-coffer.

The point is: "The numbers show that smaller farms already have a great advantage, when it comes to the work-input in relation to the received subsidy through direct payments. Redistribution would make this inequality even greater, which would not be sensible taking the economic viability of the smaller farms into consideration." (p.114)

Finally to justify the derogation from implementing redistribution the CSP includes a footnote in the text referencing article 29, § 1 and article 98 of the CSP regulation. The Danish interpretation of the articles states that despite the obligatory redistribution, member states have the authority to use 'other instruments and interventions' if they can show that 'such a need' is being fulfilled adequately.

The last sentences in this section brings us back to the beginning.

"Furthermore, it is not desirable that the support for the larger farms should decrease as a consequence of redistribution, as it will be likely to erode the competitiveness of the farming sector in Denmark. Larger and mid-sized farms are more dependent on the subsidies in the coming period, when the payment rights disappear. In addition, the solvency (of the larger farms) shows that they are more vulnerable as regards changes in income than part-time farms." (p.115)

Questioning the CSP's arguments

There are many murky issues in here.

1. To begin with, there is no clear alignment between small farms and part-time farms in Denmark.
2. According to the logic of the Danish CSP, small farms are more viable than large ones. Shouldn't that encourage supporting the existence of these farms?
3. The actual redistribution when the payment rights are phased out will predominantly benefit the largest farmers as the amount of hectares determine the amount of money you receive.
4. The amount of work-input on smaller farms are as quoted above only 35 hours/year. To make the ar-

gument that the marginally higher salary-support received by smaller farms constitutes redistribution seems a bit far-fetched.

5. A fair amount of the claims and calculations in the CSP are unreferenced.

It takes great effort and a lot time to read the Danish CSP - let alone trying to look up the documentation presented and check the validity of the claims. Whether the DG-Agri auditors have done this is unclear, but the small-scale farmers (FBLL) did.

They wrote a letter of complaint to the Polish Agri-Commissioner in April 2023 and later the Family Farmers organisation (a part of the big lobby-organisation L&F since 2007) followed suit.

In FBLL's letter they address some of the issues just mentioned as well as some more technical, here is a short extract:

- an analysis purportedly showing that a "preponderance" of farms smaller than the Danish average (68.8 hectares) will apply for eco-scheme support and coupled payment slaughter premiums. These measures are "expected" to provide "approximately" 6% more support to smaller than larger farms. How slaughter premiums benefit small farms that do not produce animals for slaughter is unclear. Moreover, the Danish Strategic CAP Plan does not provide the analysis itself, and the analysis is not referenced. The reader therefore cannot know who performed it, and the reader cannot check any calculations that might have been made.

- the cessation of direct payment entitlements in January 2023 will, according to the plan, primarily be at the expense of producers of cattle and starch potatoes, but it will also transfer money from large to small farms. How the latter is supposed to happen is not explained or documented.

We believe that these justifications for derogation fail to "duly demonstrate that the redistributive needs are relevantly addressed through other interventions / instruments of pillar I."

Conclusion

Brussel's response to the letter from FBLL was friendly and non-committal. There is possibly more leverage behind the Family Farmers complaint, but it remains to be seen.

Why did the Danish CSP get the approval of the Commission in the first place, given the nature of the arguments and the lack of documentation? It seems plausible that if the choice was between more delay in the actual implementation by bending the Danish CSP to the letter of the CAP or simply letting the Danes get their way, the latter was the more desirable. The process had already taken much longer than anticipated and meanwhile the Union faces other more immediate challenges. But it is demoralising to the smaller farmers across Europe, especially, as in the Danish case, if they make the effort of engaging in the process and communicating the contentious issues to Brussels, only to be dismissed.

And it puts a question mark right at the heart of the current CAP. If the Commission rubberstamps the CSP's, all member states are free to let the national concerns determine how they see fit to implement the Farm to Fork strategy - and the danger looms, that it will be business as usual and no real reform.

CAP plan in France: EU sued over approval of the plan

Mathieu Willard *September 2023*

Did the Commission breach its own laws by approving the French CAP Strategic Plan? According to Collectif Nourrir and ClientEarth, it did! After their internal request for an internal review of the approval of the plan fell short, the two organisations decided to take it to the next level and bring the case to the Court of Justice of the European Union. So, what are their arguments? And what results can be expected of the process? Let's assess

This article is based on the Collectif Nourrir FAQ and Press Release

Introduction

The enhanced subsidiarity within the new CAP provided Member States with a significant degree of flexibility in crafting their CAP Strategic Plans. The flexibility lies not in the objectives of the CAP but rather in the various ways to reach them.

For this flexible approach to work, it was necessary to establish specific objectives of the CAP that all Member States would need to meet and define indicators that would serve as evidence of funds being allocated towards achieving these objectives.

This is established in article 5, 6 and 7 of the CSP regulation.

But what would happen if a Member State had no genuine intention to fulfil specific objectives? In principle, this is precisely what Observation Letters were designed to prevent. Within the new delivering process of the CAP, Observation Letters were the intermediate step towards final approval of the CSPs. They provided an opportunity for the Commission to interfere in the subsidiarity and make sure that the CSPs were complete, consistent and coherent with the CSP regulation and effective in contributing to the specific objectives of the CAP.

However, despite Observation Letters highlighting specific weaknesses in numerous CSPs, Member States rarely used the opportunity to revise the content of their CSPs. Instead, they often adjusted their justifications for designing them in such manner.

(We have covered this issue on ARC here in April last year and here in June last year)

In the end, the Commission decided to approve all CSPs despite having itself pointed out specific weaknesses in these letters as related to achieving the specific objectives of the CAP.

What should we do if even the Commission fails to adhere to its own rules? That is what Collectif Nourrir set out to discover. With the assistance of ClientEarth, it has initiated legal proceedings against the Commission in the European Court of Justice, with the aim of compelling the Commission to review its approval of the French CSP and to force its modification in order to achieve the essential objectives of the CAP.

The legal road to the CJEU

One does not simply take the Commission to court. Unlike Member States and companies, NGOs do not have direct access to the CJEU.

To be able to take action, Collectif Nourrir and ClientEarth first had to complete an administrative step known as a "request for internal review". For that purpose, environmental NGOs can use the Aarhus Convention. It authorises civil society organisations to request the review of non-legislative administrative acts adopted by an EU institution or body, if these acts have legal and external effects, and if they contain provisions likely to contravene environmental law.

This is why Collectif Nourrir and ClientEarth focussed mostly on environmental arguments for their request, although they insist that reaching a fairer CAP is as important as reaching a greener one.

Collectif Nourrir and ClientEarth submitted a request for internal review back in November 2022.

In May 2023, the Commission answered the request, deeming it "unfounded". It is the Commission's answer to the request, considered insufficient by Collectif Nourrir and ClientEarth, that they are now contesting to the CJEU.

A closer look at the Commission's arguments

The Commission's response did not focus specifically on the French CSP but rather on the approval process itself. Below, we will examine four arguments put forth by the Commission for rejecting the request for an internal review and explain why these justifications are inadequate.

Table 1: Debunking the Commission's argument for not following up on the request for internal review of the approval of the French CSP (based on a presentation by Collectif Nourrir and request for internal review)

Commission's arguments	Collectif Nourrir and ClientEarth assessment of the argument
Member States have, in line with the New CAP Delivery Model, flexibility to design CSP elements in a way that, in their view, best suits their needs and responds to local conditions.	True, but the control exercised by the Commission on the plans cannot be only formal/superficial as the achievement of results is what creates a level playing field across the EU, ensuring that the CAP remains "common". The role assigned to the Commission in the CSP approval process was therefore to ensure that this new subsidiarity did not jeopardise the common nature of the CAP. We maintain that this guarantee has not been provided and that this lack of governance has resulted in CSPs that do not comply with the regulation.
The explanation (as to how the CSPs will contribute to climate and environmental action) is to be provided with respect to the climate and environmental architecture as a whole.	The green architecture is based on 3 categories: conditionality, eco-schemes and rural development. It means that the whole is only as good only as its components (which have all been assessed prior to the request).
The requesters' claim that the Commission observations were not addressed is unfounded, considering also that each Commission observation does not have to result in a modification of the CSP proposal.	The Applicants do not argue that the Commission can only approve a plan that addresses each and every observation made in an observation letter. However, where the observations directly pertain to compliance with essential elements of the CSP regulation and these issues are not remedied in the final plan, it clearly exceeds the Commission's implementing powers to then disregard these essential elements and approve the plan nonetheless.
The requester fails to consider the constraints in terms of time, nature and complexity of the assessments carried out by the Commission in the CSP approval process.	In respect of the pleas on manifest error, the Court has established that even where an EU institution is called upon to make a complex assessment, this does not "affect their duty to establish whether the evidence relied on is factually accurate, reliable and consistent, whether that evidence contains all the information which must be taken into account in order to assess a complex situation, and whether it is capable of substantiating the conclusions drawn from it". As for time constraints, they were established by the Commission. There is no need for Collectif Nourrir and ClientEarth to indulge them on that part.

… and Collectif Nourrir's arguments for a greener CAP

ClientEarth and Collectif Nourrir focused on three aspects of the French CSP to demonstrate its non-compliance with CAP objectives:

- Support measures for cattle farming, which do not encourage a reduction in greenhouse gas emissions (particularly methane) by not targeting aid sufficiently at sustainable livestock farming;
- The conditions of access to coupled aid for cattle are not strict enough to effectively encourage extensification and grassland models.
- The financial aid granted for measures to reduce the use of pesticides and fertilisers is insufficient to encourage a reduction in their use, with harmful consequences for French water bodies in particular;
- The requirements to obtain financial support through the CAP to maintain and preserve biodiversity, which do not encourage farmers to adopt more respectful practices.

With regard to the last two points, ClientEarth and the Collectif Nourrir have widely highlighted the inadequacy of the budget for relevant measures, such as agri-environmental and climate measures, the support for organic farms, and notably the total inoperability of certain measures such as the "path to certification using HVE labelling" eco-scheme, as well as the criteria for environmental cross-compliance.

Because of the specific environmental requirement to the Aarhus Convention, the focus has been centred on environmental arguments. But Collectif Nourrir and ClientEarth also call for review of fairness elements in the French CSP.

Credit: Adèle Violette

What can we expect?

The main objective is to obtain a ruling from the CJEU asking the Commission to re-examine the decision approving the French CSP and, consequently, an obligation on France to amend certain elements of its CSP.

The decision handed down by the CJEU could have significant political consequences. In particular, it would clarify the Commission's powers when assessing and approving the CSPs submitted by all the Member States, as well as demonstrating that the governance put in place by the new CAP is not adequate to support the transition of the agricultural sector.

This appeal is an opportunity to put the issue of governance and the safeguards needed to prevent further renationalisation of the CAP back on the agenda for discussions on the post-2027 CAP.

CAP environmental derogations: What is the impact on food security?

Mathieu Willard *June 2023*

Looking at the CAP, 2022 and 2023 have been marked by multiple authorised derogations on environmental standards. Those derogations, claimed to be necessary to ensure food security in Europe, have been highly criticised by the scientific community. Now, as the data on food production resulting from these derogations emerges, we aim to examine the concrete impact of these decisions on food security in the EU. For that, we will present the findings of a report published by Abl, Birdlife, Global 2000 and Corporate Europe Observatory.

2022 CAP derogations

Back in March 2022, and following the invasion of Ukraine by Russia, the conservative branch of the EU parliament and agricultural ministers started to build on their narrative of at-risk food security in the EU. This narrative, pushed by COPA-COGECA for weeks, ended up in a communication by the EU Commission and subsequent adoption of an implementing act allowing Member States to derogate from CAP (2014-2022 legislation) greening measures and produce crops for food and feed on fallow lands that are part of Ecological Focus Areas (EFA) while still receiving the greening payments. The decision also allowed for the renewed use of pesticides and synthetic fertilizers on those areas.

This move was largely criticised by the scientific community. A statement signed by more than 660 scientists made it clear that dismantling the few spaces set aside for biodiversity under the mantra of increased productivity would actually lead us in the opposite direction. According to their statement, "global food insecurity has its origin not in a shortage of supply, but in high economic inequalities and maldistribution". It is thus a food system transformation that would be needed, giving priority to four main actions.

- Accelerate the shift towards healthier diets with less animal products in Europe
- Increase legume production
- Reduce the amount of food waste
- Strengthen the Farm to Fork Strategy

The science is clear: the long-term challenges for our food systems are **adaptability to climate change** and **reversing the decline of biodiversity**. But as is often the case, science was muted. And in the end, 21 Member States decided to make use of the derogation (all except DK, DE, IE, NL, MT, RO), with all of those (except Wallonia) allowing the use of pesticides on EFAs.

Prolonged derogations in 2023: GAEC 7 and GAEC 8

This crusade against biodiversity, built on manufactured fear, doesn't stop at one-time derogations. In July 2022, the EU Commission published an implementing act to allow Member States to derogate from two Good Agricultural Environmental Conditions (GAECs) in the now freshly implemented CAP (2023-2027), for year 2023. These derogations concern GAEC 7 (crop rotations) and the first requirement of GAEC 8 (maintenance of non-productive areas) and are permitted by using article 148 of the CAP Strategic Plan regulation.

As you can see in the figure below, out of the 28 CAP Strategic Plans, 26 integrated the derogation from GAEC 7 and 24 the derogation from GAEC 8.

MS	Decision to use the derogation		Date decision
	GAEC 7	GAEC 8	
BE-Fl	yes	yes	29-août
BE-W	yes	yes	29-août
BG	yes	yes	26-août
CZ	yes	yes	26-août
DK	no	no	
DE	yes	yes	16-août
IE	yes	no	28-juil
EE	yes	yes	23-août
CY	yes	yes	28-juil
EL	yes	yes	24-août
ES	yes	yes	27-juil
FR	yes	yes	5-août
HR	yes	yes	29-août
IT	yes	yes	23-août
LV	yes	yes	29-août
LT	yes	yes	16-août
LU	yes	yes	5-août
HU	yes	yes	8-août
MT	no	no	
NL	yes	yes	8-août
AT	yes	yes	29-août
PL	yes	yes	11-août
PT	yes	yes	25-août
RO	yes	yes	29-août
SI	yes	yes	1-août
SK	yes	no	23-août
FI	yes	yes	25-août
SE	yes	yes	25-août
Source: Member States' notification via ISAMM form 883 on 29 August 2022			

Figure 1: GAEC 7 and GAEC 8 derogations by Member States

Allowing farmers who implemented greening practices from the previous CAP to derogate while maintaining payments was already a strong political move against biodiversity protection but still only concerned farmers who were already implementing greening measures. In an article last year, we showed that this derogation would only impact around 1% of the Used Agricultural Area (UAA).

However, allowing to derogate on GAECs is a much stronger attack, as all farmers wishing to apply for direct payments have to comply with those rules. GAECs are a cornerstone of the CAP environmental and climate governance. They are ensuring that 72% of the whole CAP budget, in the direct payments, is linked to minimum standards for protecting the environment (55% of the whole CAP budget if you exclude eco-schemes which should go beyond GAEC standards in theory). This is all the more frustrating when considering the fact that the Commission took this decision in the summer, when most stakeholders were out of office.

In its own summary overview of CAP SPs, the Commission explains that the GAEC conditionality is the main CAP tool to ensure that "public support meets societal expectations of good stewardship". It is "expected to cover 144 million hectares or 90% of the EU's agricultural area".

What was the impact of the 2022 derogations?

All those derogations from environmental obligations are supposedly implemented in order to ensure food security in the EU. The main argument of the supporters of those derogations is that all available cropland needs to contribute to the provision of food and especially wheat and other grain for human consumption. Therefore, we want to share the findings of a new report published by AbL, Birdlife, Corporate Europe Observatory and Global 2000.

The report analyses how the 2022 CAP greening derogation really contributed to the production of food. With the exception of Nordic Member States, it was maize, soybeans and oilseed sunflower that were the main crops cultivated on the freed EFAs. No bread grains are amongst the main cultivated crops.

As the Commission didn't communicate detailed information on acreage and harvested quantities, the report then focuses on a study case, Austria, where corresponding figures were made available. The detailed analyses of Austrian production on EFAs showed that bread grains such as wheat and rye only represented 0,6% of the cultivated areas while maize and soya, mainly used for feed and other industrial processes, occupied 72% of the previous EFAs. In the end, it was calculated that "Austria's additional 2022 wheat production corresponds to one slice of bread per Austrian per year".

Even though the impact of this derogation tool on food production has been limited, the impact on biodiversity but also the amount of catch crops and nitrogen fixing crops has been huge. Austria lost 56% of its EFAs, 84% of EFA's catch crops and 48% of EFA's nitrogen fixing crops.

The report concludes that "the above figures show a sharp decline in measures that add nutrients to the soil, contribute to the build-up of humus or provide habitats for pollinating insects. The clear losers of this derogation are thus the health and fertility of agricultural soils, climate protection and pollinating insects, and thus the essential pillars of sustainable agricultural production capacity."

Same scenario for 2023?

The observations presented above are all the more worrying when we know that, after 2022, CAP derogations were extended in 2023, targeting GAEC 7 & 8. But we also need to point out that the Commission did improve on its previous decisions. The decision should, this time, be more efficient in providing additional food for humans. Indeed, it is stated in the implementing act that « Member States shall ensure that the arable land which will not be devoted to non-productive areas as a result of the derogation referred to in the first subparagraph, in point (b) shall not be used to grow maize, soya beans , or short rotation coppice ».

It is not explained how Member States need to prove that this requirement will be respected. But they will need to provide an assessment of the impact of these derogations on food security, alongside the annual performance report. It is however not explained what kind of assessment is required or what type of data should be provided to prove the claims. Seeing how difficult it was for the authors of the report presented above to find aggregated data on the effect of the 2022 derogations at EU and Member State level (they obtained Austrian numbers through a request under the Duty to Provide Information Act and the Environmental Information Act), it is unlikely that such quality data will be provided willingly by Member States for 2023.

Although the derogations on GAEC 7 & 8 might have a better impact in terms of food production, the added requirement will not change the deleterious impact of the measure on biodiversity and soil health. Neither will it change the fact that the EU doesn't need to produce more to ensure food security.

Credit: Adèle Violette

Conclusion

This analysis demonstrates that the food security argument used by the agricultural lobby to push for more productivity on EFAs and derogations from GAECs is a scam. Most of the "freed from biodiversity" areas have been used to produce feed for livestock while it is already widely acknowledged by the scientific community that our level of meat consumption is a threat to our food security.

It needs also to be re-established that the EU is already a net exporter of cereals with a self-sufficiency of 112%, that 55% of all our cereal production is used for feed and only 23% are directly reserved to food for humans, and that 62% of the EU cropland is dedicated to growing feed for livestock. The EU is also a net exporter of meat. You can check out our articles on food security from last year to learn more, if you've missed them or need a refresher (1; 2 ; 3).

In terms of CAP money, big chunks of the budget are now being allocated to deal with this skewed food security narrative. While large portions of the agricultural reserve are being spent to help circulate grains from Ukraine, 55% of the whole budget (all direct payments minus eco-schemes) will be distributed with lowered conditionality in 2023.

This food security narrative does not only affect the CAP. The agricultural lobby and its political allies are on a crusade to undermine all biodiversity related pieces of legislation coming out of the Green Deal. Right now, it is the Sustainable Use of Pesticide Regulation and Nature Restoration Law that are on the verge of being rejected.

It is thus essential to show and diffuse the facts. And the facts show that the proposed measures to enhance food security are doing nothing to address real hunger. They are distractions from the real causes and solutions. They only serve the short-term economic interests of a few and at the expense of society and the environment.

Once again, we need to reiterate what is urgently needed in terms of UAA to ensure food security in the long-term in the EU. As far as biodiversity is concerned, the science is very clear. A minimum of 10% of agricultural areas must be dedicated to biodiversity. Furthermore, biodiversity and soils should be protected by phasing out pesticides and chemical fertilizers. Additionally, we need to halve our meat consumption (with a special focus on pig and poultry) and the land freed up from feed production needs to be used to grow vegetables, leguminous crops, and overall ensure protein self-sufficiency. Extensive grasslands then need to be redeployed for all livestock production.

CAP Strategic Plans: more money, less liability

Mathieu Willard *June 2023*

EU Agriculture is in crisis mode. And so is the CAP. For two years in a row, the CAP crisis reserve has been spent to help farmers deal with the adverse consequences of the invasion of Ukraine and climate change. At the same time, Member States are asking for reduced environmental obligations in 2024. What happened during this week's AgriFish council CAP wise? We guide you through the updates.

Introduction

Since the onset of the COVID-19 pandemic, and particularly since the invasion of Ukraine, the agricultural sector has found itself embroiled in an ongoing crisis. Adding to these challenges, the European Union is now confronted with the far-reaching effects of climate change, with droughts, wildfires, and floods becoming increasingly prevalent.

Farmers are facing significant hardships, and in an effort to address this, funding from the EU and Member States has been distributed without regard to social or environmental standards. Additionally, derogations on environmental requirements in the CAP have been allowed in 2022 and 2023.

The way we respond to crisis within the CAP is a cause for concern. One might question whether the CAP is gradually losing its "common" character.

The growing flexibility in the distribution of funds lacks adequate accountability. These circumstances prompt several important questions. To what extent has deregulated aid been distributed? What are Member States proposing for the months and years to come? Additionally, how can we effectively manage crisis in the future?

Crisis reserve, the tree that hides the forest

In French, we use the expression "the tree that hides the forest" to refer to a detail that captures all our attention while concealing the whole of something else. Although the use of millions of euros through the crisis reserve is not a detail, it certainly is not the whole story.

In a recent statement at the EU parliament in Strasbourg, AGRI commissioner Wojciechowski confirmed that "we are increasingly turning to national public aid". In response to the invasion of Ukraine only, Member States have provided more than €7 billion in aid to farmers.

In March 2022, the CAP crisis reserve, which has an annual budget of €450 million, was activated for the first time since its establishment in 2013. The crisis framework provided €500 million to Member States with a top up option of national aid of 2 to 1 (€1 billion). In addition, ceilings for national aid programs had also been raised.

Consequently, almost 4 billion euros were disbursed through various aid programs – no strings attached. Additionally, agricultural entities have received state aid through residual programs associated with the Covid-19 pandemic. In the year 2022 alone, this amount represents approximately 12% of the annual budget allocated for direct payments.

Member States	TCF targeted on agriculture	2022 state aids under COVID_19 rules	TCF+Covid 2022	Direct payments (2022)	% CAP Direct Payments budget
Malta (MT)	3 000 000	3 000 000	6 000 000	4 594 020	130,6%
Italy (IT)	1 200 000 000		1 200 000 000	3 628 529 155	33,1%
Poland (PL)	835 500 000	88 340 000	923 840 000	3 030 049 024	30,5%
Bulgaria (BG)	217 600 000		217 600 000	791 183 576	27,5%
Lithuania (LT)		148 500 000	148 500 000	569 965 410	26,1%
Sweden (SE)	157 800 000		157 800 000	685 675 665	23,0%
Romania (RO)		391 728 000	391 728 000	1 891 804 899	20,7%
Estonia (EE)	32 935 833		32 935 833	190 715 114	17,3%
Austria (AT)	110 000 000		110 000 000	677 581 845	16,2%
Slovenia (SI)	17 328 000		17 328 000	131 530 051	13,2%
Netherlands (NL)*		85 000 000	85 000 000	717 400 000	11,8%
France (FR)	592 200 000	175 000 000	767 200 000	7 285 000 536	10,5%
Hungary (HU)	76 180 000		76 180 000	1 243 185 165	6,1%
Ireland (IE)	67 200 000		67 200 000	1 186 281 995	5,7%
Latvia (LV)	10 000 000	4 000 000	14 000 000	339 054 646	4,1%
Spain (ES)	187 185 492		187 185 492	4 860 280 518	3,9%
Germany (DE)**	180 000 000		180 000 000	4 915 695 459	3,7%
Czech Republic (CZ)	30 290 000		30 290 000	854 947 296	3,6%
Slovakia (SK)	10 000 000		10 000 000	391 200 000	2,6%
Luxembourg (LU)		800 000	800 000	32 747 826	2,4%
Greece (GR)	50 000 000		50 000 000	2 075 656 042	2,4%
Croatia (HR)	1 000 000		1 000 000	344 340 000	0,3%
Belgium (BE)	600 000		600 000	494 925 923	0,1%
Finland (FI)	475 000		475 000	515 713 166	0,1%
Portugal (PT)			0	596 051 052	0,0%
Denmark (DK)			0	862 400 000	0,0%
Cyprus (CY)			0	47 600 000	0,0%
	3 779 494 325 €	896 368 000 €	4 675 862 325 €	38 364 108 383 €	12%

FARM EUROPE

Source: European Commission (October 2022)

* This figure does not take into account the giga national plan to support the green transition in the Netherlands.

** This figure based on the German agricultural ministry does not fully integrate the agriculture component of the umbrella's scheme.

Figure 1: assessment of aid programs by country (sources: Farm-Europe)

According to Farm-Europe, these numbers only give a partial view of the real aid granted by the Member States.

For instance, in light of the repercussions caused by the invasion of Ukraine, over €450 billion in state aid has been allocated through framework programs to bolster the overall economy of the European Union, with the agricultural sector being among the beneficiaries.

Another concern lies in the varying approaches adopted by Member States when implementing aid programs. While certain countries have injected significant amounts of money that surpass inflation rates, offering support beyond mere compensation, others have been not been able to provide support for political or budgetary reasons. This also raises the question of fairness in an open market where all farmers are competing.

State of the 2023 crisis reserve: almost empty

This week, Member States have approved the €100 million support package for farmers in Bulgaria, Hungary, Poland, Romania and Slovakia, to ease the blow of Ukraine grain influx.

Additionally, the Commission is proposing a new support package of €330 million for 22 Member States "impacted by adverse climatic events, high input costs, and diverse market and trade-related issues".

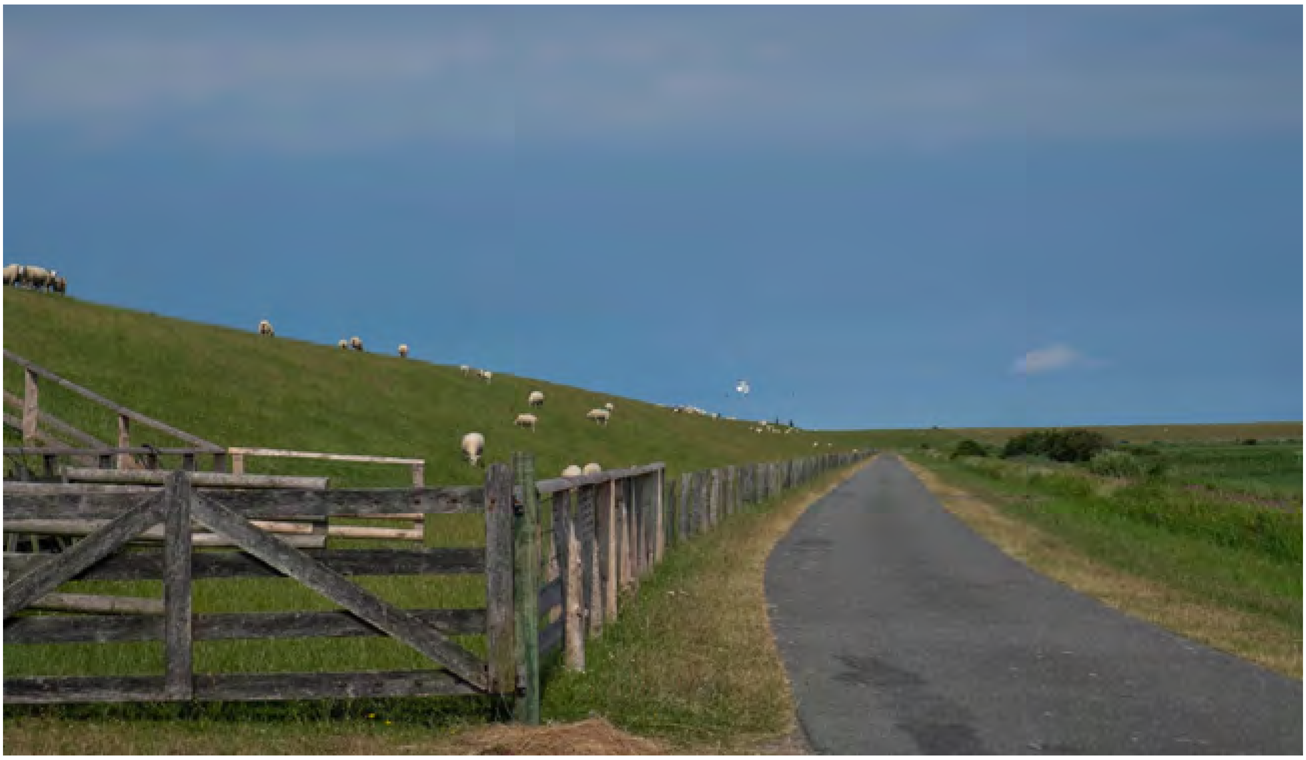
Two years in a row, the full crisis reserve budget of €450 million per year was spent before summer.

The various responses to crises and additional financial injections raise concerns regarding the adequacy of the Common Agricultural Policy (CAP) budget. According to Wojciechowski "with a CAP budget of

0.4 % of GDP, we will not be able to respond effectively to the big challenges faced by agriculture". He also specifically addressed the fact that the crisis reserve was insufficient.

But are we going to make our agricultural systems more resilient by just inflating the general budget of the crisis reserve? It is doubtful. Even if the raging war in Ukraine ends and no more pandemics hit us directly, droughts and floods will only increase with time. And the budget will not be able to follow this trend.

Farmers are the first impacted by these crises and it is only fair to provide them with assistance. But at some point, we need more liability when distributing money.



Credit: Adèle Violette

Less liability: 2024 CAP derogations

It is not only about money, it is also about how we spend it. And right now, aid programs are not linked to social or environmental requirements. Worse, while the crisis reserve is emptying, Member States are still pushing for more environmental derogations in the CAP.

Since 2022, Member States have been granted the ability to deviate from the requirements of greening measures and Good Agricultural and Environmental Conditions (GAEC) standards in the name of food security. However, the initial available data has demonstrated the inefficiency of these derogations in effectively increasing food supply.

Nevertheless, during this week's AgriFish council, certain Member States (LV with the support of CZ, EE, FI, HU, LT, PL, RO) have put forward a proposal to grant derogations within the CAP for the year 2024. The main reason for this request? At risk food security because of extreme weather conditions, especially droughts.

And this time, the request goes even further than before. The proposal aims to potentially permit derogations not only on GAEC standards but also on eco-schemes and agri-environmental measures from pillar 2. The idea is to simplify the amendment procedure to allow flexibilities in amending the different CSPs to allow for those derogations.

The objective would be to "allow non-productive agricultural land such as buffer strips, field margins and fallow land to be used for food and feed production". The Latvian minister continued by stating that "this would be a specific measure for this extraordinary specific circumstance… to maintain (agricultural) resilience this year".

All the other Member States that took the floor (FI, CZ, EE, FI, HU, LT, PL, RO, CY, IT, BG, MT, SK, EL, DK, FR, ES, PT) supported this proposal. Only Germany was more tempered, asking for an evaluation of appropriate measures.

Commissioner Wojciechowski reacted first by reminded all the measures from the new support package:

- Use of the crisis reserve
- Allow payment of advances under both pillars
- Flexibilities in sectorial programs
- Assessment of exceptional amendments
- Temporarily EU state aid rules: mobilisation of national resources to support farmers

He reminded that "while looking for short-term relieve, we must provide long-term solutions". On derogations, he mentioned that "their adverse impact on the environment will delay the transition towards resilient agriculture". Nevertheless, he ensured that "the commission remains open to look at targeted amendments of the CAP where needed".

In previous years, derogations were allowed unilaterally for all countries. This time, it seems that each Member State will need to go through amendment requests under a simplified and flexible procedure (for additional info on how to amend the CAP, check our previous article).

It is unclear if the Commission will be willing to take a stance and reject amendment proposals. But looking back at the recent history, it doesn't seem like it would.

Climate Change and Resilience 101

While listening to the various delegations expressing their opinions on CAP derogations, a fundamental question arises: Do our leaders truly comprehend the concept of climate change?

They are calling for extraordinary measures for extraordinary circumstances. But climate change means that those circumstances are not extraordinary anymore. Attempting to address the consequences of droughts on an annual basis will only exacerbate the situation further.

The Latvian minister talked about "ensuring resilience this year". But resilience is not a concept to be assessed on a yearly basis. This completely undermines its meaning. Resilience is a systemic characterisation that defines resistance to shocks. If system modifications are needed to adapt to a shock, that means the system is not resilient yet.

Everyone knows this. If you give a fish to a hungry person, he will eat one day. If you teach him how to fish, he will eat all his life. This saying is a bit simplistic of course. Learning to fish takes some time and while the person in question is still hungry, fish should be provided.

With agriculture, it is pretty much the same story. If a farmer struggles with droughts, we should help him. But at the same time, we should ask for some liability by transitioning the practices towards drought resistance. In that sense, distributing money while advocating for lower environmental restrictions is the opposite of what should be done.

This is a story that every child learns at some point. Yet, it seems to have been forgotten by the people with the most power.

CAP Social Conditionality: a game changer for farm workers?

Mathieu Willard *September 2023*

In a new CAP that largely maintains the status quo, social conditionality emerges as one of the few truly innovative elements. But is it going to be a real game-changer? This new legislative tool has the potential to improve the working conditions of millions of farm workers. But does it offer the means to achieve this goal? In this article, we will explore what can be anticipated and discuss ways to enhance its effectiveness.

A long-awaited victory

As of 2020, an estimated 8.7 million people were reported to be employed in agriculture. However, when considering the entire unregulated workforce, the agricultural labour force is significantly larger, estimated to encompass around 17 million people.

The instability of agricultural labour, which is often seasonal and unregulated, has provided fertile ground for inhumane working conditions, meagre wages, extended work hours, and subpar housing, among other huge challenges experienced by European farm workers.

Despite their often unnoticed struggles, whether they are EU citizens or non-EU residents, migrants or refugees, farm workers across Europe have joined forces for decades, advocating for their rights, social equity, and workplace dignity.

While CAP subsidies have rightfully been contingent on adhering to basic environmental standards, the previous CAP programming notably overlooked the importance of compliance with human and labor rights when allocating direct payments.

Consequently, it's not surprising that the CAP has thus far struggled to make significant improvements in the working conditions of agricultural laborers. Therefore, the introduction of social conditionality in this new CAP programming marks a potentially transformative moment for the agricultural sector.

In light of this, Social Conditionality stands out as one of the few key accomplishments of this new CAP programming. However, we must delve deeper to understand its true potential and consider how to enhance it for the future. What provisions does it contain, and how can we optimise its effectiveness moving forward? Let's delve into it.

What's the gist of it?

Article 14 of Regulation 2021/2115 outlines the functioning of social conditionality. The core concept of social conditionality is simple: Farmers who fail to adhere to basic labour standards will risk a reduction in their CAP subsidies.

As is often the case in this new CAP, Member States bear the responsibility of defining precise rules and specifying the administrative penalties involved. Furthermore, Member States are tasked with establishing labour inspections and enforcement mechanisms.

Annex IV provides the basic items that must be integrated in the system. The areas targeted are transparent employment conditions, including the necessity to provide contracts, as well as the health and safety of workers, which includes the proper use of equipment.

Whatever else about critical perspectives identified weaknesses therein it's essential to reiterate that the incorporation of social conditionality into the CAP represents a victory for both farm workers and responsible employers. It constitutes an initial step, one that should serve as a foundation for future developments and reforms in the agricultural sector.

Credit: Adèle Violette

Main weaknesses

The timing

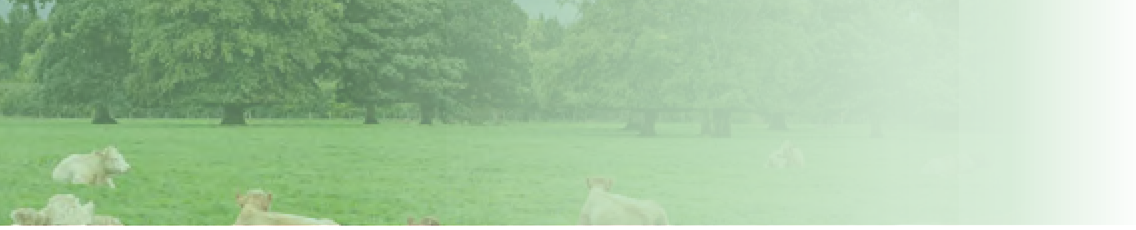
Specifically, Member States are given until January 1st, 2025, to put the new conditionality into effect. Only France, Germany, Italy, Luxembourg, Spain, and Portugal are poised to implement it prior to this date. Consequently, we will need to wait until at least 2026 to conduct a comprehensive impact assessment on the practical implementation of conditionality across the EU.

If we consider this CAP programming to be a test for social conditionality and potentially the first block on which to build a stronger, more efficient, social conditionality, then 2026 is very late to start analysing its implementation, with the next CAP less than two years away.

The scope

As it stands, the social conditionality still has a limited scope of action in terms of sectors concerned. Notably, social conditionality will exclusively be applicable to recipients of area-based direct payments. Similar to environmental conditionality (GAECs), specific sectors receiving subsidies through operational programs will remain exempt from social conditionality. Consequently, the scheme will have minimal to no effect on the numerous farm workers employed in the fruit and vegetable sector, as well as in sectors such as wines, apiculture, olive oil, and a few other exceptions.

This is a crucial weakness as some of those sectors such as fruit and vegetables, wine or olive oil specifically bring in farm workers on a sporadic, seasonal basis, for harvesting. An EU Parliament research service briefing specifically coined the fruit and vegeta-



ble sectors as "heavily dependent on a non-national labour force, either from other EU Member States or third countries" adding that "the temporary nature of their activity can make seasonal workers more vulnerable to precarious living and working conditions, even to exploitation and trafficking".

The enforcement mechanism

The mechanism for enforcing and monitoring the implementation of social conditionality relies on existing checks and controls carried out by Member States. However, in many Member States, labour inspection agencies are underfunded and may struggle to ensure proper implementation.

A study conducted by the European Economic and Social Committee (EESC) highlights the challenges faced by national authorities in enforcing existing labour laws due to their limited inspection capacity. The study raises concerns, suggesting that if "the controls by labour authorities are expected to be of a merely administrative nature under the CAP, the positive impact of the social conditionality mechanism is questioned".

Furthermore, the mechanism appears to overlook the fact that in several EU countries, seasonal employment in the agriculture and food sectors is facilitated through intermediaries. According to the EESC study, these intermediaries serve a crucial role in matching seasonal labour needs with the agriculture and food sectors. However, there is substantial evidence indicating that they can also be avenues for fraud or even criminal activities.

Therefore, it is essential to clarify how social conditionality operates in cases where CAP payments to a farmer depend on the adherence to rules by a third-party intermediary.

The lack of a harmonised sanctions system

The level of sanctions following a breach of rules is determined at national level. This may lead to a degree of heterogeneity of the treatment of farmers across the EU.

It must also be remembered that the CAP penalties would add up to the fines already stipulated in the national labour codes, which are also not harmonised among countries. This could lead deciders to settle for low sanction levels as to not overburden the farmers.

The danger of a flexible approach is that too low sanction levels can seriously jeopardise social conditionality's potential.

Minimal reforms for an effective implementation of Social Conditionality

As previously discussed in this article, while social conditionality represents a significant step forward, it is poised to face challenges such as a slow implementation pace, limited coverage, and a lack of harmonization across the EU.

To make sure that Social Conditionality is functional, a series of minimal reforms must be undertaken both within and outside the framework of the CAP. Below, we outline some of the critical needs that should be considered.

A transparent assessment

In their proposal for implementing Social Conditionality, The European Coordination Via Campesina (ECVC) proposes to create a public observatory and permanent social dialogue systems, within the framework of the EU, on the conditions of workers in the food chain, to ensure transparency, information and participation in the application of these mechanisms.

One of the main missions of the observatory would be to establish the collection of administrative information on employment contracts used to hire EU citizens for seasonal work in the agriculture and food sectors. It would also provide periodic statistics and ensure that data is homogenous and comparable between countries.

The observatory should also provide national data collection guidelines for the Member State so that the different agencies working on national level can communicate better together and towards the EU authorities.

According to the EESC study, a review of the Seasonal Workers Directive's reporting system would also be needed to improve data collection on non-EU seasonal workers.

The inclusion of all sectors

Social Conditionality should also apply to the sectors that are mostly not subsidised through direct payment. Specifically, a control mechanism should be established for Producer Organisations to ensure that they also respect the same social standards.

Harmonising without increasing the administrative burden for smaller farms

The EU must take direct responsibility for the implementation of social conditionality and not leave the entire responsibility for its control and implementation to the member states.

To achieve harmonized inspections across the EU while minimizing administrative burdens on small and medium-sized farms, one potential approach could involve implementing automatic certification and contract traceability exclusively for larger agricultural enterprises.

ECVC made a proposal in 2021 where "farms claiming more than 70,000 euros in premiums, having a total balance sheet exceeding 2 000 000 euros or having more than 10 employees - directly or indirectly - will be required to have a prior public certification stating the traceability of employment contracts and compliance with all tax and labour obligations in force".

The EESC also suggests the development of an "EU-wide labour inspection system designed to address violations of EU laws considering cross-border dynamics." This could represent the initial phase in the formulation of EU legislation aimed at establishing minimum standards for labour inspection

For example, the European Trade Union Confederation (ETUC) proposes that the EU should encourage Member States to meet the International Labour Organisation (ILO) recommendation of 1 labour inspector per 10,000 persons employed.

Enhancing open social dialogue

According to the ILO's policy guidelines for promoting decent work in the agri-food sector, fostering transparent tripartite dialogue involving workers, employers, and government representatives is a crucial starting point.

Eliminating legislative or administrative barriers that may hinder agri-food workers and employers from forming or joining organizations of their choice and addressing challenges that impede their participation in social dialogue processes at all levels are essential to ensure their collective voice is heard in these processes.

The role of social partners should be more effectively integrated into the CAP, possibly by allocating funding to support their work on these issues. Additionally, there is a need to ensure that workers are well-informed about their rights. The successful implementation of social conditionality requires full alignment and engagement of both EU and Member States' social partners with the stated objectives.

Going further to strengthen the impact of social conditionality

The proposals outlined above are crucial for the successful implementation of Social Conditionality. However, achieving functionality is just the initial phase. Once Social Conditionality is operating smoothly, the objective should shift towards enhancing its effectiveness and utilizing this innovative tool to tangibly improve the working conditions and livelihoods of farm workers.

To reiterate, the minimum requirements to be incorporated into the conditionality are specified in Annex 4 of the CAP Strategic Plan Regulation. It is imperative that we start a thoughtful examination of the additional standards that could and should be integrated.

Better housing standards

According to the EESC, housing issues (e.g., availability, costs, distance from the workplace, presence of essential services and facilities) still remain generally unresolved and continue to be a source of distress for seasonal workers.

It is therefore necessary to add minimum housing standards to the social conditionality. The EESC proposes as a start to decouple "housing provisions from employment provisions to reduce the dependency of workers on employers and intermediary agencies".

Ex-ante assessment of the housing needs during harvesting peaks would also be needed.

Minimum wage

Social conditionality should serve as a means to guarantee a decent minimum wage for all farm workers across Europe. Contracts must provide long-term revenue stability and encompass paid vacations as well as the reimbursement of work-home travel expenses. Additionally, the minimum wage should ensure a meaningful contribution to social security.

Rewarding regulations: social-schemes for small and medium farms

To go further, it would be interesting to add positive regulations to the system. On climate and environment issues, farmers are required to make efforts and meet specific baseline standards (GAEC). However, should they aspire to surpass these minimum requirements, they can adopt additional practices to earn more subsidies through eco-schemes or climate and agri-environmental practices.

Similar subsidies could be designed to reward better quality of employment. In that sense, social-schemes could be designed to provide benefits or special aid to farms that certify a higher level of compliance with labour, social and employment conditions.

Such social-schemes could focus on specific issues such as positive discrimination towards women and other discriminated groups or increased minimum wages. The objective would then be, as should be the case with the environmental conditionality, to incrementally add those additional good practices to the minimum standards.

Furthermore, tailored subsidies could be developed for small-scale farm operations that might face difficulties in securing funds to meet specific social standards. Priority could be given to small farms that have demonstrated their commitment to transitioning toward agroecological practices, providing stable employment, and contributing to local product distribution. For those farms, an environment-social scheme could be structured based on a lump sum model.

Impact of CAP Beyond the EU – a closer look on soya imports and milk product exports

Laurent Levard, program officer for agricultural development at Gret *October 2023*

Are subsidies provided to farmers in the EU generating deforestation in Brazil? Or the decline of pastoral communities in Sahel? In this article, we shed light on the CAP's implications beyond the EU, focusing on its influence on the global trade of soya and milk products and examining its implications for local populations.

Introduction

The Common Agricultural Policy (CAP) is a policy of the European Union that mainly focuses on agriculture and the food system in each Member State. However, the CAP also has a decisive influence on the European Union's external trade (imports and exports). It therefore has an impact on agriculture and farming in the countries with which it trades.

The impact of the CAP on peasant farming in developing countries is mostly indirect: the CAP largely influences the European agricultural and food system, which in turn often has a negative impact on peasant farming in developing countries.

Moreover, the CAP is not the only policy in the equation. Other policies implemented by the European Union or its Member States also have external impacts, in particular trade, energy, environmental, food, transport, competition law and cooperation policies. In reality, it is the combination of the CAP and other European and national policies that determines the development of the European agricultural and food system and has a negative impact on farmers in the South.

In this article, we will look successively at two examples of the impact of the CAP on farmers in the South: firstly, the role of the CAP in soya imports and the impact of these imports on producer countries in Latin America, and secondly, its effects on exports of milk and milk-derived products and the impact of these exports on importing countries in Africa.

European imports of South American soya

Every year, the EU imports almost 40 million tonnes of soya (soya meal equivalent), either in the form of grain or meal. These imports, intended for animal feed, mainly provide a protein supplement to the feed ration. The maize-soya combination has formed the basis for the development of intensive livestock farming in Europe, both for cattle, where maize is consumed in the form of silage, and for pigs and poultry, where maize is consumed in the form of grain.

Between the 1960s and the end of the 2000s, European imports of soya increased thirteen-fold. After peaking in 2007, these imports have fallen back slightly due to the slower growth in livestock farming (lower meat consumption) and increased consumption of rapeseed meal, which is replacing soya. European soya imports come mainly from South America. In the various countries concerned (mainly Brazil, but also Argentina, Paraguay, Uruguay and Bolivia), the expansion of soya monocultures, mainly GMOs, has been meteoric since the 1990s.

Today, global demand for soya and the expansion of its cultivation in South America are mainly driven by China and other emerging countries. The European Union's relative share of world imports is much smaller than it was twenty years ago but remains significant (around 20%).

The expansion of soya cultivation in South America is largely responsible for the continent's massive deforestation (Amazonia, Brazilian Cerrado, etc.), the loss of biodiversity, environmental contamination and the poisoning of populations through the intensive use of pesticides. Massive deforestation is also a key cause of global climate change.

The impacts of the soya model are far from being confined to farmers, but the peasant populations of the countries concerned are the main victims. They are also tending to be expropriated from their land and their livelihoods for the benefit of agribusiness firms.

Admittedly, in certain regions of Brazil and Argentina, soya cultivation has also developed within family farming, which has benefited from a genuine economic dynamism. However, these benefits are fragile, as farmers have lost all autonomy, health problems linked to the growing use of pesticides are constantly on the increase. In some regions, specialisation in soya has weakened the least competitive peasant farms, which end up having to give up their land to large farms.

The role of CAP

The decision to direct most of the CAP budget towards decoupled direct payments (independent of the type of crop) on the basis of surface area, subject to very few environmental requirements, has stimulated input-intensive agricultural production (fertilisers, pesticides, irrigation water) of high-energy concentrated fodder (cereals, silage maize) and reduced their cost price.

The availability of low-cost soya - due to productivity conditions in producer countries and the absence of customs duties - has encouraged the use of these energy fodders. Soya, which is very rich in protein, combines perfectly with energy-rich concentrated feeds. This development has therefore been to the detriment of grassland systems which based on the use of fodder that is less concentrated in energy and protein.

The rare coupled aids - designed and calculated according to specific objectives - and the various aids under the second pillar of the CAP (the part of the CAP devoted to rural development) are insufficient to significantly offset the decoupled aids under the first pillar and enable the EU to massively substitute South American soya with locally-sourced plant proteins.

It should be pointed out that coupled payments can apply to the production of plant proteins and thus stimulate EU production. Over the last three years, plant protein[15] coupled aid has been used by 19 Member States, accounting for 1.3% of total direct aid for all Member States (i.e. €473 million).

Overall, the new CAP maintains the existing system of coupled aid, with a ceiling of 13% of direct aid under the first pillar for all coupled aid, plus 2% if a Member State decides to increase the amount earmarked specifically for plant proteins. In the end, for the 2023-2027 programming, 7% of the CAP budget has been allocated to coupled payments, amongst which only 14% is dedicated to protein crops.

The amount allocated by the Member States to plant proteins therefore remains relatively low if you compare it to the 70% of coupled payment budget allocated to livestock support. Moreover, when comparing this CAP programming with the previous one, it is clear that the overall distribution of budget remains largely unchanged.

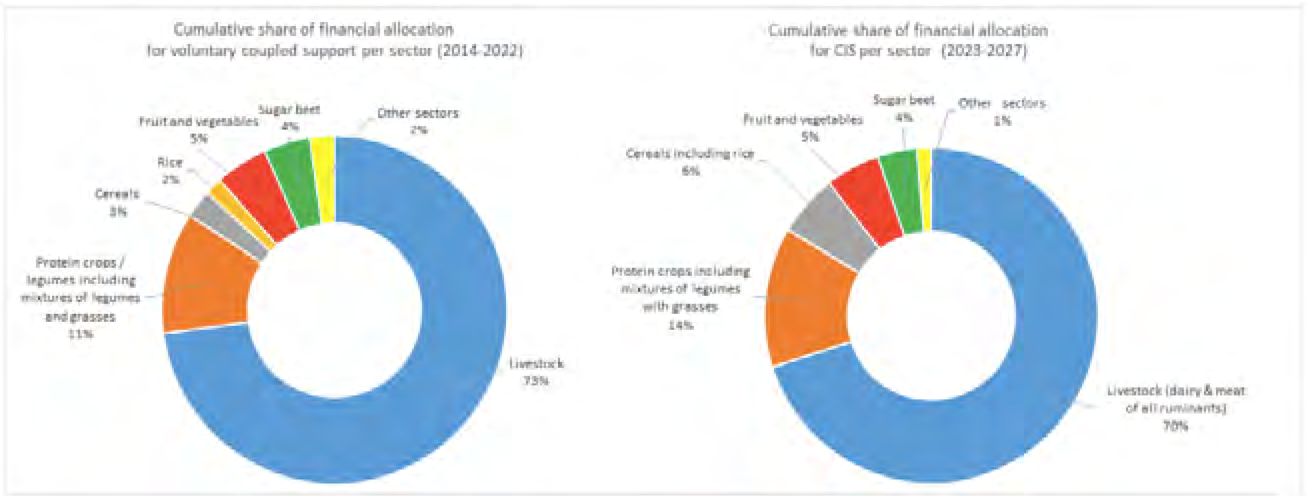


Figure 1: Coupled payments in the EU (source: EU Commission)

It should also be noted that the introduction of eco-regimes under the new CAP could result in incentives to develop the cultivation of plant proteins, for example through measures to promote crop diversification in crop rotations.

Milk and Milk-Derived Product Exports in Africa

The European Union exports various agricultural raw materials (cereals, dairy products, etc.) at low prices, particularly to countries in the South where these products compete with products from local agriculture. This is particularly true of exports of milk powder to the West African region and, even more so, of exports of fat-filled milk powders (FFMP).

15 plant proteins: - seed legumes, dehydrated fodder legumes or legumes for seed production. - fodder legumes (in lowland and piedmont areas / in mountain areas).

Against a backdrop of strong demand for butter on the world market, more and more players in the dairy industry are tending to skim milk and replace animal fat most often with palm oil fat, the price of which is six to ten times lower than that of butter. After dehydration, the resulting milkfat powder is sold in developing countries at an average price 30% lower than whole milk powder.

While there were relatively few imports of FFMP some fifteen years ago, West African imports have recently soared to the point where they now account for the vast majority of the volumes of dairy powders imported by the region.

West African imports of milk and milk-derived products help to make up for the shortfall in regional production (which only covers around 40% of consumption) and, since the development of milk powders, to lower the cost to consumers.

The problem is that, because of this low price, dairy processors have a strong interest in importing powder and processing it into liquid milk or yoghurts, rather than sourcing locally from farmers. Consumers with low purchasing power also prefer imported powder and the products made from it because of their attractive price. Eventually, eating habits will change and the younger urban generations will prefer the taste of products made from imported powders to those made from local milk.

At a time when the local milk sector is facing a number of difficulties (insufficient fodder production, high seasonal fluctuations, poor development of collection and processing networks), an additional factor is hampering its development: low-price competition from milk powders.

Given the importance of livestock farming in terms of job creation, income and food security in the Sahel regions, which are currently experiencing major conflicts, it is easy to understand the extent of the damage caused by this competition. What's more, at the other end of the FFMP chain, it is the Asian forests that are being sacrificed for the development of palm cultivation.

The role of CAP

Here too, the CAP is far from being solely responsible for the situation. The political choices made by West African countries not to protect their livestock farmers against competition from low-cost imports are part of the problem. Customs duties in the West African region on imported powder are just 5%, compared with 60% for the countries of the East African Community, for example. And let's not the pressure exerted by the European Union on African countries to further liberalise their markets under the Economic Partnership Agreements (EPAs).

However, the CAP also has its share of responsibility: by abandoning any policy of controlling production volumes following the abolition of milk quotas in 2016, the EU Member States have encouraged the production of milk surpluses.

What's more, the system of decoupled direct payments means that a significant proportion of farmers' agricultural income is obtained not from the sale of their products but from these European subsidies. In reality, these direct payments do not help to improve farmers' incomes but enable manufacturers to pay a lower price for milk and therefore to sell their production (particularly milk powder) at a more competitive price on the world market.

While the existence of subsidies for European farmers may be perfectly legitimate, the problem is that this system is ultimately used for dumping practices, i.e. selling products at a price below their true production cost. The agricultural economist Jacques Berthelot has calculated that the dumping rate for dairy exports to West Africa, i.e. the gain in competitiveness linked to direct CAP aid, amounted to 21% of the price of the products.

Conclusion

Given the involvement of these different policies, it is not possible to quantify the extent to which each of them is responsible for the negative impact of European policies on farmers in developing countries. However, as we have seen with two examples, it is possible to clearly identify the specific tools of the CAP that influence the transformation of agriculture and thus contribute to these impacts.

These include, in particular, the mechanism of direct payments under the first 'pillar' of the CAP, which are decoupled and therefore not linked to clearly identified objectives, and, moreover, accompanied by a lack of strong conditionalities and reimbursement mechanisms when products are being exported to the world market.

In addition, the mechanisms for regulating agricultural markets, which made it possible to limit surpluses and maintain prices at a certain level, particularly in the case of milk with milk quotas, have been abandoned. However, market regulation has not been completely abandoned, and this practice has even been strengthened under the 2023-2027 CAP as part of the regulations relating to the Common Market Organisation (CMO). Support can be provided for voluntary production cuts in the event of a crisis.

However, this 'safety net' mechanism only comes into play in exceptional cases and does not compensate for the permanent dumping effect described above. This change in market regulation tends to accentuate the EU's capacity to export agricultural products at low prices to the markets of southern countries.

Are we ready to amend the CAP SP to fit for 55?

Mathieu Willard *April 2023*

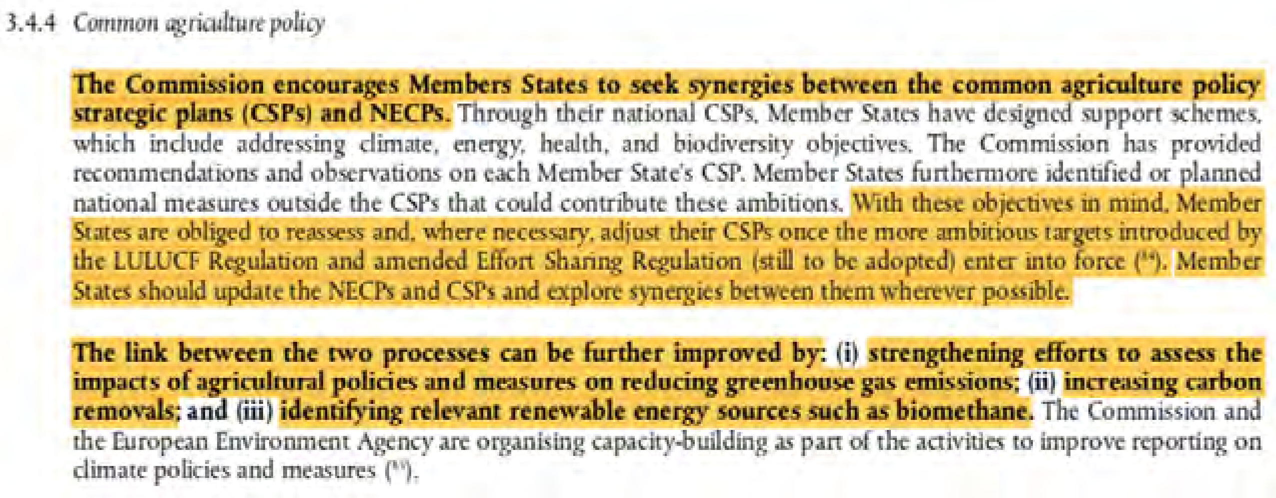
Although the CAP Strategic Plans have been approved and are now being implemented, they are not closed files. Once a year, amendments can be proposed by Member States and, under specific conditions, other adaptations can be required. Recent readjustments of targets for climate mitigation in different legislations to meet the ambition of the Fit For 55 package should offer an opportunity to raise the ambition of CAP Strategic Plans on climate action. In this article, we will consider how the CAP Strategic Plans might be amended and, under what circumstances, and assess the potential move forward that the progress on the Fit For 55 package can provide.

New targets for climate action

On March 28th, two revised regulations were adopted by the Council to enable the EU to reduce its net greenhouse gas (GHG) emissions by at least 55% by 2030 compared to 1990. The first is the Effort Sharing Regulation (ESR), setting up an EU-level GHG emission reduction target of 40% by 2030, compared to 2005, for concerned sectors. The second is the land use, land-use change and forestry (LULUCF) covering the use of soils, trees, plants, biomass and timber. It sets a new target of 310 Mt CO2 equivalent of net removals in that sector in 2030 and neutrality of the land sector by 2035.

As a result, Member States will need to revise their National Energy and Climate Plans (NECP) to include those new legally binding targets. This is expected by June 30th. The Commission also provided a guiding document for this revision, in which it is clear that the NECP will need to adapt to the new ESR and LULUCF targets.

Moreover, as shown in Figure 1 below, the guiding document indicates that Member States are "obliged to reassess and, where necessary, adjust their CAP Strategic Plans (CSPs) once the more ambitious targets introduced by the LULUCF Regulation and amended Effort Sharing Regulation (still to be adopted) enter into force".



3.4.4 *Common agriculture policy*

The Commission encourages Members States to seek synergies between the common agriculture policy strategic plans (CSPs) and NECPs. Through their national CSPs, Member States have designed support schemes, which include addressing climate, energy, health, and biodiversity objectives. The Commission has provided recommendations and observations on each Member State's CSP. Member States furthermore identified or planned national measures outside the CSPs that could contribute these ambitions. With these objectives in mind, Member States are obliged to reassess and, where necessary, adjust their CSPs once the more ambitious targets introduced by the LULUCF Regulation and amended Effort Sharing Regulation (still to be adopted) enter into force ([illegible]). Member States should update the NECPs and CSPs and explore synergies between them wherever possible.

The link between the two processes can be further improved by: (i) strengthening efforts to assess the impacts of agricultural policies and measures on reducing greenhouse gas emissions; (ii) increasing carbon removals; and (iii) identifying relevant renewable energy sources such as biomethane. The Commission and the European Environment Agency are organising capacity-building as part of the activities to improve reporting on climate policies and measures ([illegible]).

Figure 1: Link between NECP and CSPs, source: NECP revision guiding document

CSPs will thus need to be reassessed and "where necessary", amended. Already this phrasing suggests that Member States will have the opportunity to circumvent adapting their CSPs, but what does the CSP regulation actually provide on this issue and amendments in general?

Amending the CAP

To understand the rules framing amendment opportunities in the CAP, we have to look at Article 119 and 120 of the CSP regulation, and the delegated regulation on procedures and time limits for submission of amendments by Member States.

Article 119 and the delegate regulation on amendments set up the rules for amending the CAP. Although some exceptions apply to specific CAP instruments, here are the main directives:

1. Amendments must be justified by setting out their impact on the CAP-specific objectives.
2. The Commission needs to approve or reject the proposed amendments and can provide observations within 30 working days from the submission.
3. The Commission has 3 months to assess the submission.
4. Each Member State can make one submission (containing one or more amendments) per calendar year. Three additional submissions can be made during the duration of the whole CSP period. No deadline for submissions is mentioned.
5. Interventions under Rural Development can be amended at any time without restrictions in number if they do not impact result indicator targets.
6. Editorial changes are exempted from the procedure.
7. Necessary changes due to natural disasters and catastrophic events are not restricted in number.
8. Any amendment proposal of the CSP must be examined by the monitoring committee.

As it is related to the topic of this article, it is important to note that submissions pursuant to article 120 do not count for the limitation of submissions per year.

Article 120 lays down the rules applying when an EU legislation concerning the environment and climate, to whose objectives Member States' CSPs should contribute to and be consistent with, has been modified.

Article 120

Review of the CAP Strategic Plans

When an amendment is made to any of the legislative acts listed in Annex XIII, each Member State shall assess whether its CAP Strategic Plan should be amended accordingly, in particular the explanation referred to in Article 109(2), point (a)(v), and the further elements of the CAP Strategic Plan referred to in that explanation. Each Member State shall, within six months after the deadline of transposition of the amendment in the case of a Directive listed in Annex XIII or within six months after the date of application of the amendment in the case of a Regulation listed in Annex XIII, notify the Commission of the outcome of its assessment with an accompanying explanation and, if necessary, submit a request to amend its CAP Strategic Plan in accordance with Article 119(2).

Figure 2: article 120 of the CSP regulation – source: regulation (EU) 2021/2115

The text provides similar explanations as the NECP guiding document, adding that, in the case of regulations, Member States have up to 6 months to provide their assessment. To see if the rule effectively applies to the new LULUCF, ESR and subsequent NECP targets, we have to check annexe XIII. In there, we indeed find that Regulation 2018/841 (LULUCF), Regulation 2018/842 (ESR) and Regulation 2018/1999 (NECP) are all included.

Additionally, and for future pressuring efforts on environment and climate action, it is important to note and not forget that other essential pieces of legislations are included in annexe XIII. Amongst them, we find legislation concerning water quality, conservation of natural habitats, nitrate pollution from the agricultural sector, air quality, promotion of renewable energies and sustainable use of pesticides.

What can we expect?

In terms of timelines, the amended LULUCF and ESR targets are foreseen to be published in the Official Journal in June. The starting date should then be the 1st of July. From then, Member States have 6 months to assess the impact on their CSP, bringing us to the end of December. In addition, Member States can make use of their once-per-year amendment opportunity.

If Member States conclude that an adjustment is needed to keep up with the new targets and propose an amendment, perfect. But, when looking back at the whole approval process of the CSPs, it is clear that that scenario is unlikely.

In the case where a Member State would propose a poor justification for not amending their CSP accordingly to the higher ambition of new binding targets, it is unclear what the Commission could actually do to enforce an adjustment of the plan as there is no legal basis to do so. Although the Commission could pressure Member States to adapt their plans, the failure of the Observation Letters having low impact on the approval process of the CSPs shows that the fight must take place on national level.

On a national level, it is more likely that pressure from civil society organisations and farmer's unions could force a State to act. When discussing amendments to be submitted, monitoring committees should be provided with more bargaining opportunities. But for that, stakeholders would need much better material on which they could base a pressuring campaign. Which brings us to the real limiting factor, besides the absence of legal instruments to enforce such improvements, that is coherent and thorough data sets as well as better indicators to enable real consistency checks on the CSPs.

Indicators R-12 to R-18 are used to assess the contributions of the CSPs to climate change mitigation. Those indicators are either based on "shares": share of agricultural area under-supported commitments, share of farms under-supported commitments, share of livestock unit under-supported commitments; or based on budget allocated. But those do not really convey the impact which completely depends on the quality of the measures.

In terms of data, disaggregated data on interventions and beneficiaries will only be reported by Member States in 2025.

Only with good data sets and improved indicators can we efficiently move forward. Without those, it is easy for Member States to simply disguise bad results, or anticipated results. This might be where the CAP Networks could be useful, by concentrating on ways to display comparable data sets, with budgets and quality of interventions included.

Talking climate and agriculture requires tact

It is necessary to push for more climate ambition in the CAP Strategic Plans. It must be said that it is a point on which tact is required. The CAP is still primarily a tool for farmers and should in priority support the development of small-medium scale farming, agroecology, and attract young farmers.

Going back to Figure 1 and the NECP guiding book, we can directly see that the new climate targets can be used to propose solutions (e.g. Carbon Farming, Biofuels) that could put pressure on small-scale farming. Carbon Farming, when financed through voluntary carbon markets, or the development of biofuels, can both add pressure on land accessibility and prevent young farmers from finding appropriate land.

It's important to hold focus on the primary goal of transition towards agroecology when discussing farming and the CAP, even when talking about climate change. As it is often said, agroecology cools the earth.

Can the CAP and Carbon Farming coexist?

Mathieu Willard *April 2023*

Carbon Farming is the new hype in agriculture. A proposal for a Certification Framework of Carbon Removals was proposed back in November by the Commission and there is a strong push by the Swedish presidency and French government to make it happen quickly. But can a Europe-wide Carbon Farming program coexist with the CAP? In this article, we explore the similarities and contradictions between the two.

Carbon Farming, isn't the CAP doing it already?

All parameters of soils are deteriorating in the EU. Erosion, compaction, organic matter decline, pollution, loss of biodiversity and salinization are all threats that need to be addressed. Soil erosion is about two times higher than soil formation on the EU's agricultural lands and around 45% of mineral soils have low or very low organic carbon content.

This is mainly due to the widespread use of intensified farming practices, which then address the depletion of soil fertility by increasing the use of chemical fertilizers combined with ploughing, inducing more problems for soil structure, biodiversity and water quality. And this is, at least in part, the heritage of a CAP that has spent decades supporting intensive farming.

The current CAP is unlikely to fundamentally change these trends. An assessment by EEB and Birdlife showed that the CAP Strategic Plans (CSP) lack strong and appropriate action to safeguard and maintain healthy soils.

When we look at the good agricultural and environmental conditions (GAECs), three are relevant for soil protection and quality. GAEC 5 deals with tillage management, GAEC 6 with soil covers in sensitive periods and GAEC 7 with crop rotation. But those compliance rules are subject to many derogations and are weakly implemented by most of the Member States. GAEC 5 is found to be applied in limited circumstances. The sensitive period over which GAEC 6 applies often lacks sufficient timespan. And GAEC 7 allows for derogations from crop rotations in favour of crop diversification and generally proposes a very weak definition of crop rotation as "a change of crop at least once a year at land parcel level". Moreover, it was decided back in July 2022 by the Commission to allow Member States to derogate from GAEC 7 for the year 2023 to ensure food security through maximised productivity. 25 Member States decided to use this derogation.

Overall, eight Member States (CY, DE, DK, ES, HR, LT, NL, PL) included carbon farming measures in their CSP. Eco-schemes and agri-environmental climate measures both offer good opportunities to fund practices for improving soil health and increase carbon sequestration. Unfortunately, both barely go beyond the compliance rules of the GAECs, and very few Member States adopted a holistic approach, which would be necessary for long-term carbon sequestration that also delivers environmental co-benefits and improves overall soil quality and biodiversity. Nevertheless, some implemented measures can be considered to have good potential. For example, in Germany, a combination of 3 eco-schemes (agroforestry, crop rotation and diversification, extensification of grassland) could have good outcomes in terms of carbon storage.

To assess the specific objectives of the CAP related to soil health and carbon sequestration (Article 6 (d) and (e) of Regulation 2021/2115), two result indicators provide supporting data. R14 (carbon storage in soils and biomass) and R19 (improving and protecting soils) are both assessing the share of agricultural land that is under supported commitment, through eco-schemes or other tools. They indicate how much funds are being used for each specific goal, but do not provide information on the quality of the commitment supported. Those targets should therefore be assessed carefully. In most cases, the higher the target value, the lower the ambition of the measure assigned to it.

Even though their ambition is unsatisfactory right now, the CAP does offer a number of useful tools for implementing Carbon Farming, through GAEC standards, eco-schemes and rural development agri-environmental and climate measures. A voluntary market-based Carbon Farming approach, as would be enabled by the Commission's Certification Framework on Carbon Removals, could be seen as a dangerous stretch when tools do exist in the CAP and just need to be more coherently implemented.

Credit: Adèle Violette

Complementary Regulations?

In the proposal made by the Commission, Carbon Farming is presented as a complementary tool and should "ensure actions in land not supported by the CAP". Moreover, the Commission is counting on the CAP budget to "help with the uptake of certification by covering upfront investments and by promoting relevant practices at farm level". For now, it seems like Carbon Farming is only considered as a secondary tool and would have trouble developing without the CAP to support it.

But the most obvious link that can be established between the two regulations is to be found on the receiving end of both programs. Indeed, it is important to note that the CAP was an active force in depleting soil carbon stocks and that the farmers that have historically earned the most through it will be part of the largest recipients of a Carbon Farming program as well. For example, a study produced by the French institute INRA shows that, in France, "most of the additional storage potential is in soils dedicated to arable crops, which is largely due to the fact that inherited stocks are low". This shows that farmers who have been cultivating large areas, often grain crops, and have depleted soils through years of intensive farming, will find the biggest economic opportunity in Carbon Farming.

And although Carbon Farming is presented as a complementary tool to the CAP, there remain some interrogations on certain modalities of their interaction, especially on additionality.

The additionality rule, a danger for reforming CAP

As defined in the CRCF proposal, the principle of additionality refers to the necessity that a practice leading to a carbon removal or emission reduction would not have happened without the incentive of the remuneration and should go beyond Union and national statutory requirements.

On the EU level, this definition leaves us wondering what the implications are when considering the CAP. The conditionality of the CAP (Annexe III regulation) is made up of GAECs and statutory management requirements (SMRs). The GAECs are strictly linked to CAP payments. Only farmers who wish to receive full CAP subsidies have to comply. The EU leaves many details of design and implementation to the discretion of individual EU member states and their regions. SMRs connect the CAP to wider EU legislation that governs the environment, public health, animal health, plant health and animal welfare, and their implementation is mandatory whether the farmer receives CAP funding or not.

Moreover, incoming proposals such as the Soil Health Law, might add to the statutory requirements to be taken into account. This new proposal will be essential in setting new rules to prevent risks for soils such as erosion, landslides, loss of soil organic matter, salinization, contamination and compaction as well as soil biodiversity.

On those premises, it becomes clear that assessing additionality would be a complicated mess. That is why the CRCF is proposing to ensure the additionality by calculating the results of carbon stocked in comparison to a standardised baseline. The baseline should reflect the standard performance of comparable activities in similar social, economic, environmental and technological circumstances and geographical locations. It will thus be considered that "a carbon removal activity that generates carbon removals in excess of such a baseline should be presumed to be additional".

Only where duly justified can a carbon farming project's additionality be assessed against an individual baseline. In that case, it is mentioned that the additionality will be demonstrated through "specific tests". In such instances, the certification entity might need to prove that the project goes beyond statutory law, including SMRs, GAECs translated into national law and other national law specificities.

But this system could easily become a fraud. We don't know how quickly the baseline will adjust to a new Soil Health Law or improved GAECs. Carbon Farming could therefore easily end up financing the uptake of new compliance rules.

The way in which the baselines will be defined would thus have a major effect on the economic gains of operators. It should be expected that a lot of pressure will be put on baseline development to increase the economic and offsetting opportunity of different actors.

But even if a baseline centered methodology turns out to disclose with precision what is or isn't additional, it will not solve a massive issue with additionality, its chilling effect on future CAP reforms.

Indeed, every seven years, conditionality rules are revised, hopefully to become stricter and drive agricultural practices towards more resilience, by enforcing the implementation of agroecological practices. Those compliance rules of the CAP will be a main driver for baseline definition. It is therefore important to consider that stricter GAEC standards would reduce the economic opportunity of carbon farming. A broad implementation by farmers of eco-schemes and agri-environmental climate measures would also impact the baselines and reduce the additionality gap. A considerable development of market-financed carbon farming in Europe could thus lead to very complicated negotiations for the future conditionality standards of the next CAP programming.

Similar impact on land, similar solutions?

The regulation proposal made by the Commission does not address the issue of land prices and accessibility. It is however a crucial topic. Empirical studies have shown that agricultural subsidies, mainly through CAP direct payments, are partly capitalised on land prices and rents. Large landowners have also been shown to grab consequential amounts of subsidies[16]. The CAP has been a key cause for the increase in farm size and the disappearance of small and medium family farms in Europe. Carbon farming will most definitely produce a similar effect.

Australia has had to deal with this issue. Their carbon farming program, launched in 2011, caused a

16 Cash Investigation – FranceTvInfo - Agriculture: où sont passés les milliards de l'Europe?

land rush by investors. The government had to put forward legislation that allows them to veto carbon farming programs exceeding 15ha to stop financial companies from buying up farmland and converting it to tree plantations for carbon credits.

Capping carbon farming revenues could indeed be a necessary tool to limit land speculation. It could be introduced through a cap on revenues (as it is proposed in the CAP but not mandatory) or area of the project.

Other CAP tools can also be translated to carbon farming. Clear definitions of who could profit from carbon farming revenues should also be introduced. The recipient of those revenues should be an active farmer and the definition should not exclude small-scale farms. Moreover, it would also be essential to build a list of recipients that would be excluded from receiving such revenues.

Conclusion

The CAP and the Carbon Farming proposals are linked in many ways. As we've seen, Carbon Farming projects are often still dependent on the CAP to kickstart their programs. Farmers that earned the most through the CAP are the ones that are likely to benefit the most from Carbon Farming. It is expected that Carbon Farming will have the same impact on land accessibility as the CAP has had. And the stronger Carbon Farming will get, the weaker the CAP might become.

To let Carbon Farming develop in the EU without a good frame would be one step deeper into a system that has run out of steam, locking farmers and society further in a dead end.

But what if this frame was the CAP? As we've shown, this is already partially the case. Carbon Farming practices are already promoted by the CAP through GAECs, eco-schemes and agri-environmental and climate measures. But their budget, articulation and ambition do not provide for a positive outlook.

We do believe, however, that another CAP is possible (see our article here), where public money is used for public good. And to give it a chance, we need to be very careful with the way we invest into Carbon Farming.

As an alternative, and if at all implemented, private Carbon Farming could be governed by local authorities, on closed regional districts (see here), with a strict framework. Carbon Farming should be framed to enhance local dynamics of transitions towards agroecology. To that end, the Commission should launch testing districts to evaluate how such an approach would work in practice and if it could effectively minimise the risks associated with Carbon Farming. We know the commune of Plessé is already interested and has made a proposal. Others will likely follow.

In any case, we should not rush into a voluntary market (VCM) based version of Carbon Farming as enabled by the CRCF. Allowing GHG emissions offsetting in VCMs is likely to lead to false pretence of climate action and delay necessary emissions reductions. It will provide incentives for economic operators and public authorities to rely on carbon removal offsets and allow them to make misleading claims about their climate impact, without actually reducing emissions. This could create a major loophole for polluters to avoid emission reductions which would in the end backfire on our agricultural system, impacting overall biodiversity as well. The IPCC AR6 report emphasised that carbon removals cannot replace the need for substantial emission reductions, including addressing emissions from industrial agriculture. Reductions are the number one priority and should remain as such.

Another option would be to develop Carbon Farming only through the CAP and a new Nature Restoration Fund for projects on non-agricultural land or full-scale ecosystem restoration on agricultural land. That would mean further reforming the CAP to reinforce its “public money for public goods” and result-based orientation.

A Sustainable Food System Law paving the way for an ambitious CAP reform

Matteo Metta, Mathieu Willard *November 2023*

Like with the Nature Restoration Law, we are observing another deviation of the CAP from the pledges of the European Green Deal. Instead of social agitations, the mainstream political establishment this time has decided to silently boycott or postpone the DG SANTE's law for a European Framework for Sustainable Food Systems. Yet, there are many ways the CAP could accompany and bridge with the upcoming SFS.

This article reflects on the potential links between CAP and SFS. This integration is hardous, but possible. Constructive interdisciplinary dialogue and pro-active cooperation at multiple-level of governance should not be replaced by empty and biased strategic dialogues. The upcoming European elections and future of food and farming cannot inherit this logic of postponing.

Introduction

Back in 2020, the Commission made it very clear that the "CAP will be an important instrument in managing the transition to sustainable food production systems" (page 2). The word production added to food systems was already predicting the intentions to keep agriculture, health, food, or environment apart, with indeed little integration in substance between the CAP and many initiatives of the European Green Deal.

In the same document however, specific reference was made to some areas where the CAP and other agricultural policies could move coherently toward sustainable food systems, for instance with the reform of the general minimum standards in the Common Market Organisation, the revisions of sectoral interventions in the CAP Strategic Plans, and the better enforcement of the Directive on Unfair Trading Practices, not to mention other well-known interventions under the so-called Pillar I and II (e.g., eco-schemes, investments, LEADER).

Three years later, we are facing an inexplicable delay or probably a complete abandonment of the Commission's pledge to propose a law for a European Framework for Sustainable Food Systems (SFS) by Q3/2023. Why so? Is this situation coming from technical challenges and/or is the European Green Deal again subject to conservative and industrial agri-business centred power games?

In a previous article, we tried to unpack the elements contained in the SFS even if DG SANTE has not proposed this law yet. At the same time, there is little or nothing in words or paper available to the public to show that DG AGRI and the whole Commission have done something to advocate for and operationalise an ambitious SFS with a strong CAP component in it.

SFS law and CAP: where can we expect the links?

In our view, the CAP, as many other policies, could accommodate and accompany many elements of an SFS law. The emergence of institutionalised networks of local food policies and food districts in Italy, local food councils in Germany, territorial food projects in France, and sustainable food systems actions in Belgium signal that the CAP can neither miss the opportunity, nor simply overlook the potential of transitioning towards an integrated agri-food and rural policy.

Based on the Inception Impact Assessment (IAA) for the SFS, Table 1 attempts to reflect on some of the many links that can be drawn between the elements of the SFS and the CAP.

Short description of some elements of a European Framework for SFS	Elements of the CAP Strategic Plans and CMO
Sustainability principles and objectives, providing a common understanding as goals to be achieved	Are there coherences or incoherences, overlaps or gaps between the sustainability principles and objectives of the SFS law and the CAP, including the CMO? Does a European framework for SFS imply a revision of the CAP objectives for the sake of policy coherence?
General minimum standards to be met for foods produced or placed on the Union market and related food operations, which could be linked, amongst others, to environmental and social aspects;	Are there overlaps or gaps to be filled out in the CMO regulation in order to meet the minimum standards set up in the SFS law? Can the general minimum standards set up with the social conditionality of CAP direct payment be transposed to the SFS and CMO?
Responsibilities of food system actors and Governance mechanism(s) of the Union sustainable food system, e.g., appropriate cross-sectoral coordinating mechanisms for joint actions between governments, civil society and the private sector, including with third countries;	To what extent can the CAP interventions and priorities be strengthened and adapted to accommodate the role of new governance actors acting towards sustainable food systems, e.g., corporate food market observatories, local food councils, small-medium consumers-producers cooperatives?
Horizontal elements for **sustainability analysis** in relation to regulated products in the food chain, complementing the existing 'risk analysis' principle.	How can the SFS's principle for 'sustainability analysis' coupled with 'risk-analyses' be applied at the level of CAP direct payments too, for instance in the potential case of GMO-deregulated seeds in CAP coupled support?
Processes to ensure synergies and mechanisms, including incentives, to facilitate the transition towards sustainable food systems;	Can small-medium scale and mixed producers' organisations owned by the farmers or community become eligible and better targeted by producer organisations funded by CAP sectoral interventions? Could de SFS enhance the stringency of public procurement in educational establishments criteria? Currently, Member States must choose distribution based on at least one of those objective criteria: health, environmental considerations, seasonality, variety, locality, organic production, and short supply chains. Could the SFS potentially make all of these criteria obligatory in the decision-making process?
Provision of information on the sustainable performance of the food (sustainable labelling), while ensuring consistency with other relevant EU labels (e.g., organic) and taking into account other relevant ongoing Union initiatives.	Can the provision of information on the sustainable performance of food (SFS) and the protection of both consumers and farmers' intellectual property rights of agri-food quality schemes be extended also in electronic commerce (CMO regulation)?
EU wide monitoring framework(s) for evaluating progress towards the Union food sustainability objectives.	What additional CAP indicators can be envisaged to account for the contribution of the CAP towards the objectives of the SFS law (e.g., food waste), or vice-versa, how can the SFS law make use of the common CAP indicators to measure its performances and impacts (e.g., impact indicators related to antimicrobial use, animal welfare, organic farming, pesticides use, etc.)?

Table 1: Reflecting on the links between CAP and SFS

In the end, the possibilities for interaction between the CAP and the SFS are hypothetically huge. It could affect redistribution of funds, monitoring and reporting, subsidiarity, policy coherence… Most importantly, the SFS could provide a legal basis to render some Green Deal and Farm to Fork targets legally binding - features missing from and thus significantly weakening the current CAP.

Above are just some elements of the CMO and CAP that could be impacted by a robust SFS. In the past, the CAP has experienced significant changes, such as the removal of volume restrictions (quotas) or the gradual elimination of direct export subsidies (although current direct payments effectively act as indirect export subsidies). The SFS, we hope, could be a catalyst for the next big CAP overhaul.

Integrating CAP and SFS to reward and expand a transition that is not waiting on the ground

Initiatives aimed at developing local food systems are already sprouting up across Europe and have been for quite some time. The following example also illustrates how having the capacity to offer reliable and timely financing can help establish a promising transition tool in the long term.

The example we want to talk about is the development of food districts in Italy that aim to foster collaboration among agricultural and rural stakeholders in the production chain. One of their main goals is to ensure fair recognition of the work of all those involved and traceability of the production process, ultimately guaranteeing consumer confidence in local products. But they also have various specific objectives: regional development, cohesion and social inclusion; guaranteeing food safety, reduced environmental impact of production and food waste; safeguarding the rural landscape.

The Italian CSP recognises these districts as entities with the potential to initiate cooperative efforts directed towards two main goals: firstly, promoting the development of fair supply chains that equitably distribute added value among participants, and secondly, safeguarding the interests of consumers and civil society concerning health, safety, and food quality.

Despite the noble intentions with which they were born, the food districts have struggled to get off the ground, at least until the first round of consequent funding started. Between 2019 and 2022, private and public funding combined rose from 25 million € to 315 million €. Subsequently, the option to utilise National Recovery and Resilience Plan (PNRR) funds became available. Now, with funding from both the PAC and PNRR, the potential for engagement has reached 7 billion.

In 2021, there were 65 Food Districts recorded, today there are 188. There is no doubt that the arrival of financial resources has been a driving force behind their development. Hopefully, the SFS will be able to streamline more CAP money towards projects of a similar nature.

Conclusions

The alignment between the CAP and many other initiatives of the European Green Deal does not happen overnight, but this is possible. The investments put forward by the EU in terms of CAP networks and technical assistance, rural pacts, research and innovation, policy-science interfaces, and forecasting modelling of the JRC should anticipate these scenarios and the possible steps to realise them. These efforts should also arrive on time, and not too late when the EU has again lost the momentum for a transition towards sustainable food systems.

In terms of interinstitutional work in the European Commission, the active engagement and pro-active role of DG AGRI in accompanying DG SANTE in the publication of an ambitious SFS law with a strong CAP component, including the Long-Term Vision for Rural Areas, is clearly not visible, at least for outsider. Compared to the embarrassing public tweets of Agri-Commissioner Wojciechowski advocating against the Nature Restoration Law, at least in this case, DG AGRI remains silent and invisible on this important file. Yet, the poor outcomes in terms of elevating the CAP to the missions of the Farm to Fork and Biodiversity Strategies are equally deplorable for this Commission.

Constructive interdisciplinary dialogue and pro-active cooperation starting from Brussels and along the multiple-level governance of the EU should not be replaced by capricious political games, or the promises for yet another strategic dialogue. The upcoming European elections and future of food and farming cannot inherit this logic of postponing ambitious reforms and operating in silos.

Credit: Adèle Violette

CAP post-2027: An Integrated Rural and Agricultural Policy - Part 1

Mathieu Willard *March 2023*

"Rural Europe Takes Action – No more business as usual", the book published by ARC2020 and Form Synergies in June last year, ended with a mysterious unwritten regulation, the Common Agricultural Policy of the future. Only it is not. It is much broader than that. We called it the European Rural and Agricultural (and Food) Policy (ERAP). So, what is it about and why is it important to talk about it now? Let's dive into it.

This article is divided in two parts. In this first part, we will first assess the why we urgently need a new CAP by looking at how it has performed on its main objectives.

An underachieving CAP

The Common Agricultural Policy (CAP) is undoubtedly Europe's flagship legislation. It has been around for 60 years, eats 31% of the total EU budget and no one ever seems to be content with it. But why is that?

The aims of the CAP, as stated on the European Commission (EC) website, are to:

1. Improve agricultural productivity;
2. Ensure decent incomes for farmers;
3. Help tackle climate change and the sustainable management of natural resources;
4. Maintain rural areas, landscapes and keep the rural economy alive.

But how did the CAP perform on these?

Improved agricultural productivity

The only exception to the overall underachievement of the CAP might be agricultural productivity, which has been growing continuously.

But since 2005, the trend has slowed rapidly. Total Factor Productivity (TFP), an indicator representing the ratio of agricultural output (production) to their input (such as land, labour and capital), shows a sharp drop in growth for the oldest Member States (EU-15), from 1.3% (1995-2005) to 0.6% (2005-2015). Germany even recorded negative TFP growth in recent years.

This remaining growth is mostly explained by a shortening in workforce, as the number of farmers continues to decline in the EU. Labour productivity has increased, maintaining an overall positive TFP.

So, for now, agricultural productivity is still slowly increasing. But this trend can only be maintained as long as fewer and fewer farmers, through the extensive use of expensive machinery, chemical fertilizers and pesticides, continue to farm more land. But at what cost for our climate and biodiversity?

Ensure decent incomes for farmers

Through the 1992 MacSharry CAP reform, the goal was to take a big step towards the support of farm incomes in that product support was replaced by producer support (area-based subsidies). But 30 years later, according to the EC numbers, the average farmer income is still around 40% lower compared to non-agricultural income.

And it is hard to believe that the current CAP will change anything about it, as 80% of the budget goes to the 20% largest farms.

Help tackle climate change and the sustainable management of natural resources

Reducing GHG emissions in the agriculture sector has been a slow process. According to the FAO, while GHG emissions of agri-food systems represented 23% of total EU emissions in 1990, it now represents 31%. Since 2005, the reduction rate has been mostly stagnant.

According to the European Environment Agency, and based on EU Member States current policies, this trend is projected to continue through 2040, with only a 1.5 % decrease expected between 2020 and 2040.

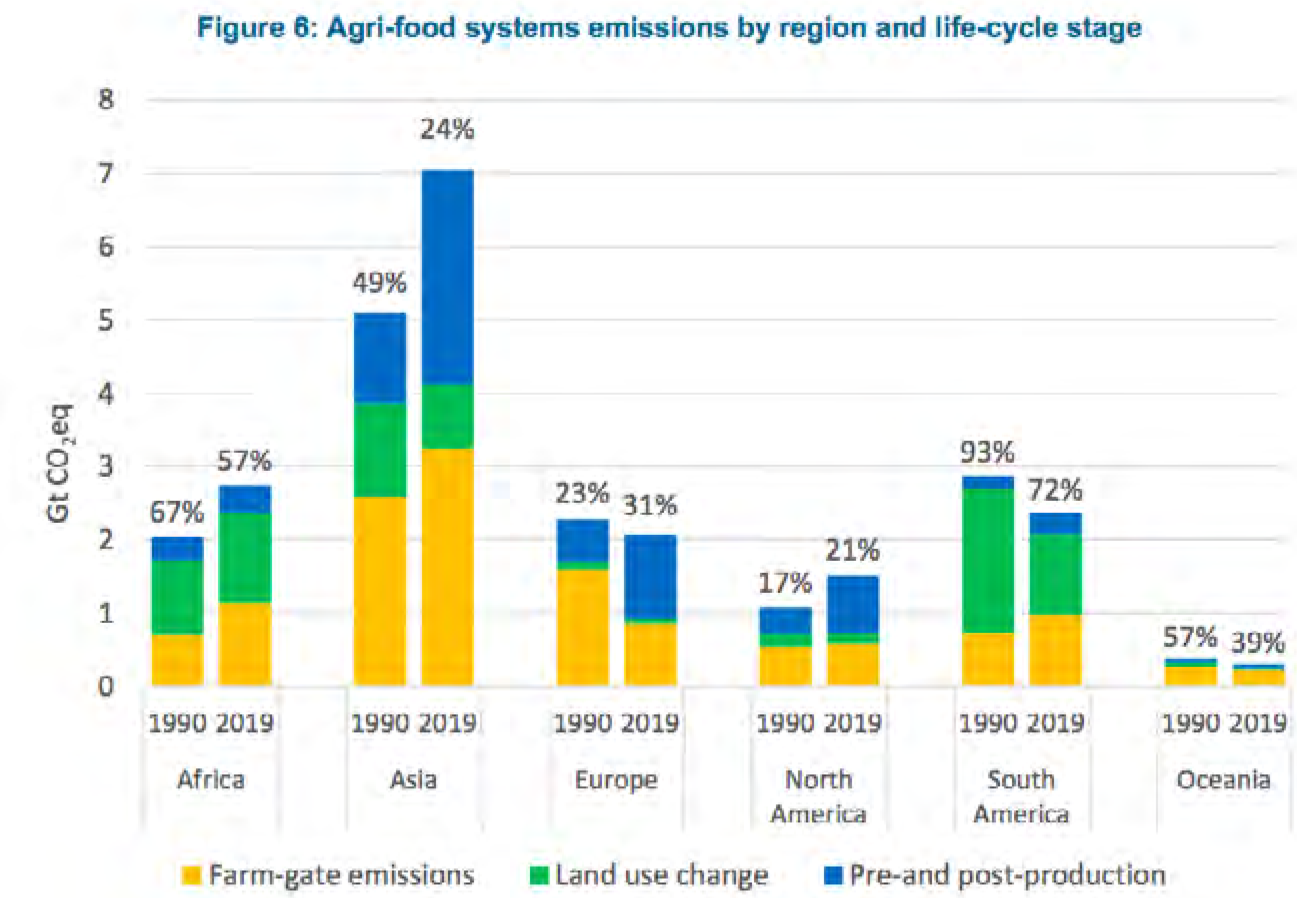


Figure 1: Agri-food systems emissions by regions; source: FAO 2021; The percentages indicate the share of agri-food systems in the total emissions of the region

Interestingly, while on-farm emissions were the main driver of total agri-food emissions in the 1990's EU, it is now pre- and post-production emissions that take the first spot. This shows that an integrated approach of agri-food systems is needed to tackle emissions.

Natural resources are in no better shape. Pesticide use in the EU did not decrease over the past 10 years, despite their toxic effect on biodiversity. Soil erosion is about two times higher than soil formation in agricultural lands of the EU. And to palliate this loss in fertility, chemical fertiliser use increased in the past 10 years (+6.9% for nitrogen ; +21.9% for phosphorus).

Maintain rural areas, landscapes and keep the rural economy alive

Since the 1999 reform which introduced the two-pillar structure, the CAP has aimed to promote the development of rural areas. But so far, rural development measures have primarily targeted agriculture (e.g. through farm investments, farmer training, environmental protection in agricultural ecosystems).

To analyse the impact of the CAP on rural development, we have to look at economic, demographic and social evolutions. On those:

- The Gross Domestic Product (GDP) per capita in rural areas is on average 70% of the EU average.
- Rural exodus has not eased in 60 years (see figure 2).
- The number of farms dropped by 37% between 2005 and 2020. The EU lost 4.2 million farms (one quarter) across the Member States between 2005 and 2016, about 85% of which were farms under 5 ha.
- Young farmers (under 35 years old) represented only 7,3% of farm managers in 2005 and 6,5% in 2020.
- Only 29% of farms in the EU are managed by women. And only 4.2% of those women are under 35 years old while 42% are older than 65.

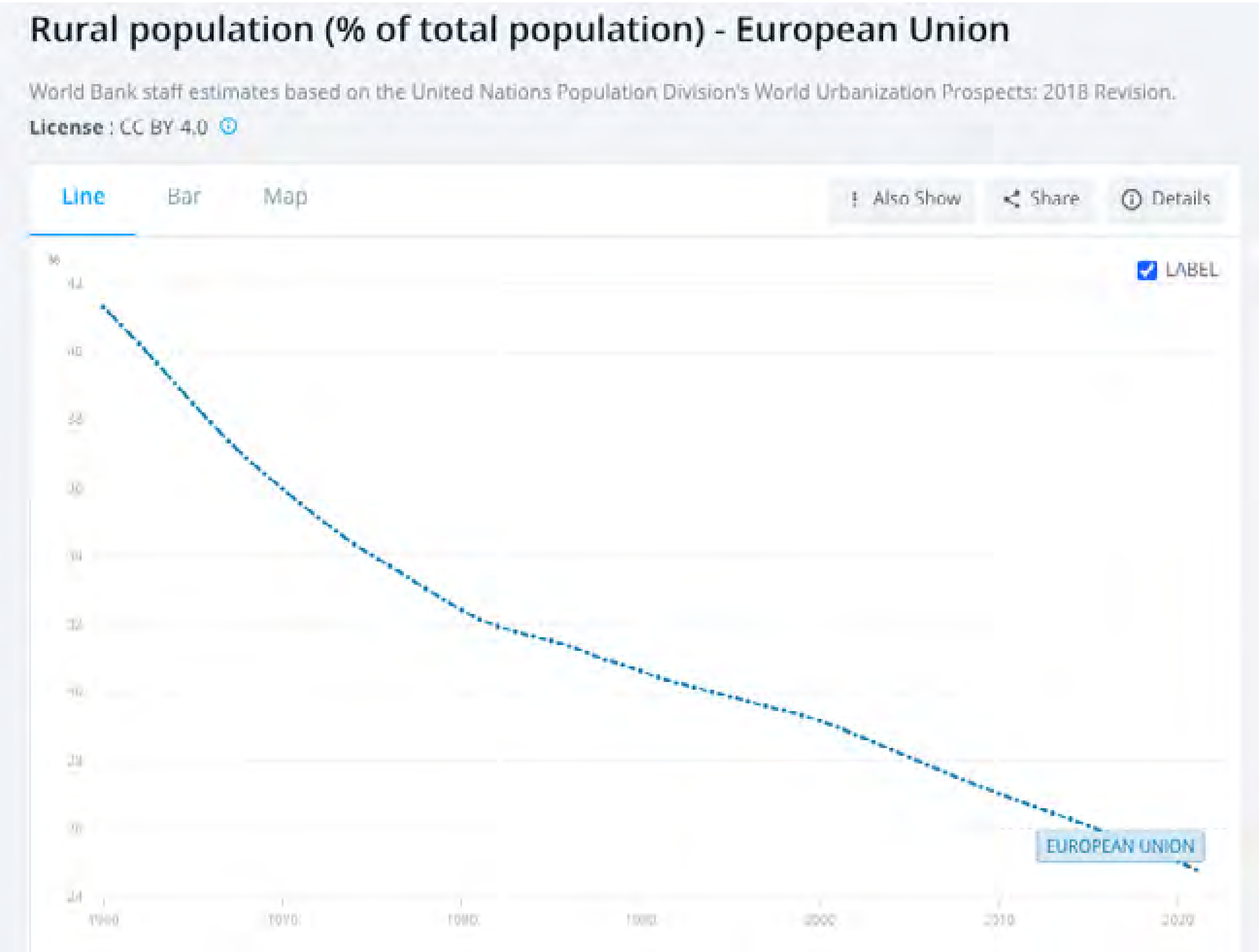


Figure 2: Evolution of rural demographic in the EU (source: World Bank)

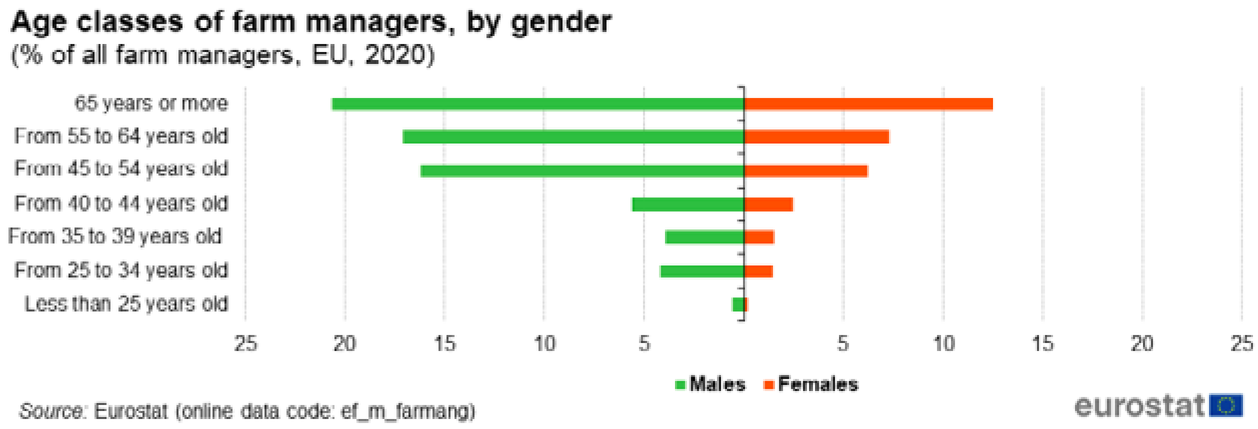


Figure 3: Age classes of farm managers, by gender (source: European Commission)

Those issues are not only numbers. One of the greatest challenges in rural areas right now, and especially for farmers, is loneliness. A few years back, as part of my master's thesis, I visited dairy farmers in Wallonia to discuss their social contexts. Loneliness and isolation were often cited as a great burden that, mixed with financial issues would lead to suicide. Here is what one of them told me.

"In the past I worked outside the farm and when I stopped, from one day to the next I was cut off from social life. (...) I suffered from it. I missed my social life, I'm not afraid to say it."

The Commission and the European Parliament must team up and acknowledge the lack of suitable EU response to these rural issues: fewer local education or job opportunities/choices, difficulties in accessing public services or transport services, inadequate internet or health coverage, or a lack of cultural venues/leisure activities[17].

Part 2 coming up…

Stay tuned, we will soon publish Part 2 which will present the main propositions from the European Rural and Agricultural Policy.

If you want a sneak peak, go check out our book "Rural Europe Takes Action – No more business as usual"

17 https://library.oapen.org/handle/20.500.12657/60569

CAP post-2027: An Integrated Rural and Agricultural Policy - Part 2

Mathieu Willard *March 2023*

“Rural Europe Takes Action – No more business as usual”, the book published by ARC2020 and Form Synergies in June last year, ended with a mysterious unwritten regulation, the Common Agricultural Policy of the future. Only it is not. It is much broader than that. We called it the European Rural and Agricultural (and Food) Policy (ERAP). So, what is it about and why is it important to talk about it now? Let’s dive into it.

This article is the second part of a two-part series. In this first part, we discussed the “why” we urgently need a new CAP. In this second part, we will present our proposal for an integrated Rural and Agricultural Policy.

A new European Rural and Agricultural Policy (ERAP)

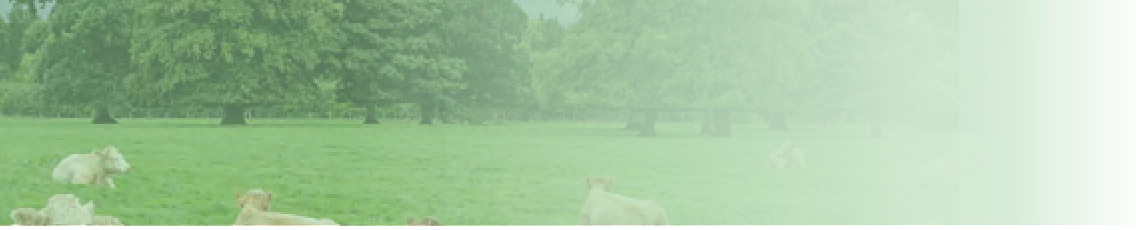
The impact of the CAP is not only negative. And all the problems in agriculture and rural areas are not to be blamed on it. In the last decades incremental changes in the policy have given opportunities for farmers to steer their practices in the right direction (e.g. budgets for greening measures, organic farming, young farmers, environmental and climate actions, eco-schemes (their impact still needs to be assessed)).

The CAP can be a very useful tool. But for now, it mainly maintains the intensive agri-food model. It leaves some room for alternative types of farming but will never make them the norm without a complete makeover.

For those reasons, many think it is time for the CAP to retire. Or at least, the CAP as we know it. The EU commission is planning to propose the first key points of a post-2027 proposal as early as 2023. And with the EU elections coming in 2024, it seems like now is the right time to start seriously reflecting on it.

Let’s put ARC2020’s unwritten regulation (that you can find in our book “Rural Europe Takes Action”) in the spotlight. The unwritten regulation is a draft text for an integrated rural, agricultural and food policy to be adopted by EU institutions in 2027 at the latest. It is not a finished product but a first proposal to be built upon.

This unwritten regulation, for the sake of argument and an eye-catching result, was written in the legislative style. Here, we want to take out the main learning points, plain and simple.



INTEGRATED EUROPEAN RURAL, AGRICULTURAL AND FOOD POLICY (ERAP)

AN UNWRITTEN REGULATION

REGULATION (EU) 2028/001 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 1 January 2028

establishing rules on support for strategic plans to be drawn up by Member States under the European Rural and Agricultural Policy (ERAP) and financed by European Fund for Rural and Agricultural Development (ERAF) and from the European Maritime, Fisheries and Aquaculture Fund (EMFAF) and repealing Regulations (EU) No2021/ 2115 and (EU) No1307/2013

An integrated rural approach

The policy focus shifts from mainly direct income support for farmers to the development of rural infrastructure. The goal is to empower all rural actors and ensure a fair distribution of added value on the local and territorial level, which would eventually decrease farmer's dependency on income support. Those infrastructures should allow our agri-food systems to highly reduce their dependence on mineral oil as well as feed and food imports from global markets.

This overarching policy will thus empower rural actors to democratically build resilient food systems that can answer the challenges of our time: climate change, biodiversity loss, depletion of soils and water reserves.

Public income support will still be available for farmers but will be distributed based on agro-ecological-social criteria. As far as agricultural production and processing is concerned, what is currently the common rule will become the exception. And the organic exception will become the rule.

Merging the funds

The ERAP proposes to redesign the funding structure that delivers the CAP. The CAP has been historically financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD).

As I explained in the previous chapter, the addition of a second pillar, financing rural development through the EAFRD and co-financed by Member States, was supposed to ensure sustainable management of natural resources and climate action and enhance territorial development of rural economies and communities. But the budget distribution has never reflected those objectives.

In the current reform, EAFRD budget has also shrunk. A 19% decrease in Pillar II appropriations in the 2021-2027 programming was recorded compared to 2014-2020.

To alleviate these budgetary constraints, both funds will be merged under one European Rural and Agricultural Fund (ERAF). A new fund for a new policy. Moreover, the ERAF will be integrated in the European Cohesion Policy (which is based on Structural Funds such as the European Regional Development Fund, and the European Social Fund). The European Cohesion Policy aims to achieve the objectives of economic and social development of regions and territories, territorial competitiveness and the reduction of growth and living condition gaps between regions and territories. It does not (yet) highlight rural areas as priorities but the inclusion of the ERAF in the fund package should solve this issue. This could create a more integrated Cohesion Policy and tune it to current challenges for the EU.

A bottom-up delivery model

To decide who gets what, the ERAP is opting for collaborative intelligence. National and regional programme authorities will have the choice between the CLLD and LEADER approach to bring local actors together and form governing bodies that will decide how to improve their area.

A minimum of 5% of the ERAF budget must be allocated to the CLLD/LEADER for this purpose.

A revised subsidy system

The ERAP is (for now) made up of 4 articles. Article 1 lays down the general rules of the policy and articles 2, 3 and 4 address the distribution of subsidies.

Basically, this new policy will tackle its objectives through 3 different approaches.

1. Rural cooperation and infrastructures
2. Development of sustainable short supply chains and better distribution of added value
3. Farm support

In all of those approaches, capping is introduced with ranges from €100,000 to €200,000 depending on the subsidy type and the structure that is applying.

1. Rural cooperation and infrastructures

While in the current CAP, most of the Member States are relying on LEADER interventions to address the socio-economic development of rural areas, the scope of available interventions under ERAP will strongly increase. Budget will be available for three types of projects.

First, funding will be provided for projects that intend to develop **rural infrastructure and services**, such as eco-mobility systems, IT connectivity, preservation of rural heritage, and cultural activities. Specific investments to improve generational renewal in farming but also disaster prevention and environment-climate friendly provision for farms, SME, public and civil society organisations will be available as well. All projects that can improve raw material use and circularity of the economy will also be financed.

Second, funding will focus on projects that will improve **networking and knowledge sharing** capabilities. These projects will be financed either through cost reimbursement, for example for the qualification of employees or through the investment in learning projects (schools, conferences…).

Third, the ERAP will support **cooperation projects,** such as producer groups, business cooperation, civil society initiatives, co-working spaces and more. EIP operational groups will be financed to support economic and social innovation projects, as well as quality schemes promotion. Finally, the budget for LEADER will increase to a minimum of 5% of the whole ERAP budget.

2. Development of sustainable short supply chains and better distribution of added value

The EARP will focus on the development of sustainable value chains. The goal is to empower local actors of the rural economy that will reinforce local implementation of the food production processes and the rural economy as a whole. Eventually, localised short supply chains will organically redistribute the added value in a more equitable way along the chain, financing a diversity of rural actors and projects.

Support will be allocated firstly to the **development of agricultural, food and forestry value chains.** Concerned projects range from seed, feed, leguminous crops, renewable raw materials production to water saving, waste reduction or culinary partnership projects.

Support will also be reserved for economic actors from **secondary and tertiary sectors**, such as craftsmanship, gastronomy and tourism.

3. Farm Support

Public income support will still be available for farmers. The current structure of the subsidy system remains with decoupled payments being distributed to farmers as long as they comply with conditionality rules. The payments are still area based but their framing is completely redesigned.

- The compliance rules or conditionalities are based on world-wide organic standards for production and processing of plants for food, non-food crops, wood, livestock and aquaculture. It will regulate the increasing use of agroecological practices and ban of active chemical substances used in the EU or exported.
- The general objective is that, by 2030, all ERAP support is tied to organic standards.
- All direct payments are to be indexed with a farm labour factor (based on an algorithm still to be defined). Direct payments are all capped at €100,000, with high redistributive obligations (triple payments on first 5ha and double on the first 20ha) and degressive options.
- Young farmers will see their subsidies doubled for the first five years of activity.
- Additional payments are planned for farms with geographical and environmental constraints.
- Complementary support is provided to farmers for the implementation of practices that provide additional environmental and climate services.

Conclusion

The goal of writing this proposal was not to have a finished product but to start a debate. Everyone who would like to add on it and discuss specificities should do so. And everyone will have their own sensibilities for specifics of rural and agricultural transition. What about social conditionality? What about health care and doctor shortage in rural areas? What about access to land? What about meat consumption? What about market regulation? All those questions should provide for many additional articles to this unwritten regulation. Let's write it together.

We invite unions, NGOs, public services and citizens to build upon this proposal. The time is now.

In the meantime, I would like to already provide my answer to the question that will arise, and it might be on your lips already. How much will it cost (for it to succeed)?

Short answer, we don't know (yet). Anyone wishing to make a calculation is most welcome. What we believe is that, even with a similar budget to the current reform, results would already be much improved. But why not increase it?

Some might not care enough about rural areas, but everybody cares about food. And the fact is that we currently underspend on food. We've never spent less (2022 inflation aside). For some, this is the reflection of great progress. But is it really? We now live in a world where soil erosion, climate change and biodiversity loss are putting long-term food security at risk. Moreover, the food we produce is increasingly less nutritious. The industrial model on which large agglomerations are being fed is based on over-processed food products, full of fat and sugar to please our brains. Most of the world's population now lives in countries where overweight and obesity kill more people than underweight. Worldwide obesity has tripled since 1975 and around 2 billion people are now overweight. Where is the progress in that? And that is the result of a system. As we say in French, ce n'est pas par l'opération du saint esprit (it wasn't by some miracle).

Below is a graph representing the evolution of food expenditure as a share of household's disposable income (net of taxes). It shows the trend for the US, which has been recording those data much longer than the EU. But results are close. In the EU, in 2019, food expenditure represented on average 13% of household spending.

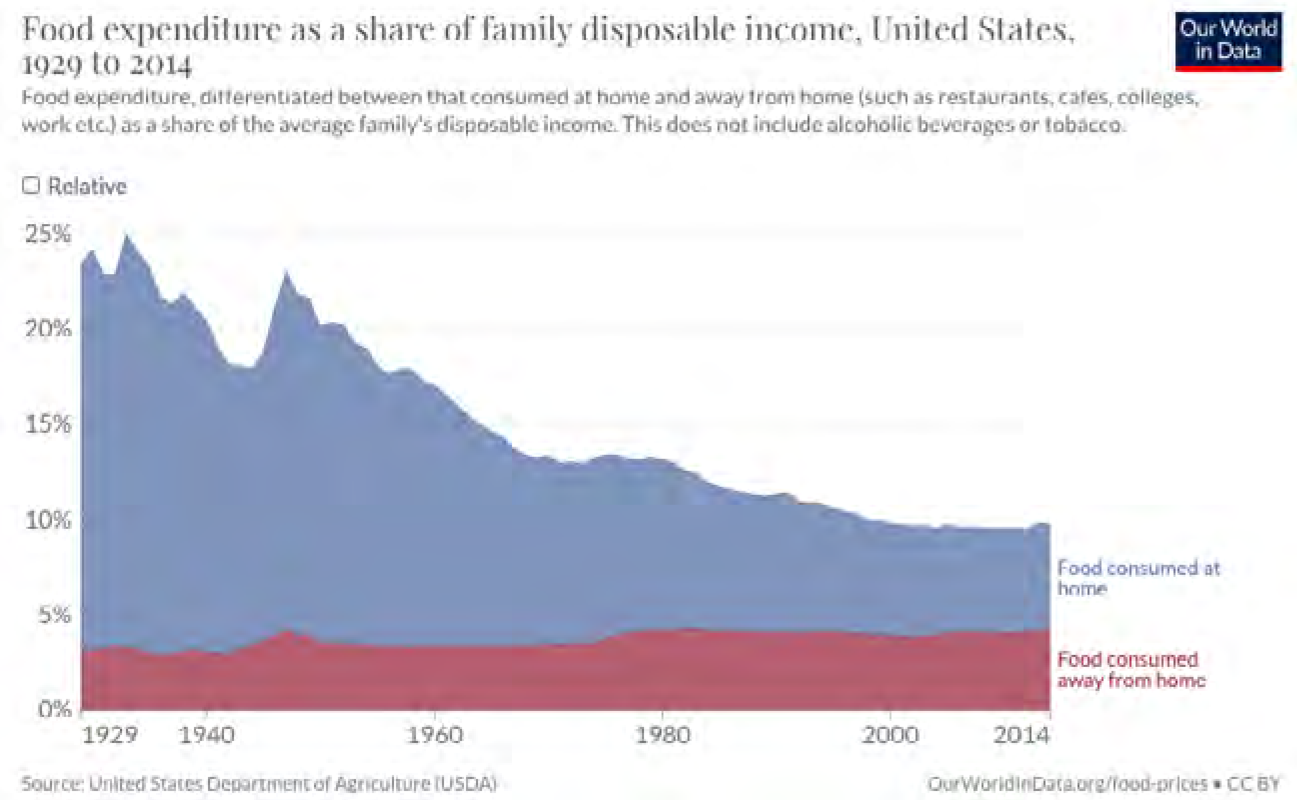


Figure 4: Food expenditure as a share of family disposable income, US (source: our world in data)

Moreover, the CAP budget represents only about 0.4% of the EU GDP. It has been higher in the past but never surpassed 0.7%. To allocate such a small part of our GDP might not be enough for a complete revitalisation of rural areas and transitions of agri-food system to agroecology. That is also why the proposal we are making is one that intends to redistribute added value along the production chains.

And thus, we might have to accept to pay a little bit more for our food, through prices or taxes. And with this debate will come a time, the sooner the better, for a new social contract in the EU, the infamous "who pays what". But that is another chapter for this story.

“A fairer CAP”, really? Analysing fairwashing in CAP talks and practices

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Executive Summary

The CAP reform post-2022 promised a fairer CAP for small-medium scale farmers. Now that the CAP Strategic Plans are approved and running, is the CAP really fairer and should fairness be neglected in the upcoming debate on the future of CAP?

Reading the communications of the Commission DG AGRI, one could think that the issues of unfairness are now sorted out. Our analysis over a small sample of CAP Strategic Plans, namely France, Germany, and Ireland, reveals two interconnected problems that need to be addressed at policy and political level.

On one hand, the CAP Strategic Plans 2023-2027 have not systematically and coherently addressed all the elements of unfairness and, overall, just made small adjustments to avoid the required meaningful shift from the previous direct payment arrangements. On the other hand, DG AGRI’s analyses and communications, while useful to provide a synthesis across countries, fail to account for the trade-offs, loopholes, and nuances of each Member States’ decisions compared to their baselines situations and needs. In some cases, these communications and analyses are full of incomplete information and red herrings, for instance the performance indicator R6.

Tackling unfairness in CAP remains as important as ever, especially in the ongoing debate on food security. This analysis warns that a fairer CAP is still an unfinished business and requires urgent corrections or deep rethinking beyond the basic income support. Otherwise, the bias towards a specialised and concentrated agri-food sector will be continuing.

Foreword

Even if the CAP Strategic Plans have been approved no so long ago and the CAP post-2027 seems far away, the debate on the future of CAP is bustling again. In [a speech about global food security addressed to the European Parliament in June 2023](), the Commissioner Mr Janusz Wojciechowski announced the presentation of an holistic strategic plan by the end of 2023 to ensure food security for the EU and this plan will contain elements of the Common Agricultural Policy after 2027.

From the initial instrumentalisation of EU agrifood policies due to geopolitics and war affairs, very likely, we expect the next CAP debate to be framed around some of the following:

- New forms of neoliberal interventions weakening public rules, including strategic food stocks and market support with poor socio-environmental strings attached;
- Further deregulation of state aid;
- Higher public budgets available for private agricultural insurance schemes;
- Agri-chemical exceptions from competitions laws; and,
- Public money to large-scale corporations disguised as producer organisations in sectorial interventions.

This report explains why repositioning the CAP debate around the issues of fairness, or lack thereof, is so important now in the early stages of a new policy cycle and presents a first attempt to define the concept of fairwashing in CAP. Though fairness in CAP can be seen from multiple perspectives and touches upon many rules, this analysis regards specifically the distribution of direct payments across beneficiaries.

Fairwashing helps to unveil how apparently positive policy claims are poor in substance and hyped-up by strong communication efforts to defend and strengthen business-as-usual scenarios. We analysed the policy decisions made in three selected CAP Strategic Plans (Ireland, France, and Germany), as well as communication tricks used in the discourses and reports published by DG AGRI on this matter.

So, what did our research find? We found that while these three plans contain some positive elements and have made some steps forward, France, Germany and Ireland also stayed static on many relevant matters, created caveats and loopholes to water down the timing and scale of the changes that were approved, or made the bare minimum steps allowable compared to societal expectations and own pledges for a fairer CAP.

This mixed situation can be seen in other countries too. For instance, in Italy, we noted that several improvements were introduced (e.g., setting up of a maximum unit amounts, eligibility criteria for targeting redistributive payments), but some of them were still very weak (e.g., a max unit amount set at 2 000 EUR / ha is still a very high threshold compared to average). Italy also removed the capping of large beneficiaries above EUR 500 000/year for the sake of “simplifying the CAP”. This and generally any backsliding steps compared to the previous CAP are not highlighted in any press or statements from the Commission. The Italian decision to avoid capping large beneficiaries in the name of protecting “labour intensive” large-scale companies is an argument reiterated also by other Member States without substantial evidence neither in the plans, nor in their ex-ante evaluations. Denmark is another example. As reported in this analysis, Denmark received a derogation from the Commission to disregard the mandatory capping or redistribution without proving solid evidence and on the basis of questionable arguments.

DG AGRI has published a number of descriptive reports after the approval of the CAP plans, but, importantly, none of them critically compare the individual situations in each Member States before and after the reform and how the new plans effectively alter public money distribution. None of the DG AGRI’s overview studies are able to ex-ante estimate the renewed distribution of Pillar I budget across different farm sizes, both in absolute and relative terms. None of them critically assess the independence, methods, rigor, and conclusions of the ex-ante evaluations of the CAP plans carried out by the Member States or pays sufficient attention to the trade-offs between the policy choices made.

On the contrary, the conclusions emerging from DG AGRI early analyses and messages, while useful to provide an overview and synthesis across Europe, in reality are uncritical and fail to quantify the new distribution of all direct payments and other CAP interventions across farm sizes, not to mention gender, age, or territories. Instead of recognising these limitations, these analyses can lead to partial statements from DG AGRI in various legislative settings (e.g., European Parliament or Council) and strategically hijack the trajectories of the upcoming CAP debate away from these issues.

For instance, DG AGRI early and more recent analyses of the plans include EU-wide sensational figures about redistributive payments without contextualising them (e.g., initial situation and needs in the Member States) or explaining their caveats (e.g., lack of effective eligibility criteria to exclude very large farm from CRISS), not to mention the lack of evidence on the total sum of all redistribution efforts towards small-medium farmers (negative and positive) in each Member States, including the rate of adoption of eco-schemes and other per-hectare payments. Indeed, the adoption rate of voluntary eco-schemes across different farm sizes can ultimately affect the balance sheets and needs to be checked after the first years of implementation to express stronger conclusions about a fairer CAP. Instead, isolated budget figures, cross-country descriptive statistics, and single performance indicators (i.e., R6) are used to distract attention from the core unfairness of direct payments, which systematically continue to benefit the largest farmers as the number of hectares determine the amount of money a beneficiary receives, and not only the arithmetic average level of payments per hectare across different farm sizes (as measured by R6).

This report comes at crucial time for the CAP debate anticipating the EU elections in 2024 and a possible mid-term CAP reform taking place in parallel with the CAP Strategic Plans’ performance reviews in 2025. Especially because the speculations about food security and market instability are raising and can strongly deviate the political attention from these issues, this analysis suggests the Commissions should keep unfairness in CAP at the center of the political agenda. This means expanding the definition of fairness to look beyond basic income support for sustainability (representing 31% of the total CAP expenditure) to include all direct payments and other CAP interventions and rules. Other commitments for the Commission can entail working on better databases accessible for independent analyses, consider the global south perspective of EU subsidies, building capacity in the Member States to carry out more rigorous and comprehensive assessments for the performance reviews, raising critical issues of unfairness in EU political arenas and Member States’ revisions of the plans, or complementing the common performance indicator R6 with more input/output indicators.

ARC2020 wants to thank civil society organisations representing a plurality of agricultural, food, rural and environmental voices in Ireland, Germany, and France for supporting the analyses of this report. Without the participation of committed experts, critical analyses like this would not have been possible.

Credit: Adèle Violette

Introduction

This report presents a first attempt to define and apply the concept fairwashing in the EU Common Agricultural Policy (CAP). Fairness in the CAP, or the lack thereof, is often narrowly associated with the **unequal distribution of Pillar I per-hectare direct payments** to farmers, more precisely one component of them, i.e., basic income support for sustainability (BISS). To explain one part of the problem concisely, farmers and farming systems of small to medium size can claim less land for per-hectares subsidies compared to very large-scale beneficiaries[18], therefore resulting in a systematic unfair distribution of direct payments.

Just as a reminder, the CAP is supposed to ensure a **fair standard of living for farmers** (Article 39 of the Treaty on the Functioning of the European Union). However, in the EU, there are agricultural holdings receiving more than EUR 500 thousand or sometimes even multiple millions of Euro per year. At the same time, there are active farmers receiving just a few hundred Euros or nothing at all because of their limited surface area. Besides the inequalities stemming from the farm size, another issue around fairness regards the amount paid per hectare, which is not always uniform across territories and creates divergences within and outside the Member States. Other issues so far associated with unfairness in direct payments concerns the age or annual working units of the major beneficiaries of direct payments, not to mention the gender, ecological footprint, or proximity to areas with natural constrains.

Against this background, fairwashing could be broadly understood as the two simultaneous acts by governmental authorities and lobby groups: a) doing little or worse in practice to address inequalities in the CAP; and b) putting in significant communication efforts to deceive society on (self-claimed) positive progress of CAP fairness.

In this report, we try to operationalise and apply both elements of this concept only on direct payments. In the first part, we analyse three approved CAP Strategic Plans 2023-2027 (CSPs), namely Ireland, France, and Germany. Unlike what we assert is the approach taken by the European Commission DG AGRI, we do not only cherry pick the good and small steps forward made by the Member States in these plans; instead, we also assess the decisions that retained the status quo or even went backwards compared to the previous programming period. Instead of looking at redistributive payments or capping as tick-box exercise, we dive into the specific eligibility criteria and decisions to perform a more in-depth and multi-component assessment of fairness.

Backsliding principle applied on CAP fairness?

A clear example of backsliding can be seen in Italy whereby capping and degressivity[19] was removed during the current reform compared to the past, thus allowing large-scale farms to receive limitless direct payments. Like Portugal, Italy however is one of the few countries that set up eligibility criteria to exclude large scale farmers from redistributive payments and target this support entirely to small-medium scale farms20. Whether the sum of these forward and backward decisions taken by Italy is meeting the needed adjustments and tackling inequality remains quantitatively unclear as in many other Member States' ex-ante evaluations of the CAP Strategic Plans.

In the second part of this article, we analyse the communication side of fairwashing. We screened press news, public statements, and policy analysis reports published by the European Commission – DG AGRI on this matter; the material was collected before, during, and after the approval of the CSPs. We fact checked DG AGRI arguments and claims vis-á-vis

18 For large scale beneficiaries we do not refer to those who are composed by multiple, small-medium scale farmers aggregated in forms of cooperatives or associations. This distinction was addressed here.

19 Capping refers to the maximum payment a farmer can receive. Degressivity is the progressive reduction of payment above a certain threshold.

20 To the first 14 hectares of farms between 0.5 and 50 hectares

the available evidence in the approved plans and ex-ante evaluations.

Our longitudinal and multicomponent analysis suggests that DG AGRI communications on the topic fail to draw attention to many nuances and loopholes in the decisions taken by the Member States, and therefore come across as uncritical and self-satisfactory, even when the evidence available is weak. This allows for an emphasise to be put on cosmetic changes, while avoiding drawing attention to the substantial flaws in the expected reforms at EU and national levels.

In conclusion, we suggest the Commission DG AGRI and its technical support networks come up with more comprehensive thoroughgoing and longitudinal assessments of the fairness of all components of direct payments and other CAP interventions towards small and medium farmers. In future CAP, we recommend keeping the result indicator R.6 as good proxy for measuring performances but, this indicator is insufficient and needs to be urgently complemented with a more appropriate set of input, output, and impact indicators able to clearly express the aggregate concentration of direct payments among different beneficiaries in terms of sizes, if possible, also gender or locations. This analysis would contribute to a more evidence and justice-based approach of the CAP reviews or reform post-2027.

“*Much Ado About Nothing*?” The weakening fairness framework at EU level

In 2018, the European Commission proposed a limited but still somewhat ambitious proposal for raising the level of fairness in direct payments, most notably including 100% capping for farmers receiving above 100 000 Euro per year from all direct payments. If this law passed, 920 Million Euro could have been reused to fund redistributive payments to small-medium farmers, according to the Commission’s own impact assessment (Page 17).

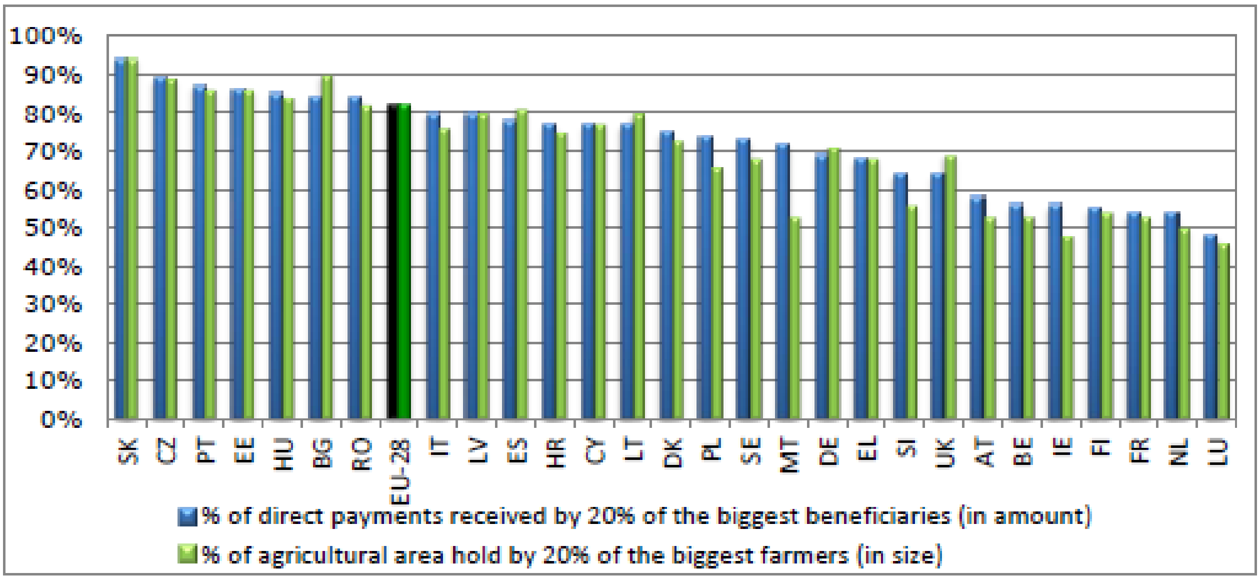
Despite the efforts of the European Parliament to maintain mandatory capping and other elements of the 2018 Commission proposal, the largest agri-business lobby group (COPA-COGECA) and the Council finally managed to water down and defuse it in different ways.

Box 1: How a fairer CAP proposal at EU level was watered down in Brussels before the national CSPs

- Capping and degressivity over large beneficiaries receiving above 100 000 Euro became voluntary instead of mandatory. Both tools were highly debated among the co-legislators (European Parliament and the AGRI-FISH Council), but in reality, these essential decisions were already determined from the top, namely by the MFF conclusions adopted by the European Council in July 2020 (Pag .56)
- The scope of voluntary capping and degressivity was narrowed down only to basic income support, which is just one component of direct payments. From applying these reductions to the sum of all direct payments or per-hectares payments above 100 000 euro (e.g., eco-schemes, basic income support, young farmers payment, etc.), the application of these two tools was finally reduced only to a smaller component of direct payments (i.e., basic income support). This heavily compromised the redistributive capacity of these capping and degressivity.
- A minimum of 10% of direct payments budget was agreed to be used for CRISS as derogation to avoid capping and degressivity. The 10% allocation of direct payments to CRISS is at the expense of all farmers, including small-medium size, and not a gift from large beneficiaries, as for instance reported in this fact sheet about Germany but also in many conservative political speeches.
- The setting up of eligibility criteria to channel CRISS payments only to small and medium farms was maintained voluntarily for the Member States. In this way, MS could create loopholes to return CRISS payments on the first hectares of every farmer, including large beneficiaries.

Today, instead of acknowledging the weaking of the EU framework, the Commission sees the fairness differently. Looking at the recent press news and reports (see Chapter 6 of this analysis), DG AGRI is maximising the communication efforts to stress that small-scale farmers, on average, receive **higher levels of payments per hectare** compared to large scale farmers. However, the level of payment per hectare was one, and definitely not the biggest issue at the core of fairness/unfairness in the CAP.

In this way, the Commission moves the attention from the “skewed concentration of total payments” to the “level of payments per hectare” across farm size, thus making the small-scale and medium-sized farmers look like if they were the winners. While the first perspective is highly problematic, the second is a convenient story to tell. What the Commission can do to be more fair-minded is to keep updating the distribution of direct payments and land changed compared previous CAP and financial years.



Source: CATS data – DG AGRI.

Figure 2: Distribution of direct payments and beneficiaries across Member States in 2015

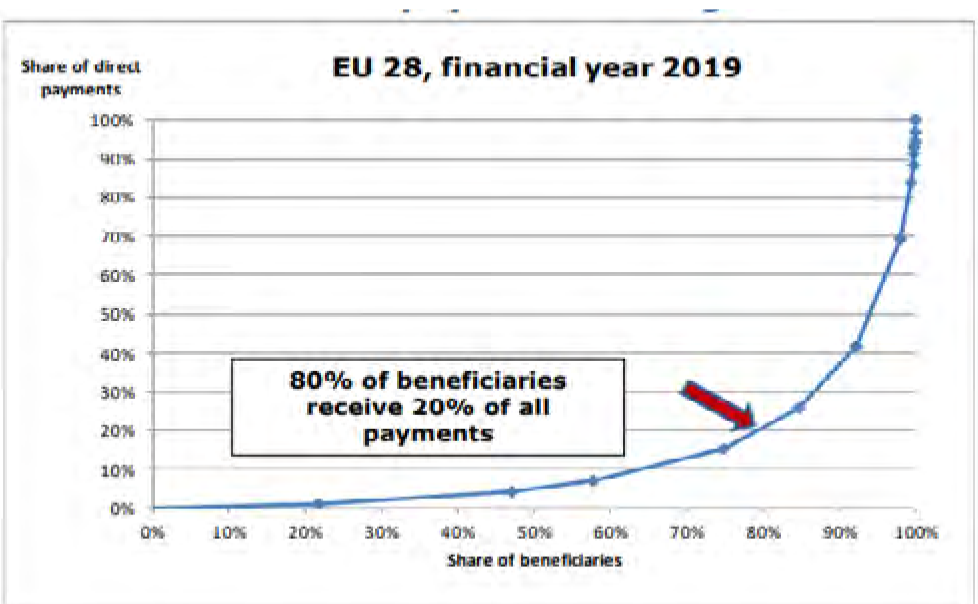


Figure 3: Distribution of direct payments and beneficiaries across Member States in 2019

Source: https://agriculture.ec.europa.eu/system/files/2020-10/direct-aid-report-2019_en_0.pdf

The per-hectare logic of direct payment was maintained in the last CAP reform by a new sustainability narrative built around the concept of rewarding ecosystem services – still, per-hectare. This new dimension of direct payments, called eco-schemes, neither disrupted this systemic bias of payments towards large landowners, nor brought enough environmental value to direct payments. Lobby pressure during the reform helped ensure undue derogations and weakened basic conditionalities, which would have made CAP and the European Green Deal targets more aligned.

Many arguments have been put forward against capping large beneficiaries or generally to discourage redistributive efforts, but a few of them have really been fact-checked or further explored. *“If capping is introduced, then large farms will split into many to get the same funds”,* is one example echoed in the debate. Others have argued that farm income and food security will be highly affected by capping large beneficiaries (Italy, pg. 91 of its approved CAP SP). Another absurd argument is that farmers will not comply with Good Agricultural and Environmental Conditions (GAECs) if they were to be capped, as if national and EU laws are not there for all farmers regardless of whether they are CAP beneficiaries, or as if GAEC standards are systematically implemented or checked over a large sample.

Last, but not least, **“large farms create a lot of employment in rural areas”** is one of the most peculiar arguments we heard, sometimes without any reliable statistics to sound factual. Large-scale beneficiaries are defined as “labour intense” in the Italian CAP Strategic Plan (pag. 91), while an OECD report referenced in the EU biodiversity strategy argue the opposite, noting that larger farmers can have more mechanised monocultural fields. If we want to add more arguments, there are also small-medium farms who are not even able to regularise their workers with proper hiring contracts and are still creating employment that falls out the official statistics. Therefore, are these claims against capping substantiated by proper data and is the soundness of this data questioned at all? Otherwise, employment and labour intensity are just conveniently used when it serves to wrong-foot the negotiations and maintain business-as-usual.

The conundrum behind fairness is complex, yet unfairness still persists and needs action now.

Unfairness in the distribution of CAP does not just concern the debate between small vs large beneficiaries, which can be nuanced when small beneficiaries are grouped together in large cooperatives as we have discussed here in the case of the Czech Republic. Another source of unfairness concerns the uneven level of payments per hectares across different territories of the EU (internal and external convergence, maximum amount of entitlement payment per hectare), which are deeply rooted in the history of CAP and other structural differences across the EU territories (e.g., land or rental prices).

Unfairness in CAP can also be seen from different perspectives, not only farm size, but also gender, age, race, typologies of farming systems, labour, not to mention the global perspectives of European subsidies and the distortion of market conditions for rural communities beyond the EU. Finally, unfairness in CAP can stem from the rules of the Common Market Organisation, the minimum thresholds set up for recognising small-medium cooperatives under producer organisations (sectoral CAP support), or the rules governing state aid in agriculture (or the growing deregulation of state aid).

CAP fairwashing: a concept to expose injustices towards small-medium farmers

Much like the concept of green-washing proposed by Maggiore & Presti (2022), fair-washing in CAP could be broadly understood as deceptive. Fairwashing can be seen as the act of deceiving society on supposed progress towards redistributing public resources based on ethical principles and evidence, while in fact retaining the status quo as regards power, rules, money and indeed resources. More concretely, governmental organisations or stakeholders’ groups that practice fair-washing over CAP direct payments:

- Work to ensure small or no policy changes towards reverting the national and the EU baseline situation of 80% of direct payments going to 20% of large beneficiaries.
- Invest in communication efforts to claim that policy changes regarding fairness or equal distribution have had a real and significant impact.

It is also the case that without this independent and external analyses – from civil society organisations, researchers, farming groups – fair-washing cannot be spotted, discussed, and therefore tackled. And unfortunately, as we discussed in this article, an underlying problem with undertaking or scrutinising these analyses, either ex ante or ex post the policy decisions, lays in the poor accessibility of primary, anonymised, up-to-date data regarding the distribution of funds across beneficiaries and multiple criteria (farm size, location, age, gender, etc.).

Putting the concept in practice: qualitative methodology

To put this concept in practice, we divided this analysis into two parts. In the first, we analysed the actual policy decisions made by the Member States. Contrary to DG AGRI's latest policy analyses, we do not look only at the **steps forward** that some Member States have claimed in their plans, but also the **status quo or static decisions and the steps backward compared to the CAP 2014-2020.** Given the limited resources behind this assessment, we concentrate this analysis only on three CSPs, namely Ireland, France, and Germany.

Although the definition of fairness can concern many CAP interventions, we narrow down this assessment only on Pillar I direct payments, and the different tools available to avoid the concentration of public funds into the a few and large beneficiaries (Table 1).

Fairness tools	Short Definition
1. Internal Convergence	Reducing territorial differences in the level of basic income support for sustainability (BISS entitlements per hectare) compared to national average
2. Max level of entitlement payment	Adding an upper limit on the value of BISS entitlements
3. Capping direct payments of large recipients	Adding an upper limit on the total amount of BISS payments received by each farmer (labour costs may be deducted from capping)
4. Redistributive payments (CRISS) towards small-medium size farmers	Additional income top-up dedicated only to small and medium size farms (see eligibility criteria)
5. Small Farmer Scheme	Up to a maximum of EUR 1 250 per year to small farmers subject to a simplified control system

Table 1: Different tools proposed in the CAP reform post-2022 to increase fairness of direct payments

For each of these tools, the analysis compares the CAP SP decision with baseline situation as following:

- green box = forward step towards more fairness
- yellow box = status quo step
- red box = backward step
- * = Fairwash tricks

In the second part of this analysis, we devote more attention to the policy discourses and how they reflect decisions taken at EU level and in the specific national CAP SP. Critical discourse analysis is a research methodology widely used in social and political science. It is concerned with systematically investigating hidden power relations and ideologies embedded in discourses of different forms, like text, speeches, images, videos (Johnson & McLean, 2020; van Leeuwen, 2006). To be more precise, the critical component of our analysis is devoted to how the Commission emphases the positive or little steps forward made by the Member States to support its policy claims while, purposefully or carelessly, ignores the limitations of the existing evidence, as well as the policy stasis or steps backwards for decisions taken at EU and national level as regards fairness.

We screen some of the many verbal and written communications published by DG AGRI during and after the approval of the CAP plans. For the same lack of resources, we narrowed down this analysis only on DG AGRI's policy reports or speeches, and excluded the discourses of other powerful allied stakeholder groups and political parties with strong ties with DG AGRI. In this qualitative and joint assessment, the analysis identified the **fairwashing tactics and tricks** used by DG AGRI **to mask stasis or regression.**

Checking fairness in practice: comparative analysis of CAP Strategic Plans

Ireland

Factual comparison

Tools to increase fairness in the CAP post-2022	Ireland 2014-2022	Ireland 2023-2027
Internal Convergence	60%	85% by 2026
Max level of entitlement payment	700€	320€ *
Capping large recipients	100% reduction for amounts exceeding 150.000€	100% reduction for amounts exceeding 100,000€ and 85% degressivity for values between 60,000 and 100,000
Redistributive payments	None	10% of direct payments national ceiling
Payment for young farmers	2%	3%
Small Farmer Scheme	Not implemented	Not implemented

Table 2: Comparison across different elements for a fairer CAP Strategic Plan in Ireland

- green box = forward step
- yellow box = status quo step
- red box = backward step
- * = Fairwash tricks

Our fairwashing watch

Overall, Ireland has made positive steps forward as regards the redistribution of direct payments compared to the baseline situation, but still these met only the minimum requirements of the EU legislation instead of going beyond them .They also take advantage of the longest timeframe allowable to delay its effective implementation. For instance, the commitments towards internal convergence are meeting the smallest value of 85% by 2027, which is the longest timeframe to do this. Moreover, when positive steps were made, the following caveats need to be mentioned to get a full picture:

*Although the setting of this max threshold could harmonise the value of entitlement payments across the country, the threshold is still considerably higher than the expected average payment entitlement of 165€ foreseen in 2026.

** Although capping of direct payments was maintained and improved in Ireland, the threshold was set up so high for the average Irish farm size that the actual money shifted through this tool is ultimately minimal or symbolic.

*** Ireland allocated the bare minimum budget for redistributive payments, and yet, the eligibility criteria for CRISS are so broad that these payments can return to the first 30 hectares of all farms (including large ones). 55,000 farms above 30 ha will be eligible for CRISS, nearly the same as the number of farms with a size below 30 ha (67,000 farms), according to the approved CAP Strategic Plan.

What does other evidence say?

Teagasc (the Agriculture and Food Development Authority), a national body providing integrated research, advisory and training services, wrote a report on the economic implications of Pillar I CAP Reform in Ireland. The key conclusion is that *“In general, the redistribution of income support associated with the CAP reform scenario has a limited effect on economic viability levels across all farming systems… in general the gains in income arising from the redistribution of the direct payment envelope under the reform option considered are insufficient to transition significant numbers of farm businesses from being not economically viable toward being economically viable categories.”*

The report concluded that a greater number of ‘small’ farms (farms with less than €8,000 of Standard Output), gain in income rather than lose under the reform scenario relative to income in the status quo. Farmers in sheep and cattle rearing were the main beneficiaries. However, the analysis suggests that there will not be a significant increase in the numbers of farms that are found to be economically viable. This is because the changes in income that result from the CAP reform scenario are in general small relative to the scale of the income changes that would be required to shift farms from being economically unviable to economically viable.

France

Factual comparison

Tools to increase fairness in the CAP post-2022	France 2014-2022	France 2023-2027
Internal Convergence	70%	85 % in 2027
Max level of entitlement payment	/	1000 Euro/ha *
Capping large recipients	No capping	No capping **
Redistributive payments	10 % of direct payments national ceiling (on the 52 fist hectares)	10 % of direct payments’ national ceiling (on the 52 first hectares) ***
Payment for young farmers	Around 3%	Equivalent to 3,7% of 1rst pilar budget
Small Farmer Scheme	Not implemented	Not implemented

Table 3: Comparison across different elements for a fairer CAP Strategic Plan in France

- green box = forward step
- yellow box = status quo step
- red box = backward step
- * = Fairwash tricks

Our fairwashing watch

Overall, France made minor steps to increase the level of fairness of direct payments, and rather kept a business-as-usual approach despite the number of inequalities across the country. Like for Ireland, France's positive steps towards internal convergence were the smallest required by EU legislation and will be implemented in the longest timeframe. Regrettably, neither capping nor a small farmer scheme were set up. Furthermore, the following caveats are noted:

* The introduction of a maximum level of direct payment entitlement (DPE) at 1,000 Euros/ha will only affects 582 farmers in France, i.e., 1,466 DPE. The government had put another option on the table, at 540 Euros, which was ultimately not selected. It would have affected 1,267 farmers or 8,370 DPE. This second option would have been reasonable given that in 2019, most of the values of direct payments ranged from large extremes of 21.13 to 220,657.99 Euro/ha. Only 1.01% of the DPE in France had a value higher than 162.85 Euro/ha.

** The argument of the French government for this status quo is that France does not have, like other EU countries, many big farms that receive large amounts of money. Still, it had been estimated that capping at 100.000 Euro/beneficiary on all direct payments would have impacted the not insignificant number of 6,885 beneficiaries.

*** The French government had announced in 2015 the goal to double the 10% of P1 budget for redistributive payment already by 2018, five years before the approval of the new CAP Strategic Plan.

The French authorities had initially decided to apply this scheme at 5% of this envelope in 2015 (i.e., 25 euros per eligible hectare), 10% in 2016 (i.e., 50 euros), 15% in 2017 (i.e., 75 euros) and 20% in 2018 (i.e., 100 euros). However, since 2016, a difficult year for the cereal sector (-30% of production), the scheme has remained at 10%. This status quo can thus be considered as backsliding when looking at the initial pledges. It is also important to note that France was considered as a progressive Member State when implementing this payment in 2014. Therefore, we could have expected more in 2023 than the bare minimum budget provided by the CAP SP regulation. Finally, it should be noted that France has set up no eligibility criteria to channel CRISS payments only or more to small-medium farmers and therefore redistributive payments can return also to the first hectares of large scale farmers.

What does other evidence say?

Nearly 30 years after the 1992 reform, maintaining differentiated amounts per hectare is very difficult to justify, an observation which militates for the rapid completion of the internal convergence of the basic payment per hectare.[21] While internal convergence is still not completed the share of budget in Pillar 1 dedicated to the BISS has increased (which is the less effective kind of support in terms of fairness). It increased from 44% to 48% (same amount in € but P1 budget is lowered).

Le niveau du prélèvement pour le paiement redistributif, qui consiste en une aide majorée pour les 52 premiers hectares de chaque exploitation agricole, était de 5% en 2015, 10% en 2016. En octobre 2016, une évaluation précise sera réalisée sur la base des paiements effectifs des aides de la PAC. Elle permettra de faire le point sur la répartition de l'ensemble des aides européennes par type d'exploitation et par région, afin d'évaluer les conditions de la poursuite du paiement redistributif, pour atteindre l'objectif de 20% en 2018.

Link: https://agriculture.gouv.fr/stephane-le-foll-decide-pour-2017-le-maintien-10-du-niveau-du-prelevement-sur-les-aides-du-premier

Although its impact is often overlooked, the introduction in France of the simplified scheme for small farmers could have supported nearly 43,000 of them, for a very bearable additional cost.[22]

21 Vincent Chatellier, Cécile Détang-Dessendre, Pierre Dupraz, Hervé Guyomard. La sensibilité du revenu des exploitations agricoles françaises à une réorientation des aides dans le cadre de la future PAC post-2023, 2021 ňhal-03213474ň

22 Pauline Lecole, Raphaële Préget, Sophie S. Thoyer. Quelle aide forfaitaire pour les petites fermes françaises ?. INRAE Sciences Sociales, 2021, 6/2021, 4 p. ňhal-03841931ň

Germany

Factual comparison

Tools to increase fairness in the CAP post-2022	Germany 2014-2022	Germany 2023-2027
Internal Convergence	100% (since 2019)	100%
Max level of entitlement payment	Flat rate of 176€ from 2019 (BISS only) [23]	No entitlements *
Capping large recipients	No capping	No capping
Redistributive payments	7% (First 30 ha received 50€, ha 31-46 received 30€)	12% (First 40 ha receive 72€; hectares between 41-60 receive 42€) **
Payment for young farmers	1% (up to 90ha)	3,3 - 3,5% (Up to 120 ha) ***
Small Farmer Scheme	Not implemented	Not implemented

Table 4: Comparison across different elements for a fairer CAP Strategic Plan in Germany

- green box = forward step
- yellow box = status quo step
- red box = backward step
- * = Fairwash tricks

Our fairwashing watch

In Germany, around 70% of the direct payments are absorbed by 20% of the CAP beneficiaries. Overall, the setting of the CAP prior to the reform 2022 was largely maintained or slightly increased in the case of CRISS. Nevertheless, the following caveats are worth mentioning:

* Despite the fact that entitlements were abolished in Germany to achieve 100% internal convergence, which is a simplification in bureaucracy, each hectare receives less basic income support in general with the current CSP. As the greening payments are no longer applicable, farmers have to fill this gap with eco-schemes and therefor the impacts on small-medium farmers must be checked. In Germany, there are not enough eco-schemes for some types of farms, like grassland farms, to fill out this gap in basic income support compared to the past.

** The budget for CRISS was almost doubled compared to the previous funding period, but support for small farms has only slightly been increased, because the range defined as first hectare has moved to higher sizes. As it was before, these payments for the first hectares are still being received by all farms, no matter what farm size. Even the proposal of the previous agricultural minister, Mrs Julia Klöckner, for a ceiling at 400 ha was rejected by conservative forces.

*** The payment for young farmers is mainly implemented in the first pillar as a top-up payment per hectare. The range of the eligible hectares for this payment was even increased up to 120 ha. Only a few federal states offer a start-up aid within the 2nd pillar.

23 2022: Basic payments: 167,56 Euro; Greening: 81,78 Euro; Redistributive payments: 49,66 up to 30 ha (29,79 for 31-46 ha); Young farmers aid: 44,27 up to 90ha (source: BMEL). From 2015-2022 Basic payments and Greening were slightly declining because of shifting budget from 1st to 2nd pillar. Redistributive payments and young farmers aid stayed nearly the same.

Checking fairness in talks: critical policy discourse analysis of DG AGRI

Incomplete or self-promotional claims: “majority of CAP payments go to medium-size professional family farms”

As analysed in the first part of this analysis, the steps made by the Member States towards a fairer CAP post-2022 are rather mixed and with trade-offs. Yet, predominantly positive claims of increased fairness in the new CAP towards small-medium sized farms have mushroomed on many DG AGRI communication channels, including twitter (X), official websites, and various policy reports. Many of these claims were promoted before, during and after the CSP negotiations.

While in many instances, we recognise that Member States have made some steps forward, however, little or nothing is revealed about the deviations from the initial needs, the caveats and loopholes, or backsliding decisions taken in some Member States.

More importantly, we note that no evidence exists yet on the extent to which the 80% concentration of direct payments going the 20% of beneficiaries is altered with the aggregated decisions made by the 28 CSPs. On the contrary, some numbers are provided to hint this amount. In this factsheet published in 2022 (Page 7), the Commission claimed that *“overall at least EUR 3,8 billion annually could be redistributed, compared to EUR 1,7 billion under the current CAP”* but nothing is mentioned about the fact that CRISS could return back to large scale farmers too, or that probably this share is still far away to substantially reverse the 80%-20% baseline situation. Here below, we compiled a few examples of positive claims that in our view are incomplete or misleading.

Tweeting slogans

DG AGRI and Commissioner Janusz Wojciechowski on Twitter (X), defending the narrative of a fairer CAP, especially to small farmers, or ensuring (in talks) that small farmers are at the centre of the Commission's plans for the future of EU agriculture.

Ambiguous or empty speeches?

Commissioner Wojciechowski starting a speech after the European Parliament vote adopting the CSPs by ensuring that the new CAP would be fairer towards small and medium sized family farms and young farmers. And yet, Mr Wojciechowski is rubber-stamping the approvals of market support, state aid, and derogations over derogations without clear indications of how these benefit the small-medium scale farmers.

Source: multimedia

When officialising the approval of a national CSP, the press releases of the Commission started with statements emphasising that "under the reformed policy, funding will be more fairly distributed among farms, with an emphasis on small- and medium-sized farms".

Today, the European Commission approved the CAP Strategic Plans of Germany, Greece and Lithuania. The new Common Agricultural Policy(CAP), set to start on 1 January 2023, is designed to shape the transition to a sustainable, resilient and modern European agricultural sector. Under the reformed policy, funding will be more fairly distributed among farms, with an emphasis on small- and medium-sized farms, as well as young farmers. Moreover, farmers will be supported to take up innovation, from precision farming to agro-ecological production methods. By supporting concrete actions in these and other areas, the new CAP can be the cornerstone for food security and farming communities in the European Union.

In a document called "Separating fact from fiction" published in 2022, the European Commission tries to demystify fictional allegations on CAP support to large industrial companies.

17. The CAP still supports mainly large industrialised agricultural companies.

Payments are calculated by reference to the area farmed. Therefore, while 20% of the largest farms in the EU account for 80% of agricultural land, more than half of the beneficiaries of income support have very small farms. Across the EU, the majority of the payments go to medium-size professional family farms, rather than industrialised agricultural companies.

However, these DG AGRI’s attempts to demystifying these fictional allegations are contradicted by the policy brief “CAP Specific Objectives…explained – Ensuring viable farm income” published by the Commission itself in 2018. The level of payment per hectares is one proxy indicator of fairness, but what matter the most is the total amount of payment per beneficiary. The facts are clear: the CAP concentrates the support towards large scale farmers.

Performance indicators as red herrings: is R6 an indicator or a distractor?

The only result indicator related to the fairness of the CAP post-2022 is R.6 “*Redistribution to smaller farms*”. It measures the percentage of additional direct payments per hectare for small scale farms below the national average. Of course, Member States and the Commission can still rely on other indicators obtained from their input and output tables, as well as from other external evaluations. However, this is the only indicator so far that will be used for target setting, performance reporting to the co-legislators, bonuses, and penalties.

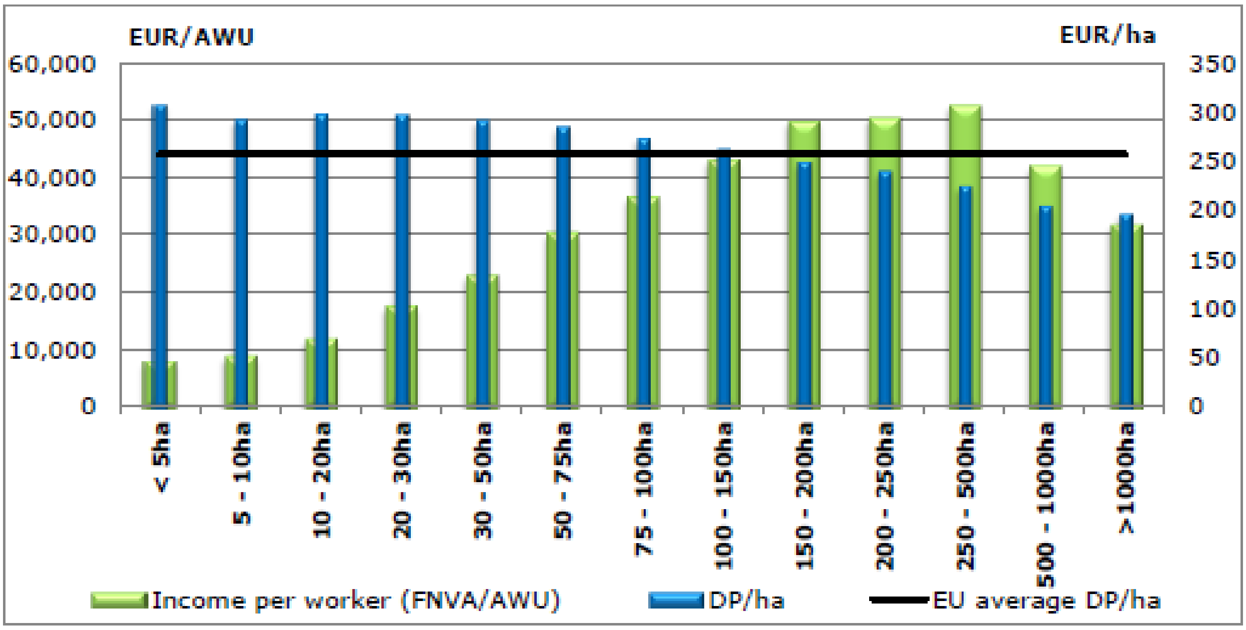
Moreover, this is *de facto* the main indicator used by DG AGRI in backing up its policy press on the matter. In theory, to draw more robust assessments on the actual magnitude of this shift of money in absolute and percentage values, the Commission could cross input indicators with IACS data, or use the findings of the ex-ante evaluations in the annexes to the CSPs, whenever these assessments have been conducted rigorously and independently.

The indicator R6 measures the **average direct payment per hectare of smaller beneficiaries compared to the rest of beneficiaries.**

However, the unfairness between small and large recipients has little to do with the **uneven level of direct payment per hectare** but has much more to do with the **concentration of direct payments between different farm sizes.** Indeed, this figure below obtained by DG AGRI’s study shows that the largest farmers **already had a lower level of direct payment per ha compared to the smaller** (see blue bars) before the design, approval and implementation of the CAP Strategic Plans.

Nonetheless, it is worth noting that the average direct payment per hectare steadily decreases as the average farm size increases (Figure 8). On the other hand, farm income per annual work unit increases up to a certain farm size level, reaching its maximum at the 250-500 ha category, but declines rapidly after this farm size level.

Figure 8: Income and direct payment by farm size (in hectares of UAA)



Note: UAA is the utilised Agricultural Area.
Source: FADN DG AGRI based on 2012 prices and structures to estimate 2019 income; and CATS data for claim year 2016 for the average direct payment per hectare by farm size.

Therefore, it is not a surprise if almost all Member States, except Finland, Sweden, and Slovenia, have already reported positive achievements of the R.6 performance indicator (see page 20 of this summary overview).

In conclusion, statements like the following one can be misleading because R.6 can say much about the **intensity or uneven levels of direct payment per hectare of farms of different sizes** (like displayed in Figure 8) but cannot say much about the **distribution of direct payments per farmer of different farm sizes** (like displayed in Figure 2).

Thereby, a significant increase of the financial allocation devoted to the CRISS compared to the 2015-2022 redistributive payment can be observed. The improvement of distribution of support to smaller farmers is also confirmed by result indicator R.6[1] which is above 100 in more than 75 % of the CSPs with a R. 6 target and 12 Member States have an increasing trend of redistribution along the period. The ranges envisaged for the CRISS, in terms of eligible hectares, vary substantially across Member States, reflecting differences in farm structure and income support needs.

Source: summary overview published by DG AGRI in June 2022

Conclusions

In our critical analysis, we found out that indeed France, Ireland, Germany have made some small steps toward more fairness, but these barely met the EU framework or contain large loopholes. The positive progress has mainly concerned the internal convergence of payments across territories in Ireland and France, though these were the new minimum requirements coming from the CAP reform, and will be implemented in the longest timeframe, whereas in the case of Germany, higher quantitative allocation of redistributive payments have not been accompanied by ambitious eligibility criteria targeted more strictly to small-medium farms and young farmers. To a lesser extent, fairness progress has addressed the issue of farm scale. More detailed observations suggest that DG AGRI communications require more in-depth accounts, otherwise they come across as biased or deceiving in their emphasis on cosmetic changes, and the lack of spotlighting of regression/backsliding. The ongoing debate on CAP cannot be blind to the fairwashing tricks in the approved regulations and strategic plans.

For instance, in Ireland, we saw that the progress made in implementing capping, CRISS, and reducing the maximum value level for entitlements is commendable when viewed broadly. However, a closer examination of the details, such as determining the recipients of redistributive payments (small-medium or all farms?) and the setting up of high capping thresholds, raises some important questions. While these measures may offer some support to small and medium-sized farms, it has been demonstrated that the majority of them would still struggle to achieve long-term sustainability as viable businesses.

Similarly, in Germany, the lack of stringent criteria for targeting recipients of redistributive payments hinders the potential for significant impact on small farm revenues. Additionally, the absence of capping measures and dedicated schemes for small farmers further exacerbates the situation. The setting of very high farm size eligible for young payments (up to 120 ha) can create further inequalities and marks a sharp difference with France, which included a lump-sum or forfeit payment to all young farmers regardless of their size (4,469 Euros/young farmer with the transparency rule for farmers aggregated in cooperatives, GAEC).

In France, although there were proposals promised for fairer options concerning the maximum level of entitlements and increased budgets for the CRISS program, unfortunately, they were not included in the final decisions. Moreover, the option of capping large beneficiaries was not even considered, resulting in the missed opportunity to redistribute millions of Euros from very large to small-medium farmers.

Instead of accounting for this nuanced and mosaic situation in each and across MS, the Commission DG AGRI provides descriptive numbers and promotional messages based on flawed financial aggregations and proxy result indicators, namely R.6. Based on our findings, we suggest the Commission and its technical support come up with deeper and longitudinal assessments of the fairness of all direct payments and other CAP interventions towards small and medium farmers. In future, we recommend the Commission to keep the R.6 indicator but to complement it with a more appropriate set of indicators able to clearly express the aggregate concentration of direct payments among different beneficiaries sizes, as well as gender or location. Our analysis was limited in resources, funding, and methods. This means that the crossing and analysis of quantitative primary data from Member States' IACS tables with other data sources (FADN) were not performed, but the most available quantitative analyses published by the Member States were considered whenever possible. Yet, our qualitative assessments of the Member States decisions offer critical insights that can feed or redirect the ongoing debate on the role of the CAP in global market speculation, nature degradation, and war-affairs, and the need for more evidential and genuine fairness component to the CAP plans' annual amendments, reviews in 2025, or reform post-2027.

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