

## EPP views on the future of the Common Agricultural Policy: For a strong, sustainable and innovative EU agriculture

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The European People's Party welcomes the start of reflections on the EU's post-2020 agricultural challenges in order to thoroughly prepare for the next reform of the Common Agricultural Policy (CAP).

As part of our commitment to farmers, it is our priority that the farming community remain at the core of our agricultural policy as we continue to strive for a strong, sustainable and innovative EU agriculture.

In addition, the EPP underlines that only a strategic and well-funded CAP would enable us to achieve these objectives.

**Joseph Daul**

EPP President

**Michel Dantin**

MEP, Co-Chairman of the EPP Ad Hoc  
 Working Group on the Future of the  
 Common Agricultural Policy

**Christian Schmidt**

Minister of Food and Agriculture of  
 the Federal Republic of Germany,  
 Co-Chairman of the EPP Ad Hoc  
 Working Group on the Future of the  
 Common Agricultural Policy

## INTRODUCTION

The European People's Party (EPP) stands with European farmers. Rural areas represent 90% of EU land and are vital for Europe's future. Family farms are the nucleus of life in the EU's rural areas and the engine of rural growth. Agriculture preserves Europe's traditional, cultural and natural heritage.

Agriculture is of strategic importance for Europe's future and security, providing more than 500 million Europeans with the highest quality food supply at affordable prices. The agricultural sector is an important employment sector in the EU, with 22 million people working regularly in farming. The farming and food sectors together provide nearly 44 million jobs. These jobs correspond to roughly 11 million agricultural holdings in the EU. The EU also exports over €130 billion worth of agricultural products each year.

Over the last fifty years, agriculture in the EU has been supported by the Common Agricultural Policy (CAP). The CAP is the cornerstone of European integration. It has delivered real and lasting benefits for European communities and made an important contribution to making Europe a strong and confident world leader in agriculture. The EPP emphasises that food security in terms of common access to food of high quality has been achieved through European farmers and within the framework of the Union's CAP. In addition, this policy has established the highest global standards for safe and quality food, for EU-wide basic standards for the environment, for sustainable rural development and for the modernisation of European agricultural practices. A fully integrated CAP remains indispensable for the success of the European project and makes up an essential part of the Europe 2020 Strategy: this includes the goals of growth and employment as well as social cohesion and takes into account its core role within a European strategy for the sustainable use of natural resources. Only a strong and common policy can respond to the multiple challenges we are facing.

The EPP, therefore, welcomes the European Commission's initiative to launch a public debate on the simplification and modernisation of the CAP and on the future Multi-Annual Financial Framework (MFF) post-2020. To make Europe's agriculture more efficient, competitive and sustainable, the EPP calls for a strategic, forward-looking and well-funded CAP.



## MAIN CHALLENGES FACED BY EU AGRICULTURE

Over time, the CAP has changed, developed and improved. Yet the main objectives of the CAP, as defined in the Treaty of Rome and confirmed by the Lisbon Treaty, are still relevant in an ever-changing world. Since the last CAP reform, however, the policy context has changed significantly. There is broad international consensus on the challenges agriculture faces in the coming decades, especially with regards to food security, climate change, bioenergy and societal expectations on issues such as animal welfare. Due to a growing global population and increasing consumption, more food will need to be produced, with limited resources, all the while preserving the environment and combatting climate change as well. But guaranteeing a fair standard of living for farmers and stabilising markets whilst allowing farmers to operate on a market-oriented agriculture remain burning issues. The future CAP needs to provide adequate answers to these challenges.

### *Farm viability*

The CAP plays an important role in overcoming stagnation and the volatility of farm incomes. It also helps farmers cope with imbalances in the food chain which may threaten the viability of their farms. Nevertheless, because in the agricultural sector price and income volatility, as well as production risk, are more intense than in various other sectors, more must be done to support farmers in coping with the challenges they face and in improving the functioning of these markets.

Farmers have been confronted with increased price volatility over the last several years, as prices fluctuated in line with world price developments, market uncertainty caused by macroeconomic developments, external policies, sanitary crises and a higher frequency of extreme weather events in the EU. While price signals are central to the successful and timely adjustment of production to changing demand, high price volatility is now a factor of concern for the viability of EU farms.

Another important issue that needs to be addressed is imbalance in the supply chain. Due to several factors, including the fragmentation of producers, a lack of vertical integration, poor price transmission and a lack of transparency, farmers are the ones who suffer most when prices go down; they benefit least when prices go up. Since their negotiating position is unbalanced, most added-value is therefore captured by processors and retailers, who benefit from much higher concentration. National food markets are usually dominated by a few retailers who control from between 43% and 92% of the market. At the same time, growing concentration in the area of production of plant protection products, fertilizers, plant varieties and seeds can be observed. Such a trend reduces upstream competition, impacting farmers' production costs. Consequently, the position of farmers in the food chain must be strengthened by improving their negotiating position and power and by tackling unfair trading practices, all while ensuring that purchasers and suppliers respect contractual freedom.

### *Economic and social challenges in rural areas*

The CAP fosters the European model of agriculture by providing a stable and reliable economic framework for the development of family farms rooted in rural areas. To keep our regions alive, more must be done to maintain sufficient production growth and support investments and innovation within the value-chain. The multifunctional character (production-wise) of the agricultural sector and its links with other sectors, such as tourism and energy production, should be further promoted. To this end, employment, generational renewal and adequate infrastructure are further key challenges we need to address in order to ensure the balance of EU territories.

Agriculture remains one of the most innovative economic sectors in the EU and fuels economic development in rural areas. But the growth of total-factor productivity has increased less over the last decade than during the period 1995-2005 (0.8% annually against 1%).

This trend reveals slower-than-appropriate technological change and limited adoption of new technologies and innovative practices — an issue which should be dealt with in future. Only improved competitiveness and constant innovation in agriculture can foster employment and combat poverty and social exclusion in rural areas, since this can lead to new areas and new tasks in both the agricultural and non-agricultural sectors.

Generational renewal in some EU countries is a key issue: on average most farmers are older than 55, and only 6% are under 35. In the light of demographic changes, such as depopulation and ageing populations in rural areas, it is vital to create prospects for farming as a modern and attractive sector to work in and to encourage opportunities in these areas for well-educated young people. Lifelong learning and training are therefore key for farmers and should be further developed. Finally, rural development policies must play an important role in tackling territorial imbalance and social resilience within Member States and across the EU by complementing policies that provide physical infrastructure, digital coverage and services.

### ***Environmental and climate challenges***

Over the centuries, farming has shaped the countryside by developing a rich variety of landscapes and habitats. Around 40% of EU land is still farmed, while forests and woodlands account for about 30% of the EU's land mass. Agriculture and forestry have therefore a strong impact on land management, the conservation of biodiversity, the preservation of natural resources and action against climate change. Farmers are thus the main — if not the only — sustainable managers of nearly 70% of EU territory.

The CAP has therefore made sustainability one of its key issues and has the challenging task to encourage natural resource management in such a way that soil degradation, water scarcity, the deterioration of water quality, the loss of biodiversity and poor air quality — caused by inappropriate agricultural practices, unsustainable agricultural intensification or land abandonment — are prevented and avoided, all the while providing better quality, and increased quantities, of food and agricultural raw materials to an ever-growing world population. When it comes to climate change, agriculture is both a source of emissions and a mitigating factor. Agriculture is also the first victim of climate change and needs to adapt. These overlapping risks and opportunities must be considered by the CAP, by decreasing the sector's emissions, addressing unsustainable agricultural practices and fostering carbon capture practices.

Farmers and national administrations, however, bear the burden of highly prescriptive provisions, which makes it difficult to prove what results have been achieved. This situation has led to increased demands from environmentalist stakeholders to reinforce the green orientation of the CAP, often disregarding the other challenges faced by the sector and often overlooking the fact that the CAP has already done a great deal for the natural environment and biodiversity. Only economically healthy farms will be capable of working in a sustainable and environmentally friendly way; without economic sustainability (i.e. higher incomes), it is illusory to believe that farmers will continue farming and remain wards of the environmental.

## THE FUTURE CAP: A STRATEGIC AND FORWARD-LOOKING POLICY

### 1. An efficient, simplified and fair CAP: a new ambition for EU agriculture

The EPP advocates that the future CAP must remain a common policy. It must, at the same time, continue to provide a balanced policy framework, based on a renewed architecture of cooperation between European and national levels. It should set out common policy objectives whilst leaving coherent room for manoeuvre to the Member States and their regions. European institutions should set the key tasks, objectives and measures. Member States should be allowed to make use of the EU-defined tool box in order to cope with the specific challenges they face: this would include developing national strategies on food security, fostering the competitiveness of their agricultural sectors and ensuring rural development, with due respect to the rules and principles of the EU single market. Per the same logic, the CAP tool box must continue to allow farmers to make the appropriate choices which best correspond to their particular business model, no matter what their specific situation and/or mode of production. The various types of agriculture in Europe are complementary and should continue to be supported by the future CAP to be able to tackle the forthcoming challenges.

The EPP defends the principle of subsidiarity, which must guide the actions of the EU, its Member States and their regions; the common nature of the agricultural policy, however, is essential to ensuring equal opportunities among EU farmers while guaranteeing a level playing field within the single market for agricultural products. Any renationalisation attempts of the CAP which would lead to imbalances for competition in the single market must be avoided.

The EPP believes that processes of globalisation require a global approach for agricultural policy in order to create the right rules for trade and cooperation — rules which provide equal opportunities and do not destabilise competition. In this context, the WTO Agreement on Agriculture must remain the framework in which the CAP evolves. The EU must, however, acknowledge that compliance with WTO rules varies among its main trading partners. Enforcement of the WTO system, therefore, is of high interest to the EU. In this context, global monitoring institutions should be used in order to fight distortions occurring in world markets, causing crisis situations. While respecting its international commitments and its global responsibilities, the EU must also fully defend flexibilities for its agricultural policy before all WTO bodies in order to respond to the challenges the EU's agricultural sector faces and to define the best means of overcoming these challenges when preparing the future CAP. The European food sector respects the highest environmental, sanitary and quality standards. In order to safeguard this sector's competitiveness, the EU shall aim, within international trade agreements, to ensure and facilitate respect for international agreements and standards while promoting high levels of protection for the environment, for workers and for consumers, consistent with the EU acquis and with Member States' legislation.

The EPP fully supports the modernisation and simplification of the CAP which has progressed significantly in recent years. Reflecting the need to meet a wide range of agricultural situations and administrative traditions, and in trying to fulfil a multitude of important goals, CAP legislation and administration has become far too complex. Modernisation and simplification have long been promised to farmers, but have rarely been followed by sound actions. To allow farmers to do what they know best — produce food in a sustainable way — more must be done to protect the interests of EU farmers and to alleviate the complexity introduced by the last CAP reform: the overlapping policy instruments, the contradictory policy objectives, the Kafkaesque controls (e.g. double checks on entitlements) and the sometimes too-prescriptive and bureaucratic nature of CAP tools have led to a loss of the CAP's underlying rationale. When the beneficiaries of a public policy are unable to explain how they receive public support, the legitimacy of such a policy is at stake.

This complexity sends a negative message to farmers and results in rural citizens becoming populist voters. Farmers must be put back at the core of agricultural policy in the post-2020 CAP; simplification should be done first of all for the farmers themselves, keeping in mind the administrators as well.

The EPP would strongly favour an improvement in the quality and consistency of inspections, allowing for a decrease in the number of controls by Member States, the Commission and the Court of Auditors. Risk-based auditing strategies factoring in all relevant data, including prior identification of the best/worst performers per policy area, should be further developed. The EPP finds it regrettable that the single audit scheme is not yet fully effective. Member States should provide an effective first level of controls, even as CAP-related inspections should be optimised and combined to minimise the burden on farmers; ultimately, chosen beneficiaries would, whenever possible, be subjected to only one round of controls annually.

Real simplification starts with positive motivation and incentives; there is therefore a need for a general new 'advisory first' approach in the IACS system. An appropriate advisory system must be established, instead of an inadequate and disproportional sanctions system. The EPP thus calls for a reasonable, proportional and effective policy on sanctions and believes that, in order to ensure smooth project implementation, payments should not be interrupted when minor and/or clerical errors are identified.

Smart farming is spreading quickly and will continue to spread in the next decade. New technologies, and a solid commitment to simplification, constitute a great opportunity for a modern and smart CAP which is simpler, less bureaucratic and more efficient. Clarity of objectives and rules fit-for-purpose are required. The EPP encourages the further development of e-government initiatives aimed at reducing the error rate by preventing mistakes in the application phase as a mid- to long-term objective. Member States should implement digitisation programmes as regards the relationship between government and agricultural holdings, with a view to obtaining a 'single farm file' involving the integrated and synchronous management of crop and breeding data.

The EPP believes that the focus should be on both simplification and efficiency of the CAP structure and instruments. The pillar structure remains an important feature of the CAP. Both pillars have different functions but are equally important: the first pillar follows a top-down approach and serves the financing of market instruments, of the delivery of common, basic and obligatory public goods and of the first layer of farmers' income tool kit. It reflects the commonality of the policy and should remain fully financed by EU, the ultimate aim being a harmonised CAP. The second pillar, based on a bottom-up approach and co-financed, serves the financing of voluntary efforts based on public-private partnership and allows for the flexibility needed to cope with the diversity of agricultural sectors and regions throughout Europe.

The future CAP must embody the ambition that the EU wants for its agricultural sector. To continue to achieve the agricultural policy goals stipulated in the EU treaties, the future CAP must be fit-for-purpose and must address the challenges of resilience in the agricultural sectors in order to allow them to continue to deliver a high level of food security, against a background of increasing production costs and climate risks. The future CAP must also contribute to growth and employment in rural regions by maintaining and enhancing competitiveness, all the while contributing to environmental conservation, climate change mitigation and biodiversity protection. Finally, the future CAP must ensure the territorial balance of rural areas and generational renewal in the agricultural sector. These three priorities, all of which must be achieved, have a common aim: a vibrant farming community all across the EU.

## **2. Strengthening the resilience of agricultural sectors: putting farmers at the core of the CAP**

A market-oriented CAP needs to address pressures on farm income and imbalances in the food supply chain. Agricultural policy should recognise that now, more than ever, agriculture faces growing climate and market disturbances. Farming is an economic activity; hence, farmers should be fully considered as entrepreneurs. For the benefit of the entire EU food chain, the EPP calls on the future CAP to better combine tools to enhance the resilience of the range of EU agricultural models at the farm level (direct payments), at the sector level (economic organisation in relation to competition law) and at both national and European levels (risk and market management tools), the primary aim being to render market mechanisms more effective and to increase farmers' ability to participate successfully in markets.

### ***Fair direct payments as an essential element of farm income***

Designed in the context of the framework transitioning from production-linked payments to decoupled income supports for farmers, the CAP's direct payments have, across the EU, become a basic element of farm income stabilisation and are now indispensable to European agriculture, as they ensure the viability of farms and rural areas. CAP's direct payments represent anywhere from a tangible portion of annual farming incomes to as much as 100% of farm incomes in certain vulnerable agricultural sectors. Moreover, a part of direct payments is capitalised into the local economy. Abolishing them — or instituting any major changes to the system — should be avoided at all costs. CAP's direct payments should therefore continue in future to provide the first substantial layer of stability and a safety net to farm incomes; they should buffer the effects of price volatility on incomes. They are essential to family farms' and agricultural SMEs' ability to cope with future challenges of market volatility and globalisation.

Though their *raison d'être* is sometimes questioned, the legitimacy of direct payments should be reaffirmed: direct payments must be more targeted to farmers, as those who contribute to the stability and the future of our rural regions and who face economic market risks. These payments are imperative vis-à-vis the range of goods and services provided by farmers to society, including remuneration for public goods provided by farmers and the assurance of food security, high animal welfare standards, high food quality, safety and traceability — all while maintaining farming activity in each EU region, preserving the cultural landscape and delivering on environmental and climate objectives. Hence, these payments bring an actual European added value to the community and should therefore continue to be fully financed by the EU budget. The EPP thus does not support any form of co-financing in the CAP's first pillar.

### ***Complementary and tailor-made risk management tools***

Direct payments, while being a major instrument for farm income stabilisation and at the same time a safety net, are nevertheless inadequate to help farmers deal with particular climate, health and market risks. Farmers should therefore be given, in each Member State, the choice to voluntarily opt for the best private risk-management and stabilisation tools, according to their own specific situation and needs. In line with this, these measures should be voluntary at Member State level.

There is simply no one-size-fits-all approach at EU level to cope with price volatility due to climate, health or market risks. The choice of complementary options, in addition to CAP direct payments, must continue to be facilitated at EU level through an improved Risk Management Toolbox based on existing means available under Pillar Two. An improved Risk Management Toolbox should help to buffer the risks and economic losses arising from adverse events faced by farmers. Account should be taken of price and income stabilisation tools currently available in some Member States (e.g. for producer organisations in line with the existing CMO rules or as income stabilisation tools under the second pillar), especially as these measures can be tailored to the specific needs of farmers in specific Member States.



The future CAP should therefore provide easy access to private insurance (e.g. climate insurance) and risk management tools (e.g. mutual funds and income stabilisation tools) for farmers which address effectively and efficiently the levels of risk faced by farmers in this respect. The choice to mobilise such tools should remain voluntary at Member State and farmer level. As economic entrepreneurs, farmers should remain responsible for taking decisions on the participation and use of risk coverage tools.

### ***A new deal for the food chain***

There is fragmentation in the agricultural sector, and producers often have limited and very partial access to relevant information regarding market trends and the value of products. Processors and retailers in the EU food chain do not always sufficiently assume responsibility for producers' interests. A lack of dialogue and trust among actors in the EU food chain is undermining the capacity of the sector to cope with the challenges posed by globalisation and increasing societal demands. Investing in more sustainable food production whilst coping with supply and demand fluctuations in global markets must be a joint effort. Yet up till now the structure in value chains means that price risk is borne by farmers to a considerable degree.

The EPP wants to strengthen the negotiation power of European farmers. The future CAP must therefore encourage a better economic organisation of the agricultural sector, by both vertical and horizontal cooperation; it must increase market transparency, clarify further the application of competition law to agricultural markets and provide to farmers and Member States, where necessary, a legislative framework for combatting Unfair Trading Practices (UTPs). This should complement any existing national frameworks in Member States.

In general, farmers should get a fair price for their products. The responsibility of operators within the food supply chain and these operators' awareness of market signals must therefore be improved. Based on the current policy framework, the right to a written contract should be created at the request of farmers and their organisations. To facilitate a better transmission of market signals and to reinforce the functioning of the chain, farmers/producer organisations should be able to negotiate agreements on value-sharing clauses, including market bonuses and losses. Finally, following the model of existing bodies in the milk, meat and crops sectors, market observatories should be further developed to ensure equal access to market data for all actors, to include regular access to the European price references of products. Based on Article 42 of the Treaty on the Functioning of the EU, which allows for exemptions from competition rules, the bargaining power of farmers vis-à-vis processors and retailers should be strengthened via their organisations in order to achieve a fairer distribution of added value along the supply chain. To that aim, contractual relations should be encouraged based on clearer rules, allowing for collective negotiations in all agricultural sectors with processors and purchasers, either for some or all of their members' production. Furthermore, current exemptions on competition rules must be clarified and broadened, to provide a stable environment for farmers and to guarantee legal certainty when setting up horizontal and vertical agreements. Besides this, the EU should pay more attention to the prevention of non-compliance with payment deadlines, per European legislation. Despite the need for a strong partnership dialogue between various actors of the food supply chain, the EPP advocates that, taking into account existing national legislation and private initiatives, the CAP should provide complementary legislative options for effectively combatting UTPs within the food chain, by prohibiting at EU level a defined set of practices with clear and dissuasive sanctions mechanisms.

### ***Reactive and efficient crisis management tools***

In parallel, the EPP considers it essential that the future CAP enhances its ability to react more quickly and more efficiently to market crises, when direct payments or risk management tools are insufficient to help the sector cope with market disturbances and where the added value of EU action is clear. The 2015-2016 crisis in several sectors has shown that, despite the role and function of market measures as a safety net, there is a lack of appropriate tools for dealing with the deepening market crises affecting sensitive agricultural products.

The EPP advocates, therefore, that the future CAP should provide better tools to support farmers in case of market crises, drawing on the lessons learnt in the framework of the last market crises, e.g. the last dairy crisis in summer 2016.

Moreover, the weakness of the current € 440 million EU crisis management reserve should be acknowledged. This tool does not contribute to the financing of emergency measures, which are needed to restore market balance, due to its connection with the provision of direct payments and to the reluctance of Member States to cut payments to support the reserve. When the 2015-2016 crisis hit the dairy, pig, fruit and vegetables sectors, the crisis reserve was not used. Given this, setting up a workable and efficient EU fund for agricultural crisis, as an independent financial instrument, should be a key aspect of the future CAP in terms of crisis management. Such a crisis fund should be placed outside of the budgetary principle of annuality, allowing budgetary transfer from one year to the other.

### **3. Increasing competitiveness and enhancing sustainability of agricultural sectors: focus on investment strategies and on delivering EU green objectives**

The CAP is primarily an economic policy, aimed at ensuring the development of an efficient and sustainable agricultural sector across the whole territory of the European Union. Given agriculture's interdependence, however, vis-à-vis the wider economy, the environment, climate change and biodiversity, the CAP has a responsibility to do its share in ensuring the environmental sustainability of the EU. The EPP considers the key challenge of the future CAP to be reconciling the objectives needed to improve the competitiveness of the agricultural sector and to ensure its sustainability. Both objectives are intertwined: farmers do not contest these objectives, and they have a clear interest in a healthy and thriving environment. But without the economic sustainability of the farm sector, there will be no environmental sustainability of the sector, either.

The EPP calls for the future CAP to provide the appropriate investment support to enhance the competitiveness of the agricultural sector, i.e. to maintain and create jobs and growth in rural areas while encouraging the creation of value. The training of EU farmers, building up efficient farm advisory systems and support for research and innovation and access to finance are all pivotal to meeting these objectives. The EPP believes the EU should focus on the development of appropriate and targeted economic strategies in the agricultural sector by mobilising available tools, notably for fragile, mountainous and Less Favoured Areas (LFA).

At the same time, the future CAP should continue to integrate the EU's climate, environment and biodiversity objectives and help to meet the EU's international commitments, such as the Sustainable Development Goals and the Paris Agreement on climate change. Sustainable intensification of food production should be further encouraged, while the objectives of the CAP's greening tools should be clarified and its rules simplified. The future CAP must also take advantage of the rapid development of new technologies and of the EU-developed Copernicus programme.

#### ***Support for investment strategies, access to finance and research and innovation***

Investment, modernisation and innovation at farm level are key for the future of the agricultural sector. The future CAP must continue to provide essential direct investment support for all types of farms. The EPP considers that such direct investment support should, however, be better targeted to the dual demands of economic and environmental performance and should also take into account the needs of the farms themselves. Financial instruments, the Horizon 2020 programme and the European Fund for Strategic Investments (EFSI) should be accessible to all farms and used in parallel to support the agricultural sector and to provide access to finance for bigger investments and projects. The EPP believes that such funds and instruments need to be equally promoted across Member States, to ensure that farmers are aware of existing opportunities.

European institutions and the European Investment Bank (EIB) should better cooperate to provide the appropriate financial tools and intermediaries to increase the use of such instruments by the farming sector. Moreover, research funding, such as the Horizon 2020 programme, should be better targeted to improve the competitiveness of EU agriculture.

The European Union is diverse and consists of both highly competitive areas as well as regions with structural competitive deficits. A myriad of tools already exists to address this discrepancy: investment support, voluntary coupled support and LFA payments. These supports are needed as solidarity tools to maintain production in fragile, mountainous and intermediate rural areas and to lessen the prospect of an inexorable decline in the overall number of farms and production, which would negatively impact the processing industry, the tourism sector and other related jobs. It is therefore necessary to continue to improve financial compensation for production constraints as part of a more results-oriented approach to rural development policy; in addition, new strategies must be developed to face the recent challenge of large predators. It would be appropriate to look as well at difficulties encountered by farmers operating in highly urbanised areas. These measures, however, should not lead to resources' being allocated without targeting real economic strategies based on quality and market segmentation. Positive experiences in the fruit and vegetables sector and in the wine sector, financed by the Single Common Market Organisation, or territorial successes funded by the Rural Development Programmes show that economic strategies can improve the performance of producers organisations, or of a particular sector, and sustain growth and jobs in rural areas. The EPP believes the framework for the future CAP should continue to allow the mobilisation of CAP tools necessary to fostering territorial and sectorial economic strategies. For example, considering the decline of animal production farms in certain regions over the last few years, CAP tools should be better mobilised to ensure the economic sustainability of this sector.

Agriculture has always been future-oriented in its development: farmers innovate every day at farm level. The EPP supports the principle of continuous scientific progress in agriculture and of science-based policy rules and considers that the future CAP should provide a leverage effect in order to foster research, innovation and knowledge transfer in Member States. Innovations of a different nature (agronomics, breeding, zootechnics, biological, technological, digital, organisational, product-related, etc.) are within reach and can serve the multi-functionality of EU agricultural and food systems. Potential innovations in products, processes and services should be better identified and supported, following the positive developments initiated by the current CAP and taking advantage of initial feedback. The possible exclusion of certain existing plant protection products from the market, without proposing new and better ones more environmentally friendly, is detrimental to farmers; the EPP, therefore, underlines the need to increase investment in research and in the production of new plant protection products which would be accessible to farmers and less harmful to the environment.

The non-food uses of agricultural production should also be considered to a greater extent by the future CAP in order to respond to market demands, to allow diversification of market opportunities and market risks and to increase the resilience of Europe's agricultural sector. Agriculture is particularly predisposed to achieving energy self-sufficiency. Given the need for greater synergy and consistency among European policies, the EPP recalls that strengthening the EU's food and energy security should be done through the sustainable use of own resources. The EPP advocates, therefore, for increased investments and for measures to encourage the development of bio-economy, bio-energy and renewal energy production, with various positive effects on GHG-emissions-mitigation and the replacement of fossil energies as well as on fostering European protein production.

### ***A new approach to CAP green tools***

The various CAP measures with regards to environmental, climate and biodiversity objectives (cross-compliance/green payments/AEC payments) are complementary while also achieving different goals. While AEC payments are more targeted to meeting specific regional and local challenges than green payments, the latter provides coverage of EU territories which cannot be achieved via the former.

Yet the complexity of the current CAP green tools and the prescriptive nature of green payments diminish farmers' capacity for innovation; implementation of the current plan entails an unbearable administrative burden, creating discontent on all sides.

The EPP is nonetheless against abolishing these green payments, as no real alternative policy tools are currently available; the EPP considers that a new approach to the first pillar's green payments is needed. The green payment system should be simplified and improved to deliver more in a more efficient way and to encourage farmers to engage in more sustainable farming. To restore the rationale of the greening policy, the EPP considers that, rather than prescribing the means of its implementation, green tools should be more performance-based and should be clear in specifying the results expected at EU level, while also taking into account locally based specificities and challenges. The EPP remains convinced that farmers, as the main actors of this policy, should be at the centre of its implementation and should be allowed to select the most effective ways and means of achieving these goals. A results-based approach at Member State and regional level, and innovative solutions provided by certification schemes, should be further investigated in the framework of the future CAP, without adding to bureaucracy and on-site controls. In that context, the EPP is convinced that equivalence provided by certification schemes, based objectively on innovative technologies such as precision and smart technologies, should be considered.

### ***Opportunities and support for new technologies***

To bridge the gap between economic performance and environmental objectives, the EPP supports the future CAP's taking better advantage of the rapid development of Agriculture 4.0 technologies and of the EU-developed Copernicus programme. High-tech farm practices and the availability of free data can help in the application for CAP payments and can provide clear, positive results in better farm management; together with the circular bio-economy model, they can optimise the use of inputs, thus reducing the agricultural sector's environmental impact — increasing competitiveness and, at the end of the day, producing more with less. The use of drones, robots, smart phones and cameras for agricultural purposes can increase yields and improve farmers' quality of product as well as overall wellbeing. New farming practices that answer to the sustainability objectives of greening measures could automatically be seen to meet the demands of the CAP, resulting in a reduction in administrative costs for both farmers and public administrations and greater efficiency vis-à-vis the environment.

As the knowledge and adoption of these high-tech practices by farmers remains low and differs widely among EU Member States, the EPP believes that the future CAP should encourage farmers to adapt to precision-farming methods and digitalised agriculture. Smart farming should become the new norm. The future CAP must strongly encourage on-site innovation and provide specific financial support schemes to those farmers willing to make the transition towards smart agriculture and to invest in new technologies.

## **4. Ensuring territorial balance of the EU and generational renewal: building tailor-made strategies**

Territorial balance and generational renewal are essential for Europe's economic and social development. More fragile and intermediate regions cannot be left to the fate of decline and abandonment: EU agriculture has no future if young people are not supported to become farmers or cannot access land. The EPP urges that the future CAP allow Member States, regions and farmers to build tailor-made strategies in order to address these challenges, taking into account their specific situations while also respecting the general EU framework.

### ***Support for rural development as a whole***

The CAP's rural development policies have contributed to revitalising regions less endowed with resources or farther from major economic centres, where consumption is concentrated. Traditionally, agriculture and forestry have a formative influence on rural areas, since their associated value chains are engines of rural growth, providing jobs and livelihoods to tens of millions of Europeans — in particular, in rural areas, and often with jobs that cannot be relocated. But the future CAP must consider more non-agricultural and forestry activities, which are also present in rural areas, to address the primary challenges facing these territories: the creation and maintaining of value, the supply and accessibility of equipment and services to the local population. At the same time, when these activities are not carried out by farmers or on farms, they should continue to be financed from other structural funds outside of the second pillar.

The EPP is therefore in favour of strengthening the integration of local initiatives and rural capacity-building in mainstream EU policy-making, in particular through bottom-up approaches to local development, such as through LEADER and Community-led Local Development. But the future CAP alone cannot ensure the EU's territorial development. The EPP underlines the importance of the use of cohesion policy funds for rural development. Cohesion policy cannot be reduced to infrastructure and urban development since the reasons for leaving rural areas and agriculture are to be seen in low profitability, in the hard and continuous farm work which does not provide an adequate standard of living for families and in the lesser degree of infrastructure development and public services. Structural funds targeting large-scale projects and structures, therefore, must also be available to rural regions. The EPP reaffirms, however, that the specificities of rural development must continue to be tackled within the future CAP, via a tailor-made approach.

For this reason, the EPP supports the Cork 2.0 declaration and therefore advocates that the future CAP must maintain a strong rural development policy to ensure that rural areas and communities remain attractive places to live and work: by improving access to services and opportunities for rural citizens and by fostering entrepreneurship in traditional rural domains, as well as in new sectors of the economy.

### ***Foster generational renewal and land transmission***

Generational renewal should be one of the key priorities of the future CAP. Generational renewal is not only an entry but an exit issue for the current generation of farmers. The future CAP should therefore set an EU-wide strategy based on current support measures for installation; this should include new tools fostering farm transmission, respecting the principle of subsidiarity and the competences of Member States.

The EPP is committed to further support for young farmers, to facilitating generational renewal and to land transmission between old and young farmers. The young farmer scheme in the first pillar, and start-up aid in the second pillar, should therefore be continued in order to support young farmers in Member States. These measures could be extended to encompass investment support. Moreover, initiatives aimed at promoting succession planning, facilitating and encouraging collaborative arrangements — such as partnerships, shared farming, contract rearing and leasing between old and young farmers — should be accommodated by the future CAP. Besides this, more attention and alternative possibilities should be given to the rural development programmes' thematic sub-programmes targeting women in rural areas and their specific needs.



## FINANCIAL PERSPECTIVES AND REFORM PLANNING

### *Ambitious CAP requires appropriate funding*

Agriculture is a key strategic area for the sovereignty of Europe. This is reflected in the fact that the Common Agricultural Policy is the most integrated policy of the European Union, and the EU's sole programme entirely EU-driven and financed.

Since the creation of the CAP in 1962, EU Member States have pooled and shared resources to design a common policy and a single market for agricultural products. Agricultural spending accounts for an important percentage of the total EU budget. Nevertheless, while the spending on agriculture currently amounts to 38% of the budget, this figure has declined considerably in relative terms over the last three decades — from 75%, in line with the CAP's successive market-oriented reforms. Moreover, if all policies in the EU, nationally or at Union level, were entirely financed from the EU budget, the CAP share would amount to only 1%. The CAP represents less than 0.4% of the EU and Member States' total public expenditure, a minor expenditure compared to the average 49% of GDP of national budgets. This is a relatively low level of spending for a public policy which delivers on a wide range of policy objectives, including social, environment, climate change, animal welfare, health and safety and food security.

The EPP considers it vital that the CAP budget be kept at sufficient levels to ensure that the agricultural sector is economically sustainable, meets the growing demand for food and non-food purposes and promotes growth and employment in rural EU areas. The gross size of the EU budget is likely to decrease in the next few years when the United Kingdom leaves the EU. Moreover, the new priority areas for the EU, such as security and defence, will require additional resources. The EPP stresses that new challenges require fresh money and cannot be financed from the existing budget by taking funds from the CAP.

Moreover, speculation as to the possibility of introducing co-financing for first pillar direct payments — a speculation fuelled by the launch of the European Commission's discussion paper on options for financing the EU budget post-2021 — should be avoided, as this would amount to the re-nationalisation of the CAP and could potentially distort the EU single market.

### *Cautious reform planning*

The EU's agricultural sector has gone through many CAP reforms over the past twenty years. There is reform fatigue in the sector, and European farmers need a period of policy stability and certainty, as the existing CAP reform has only been implemented recently in some Member States.

The EPP believes that the European Union must first confront negotiations on the withdrawal of the United Kingdom from the EU, setting a clear and stable post-Brexit financial framework, before triggering discussions on future CAP reform. Rather than being subject to hasty reform, the current CAP should thus continue to 2024. This would allow separating CAP reform from the financial discussions and allow for a necessary period of analysis regarding the impact of Brexit on the EU's farm and food sectors and on the implementation of the current policy framework, to allow a clear evaluation in due course as to what reforms might be fit-to-purpose.

Last but not least, the EPP believes in the need to cultivate deeper understanding among the general public regarding the role of agriculture and of farmers, and regarding the CAP's corresponding goals; ; in addition, any public scepticism about the policy should be addressed without delay through a strong communications strategy. We need to make clear during the forthcoming budgetary and policy negotiations, and in the public debate, why farmers receive a significant portion of the European budget and what the consumer gets for this financial support paid to farmers. Finally, the EPP warns that a lack of ambition in setting the next EU budget — and consequently the course of the future CAP — would have major consequences for our family farms and for the future of rural areas.

Rue du Commerce 10  
1000 Brussels  
**T** +32-2-2854140  
**E** [connect@epp.eu](mailto:connect@epp.eu)

**If you have any question  
you would like to ask  
please contact us.**