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Towards a new (and better?) CAP with less money

The long anticipated Commission budget proposal for the 2021-2027 period (commonly known as the multiannual financial framework or MFF) is finally out. Its publication was a prerequisite for the presentation of the legal proposals for the reformed common agricultural policy due later this month or in early June at the latest. This is logical, since it would be hard to shape a policy currently swallowing some 40% of the total EU budget without any figures on the table.

Unsurprisingly, the proposed budget includes a cut to the CAP, a policy area on which currently some €59 billion is spent every year. The reduction is said to be about 4,5% or 5% in nominal terms, but it has been argued it would amount as much as 15% over the seven years when adjusted to inflation. The Commission has dismissed these accusations as “fake news” on the grounds that CAP figures have always been presented in nominal terms. This slashing was to be expected, on the one hand because of the departure of one large net contributor (read: the UK) and on the other hand due to the planned increased spending on research & innovation, border controls and defence. Part of the €13 billion annual hole caused by Brexit would be filled through an increase in contributions which would be raised to 1,114% of the EU’s gross national income, amounting to a total of €1.279 trillion for the 7-year period.

Also unsurprisingly, the reactions from the farming community and from certain Member States (read: especially France) have not been too enthusiastic. Not all farms would lose out however since the Commission is suggesting to cap the support level per farm at 60 000 € with the aim to protect smaller holdings. There would also be further improved convergence between East and West, meaning producers in the Baltics or Poland would get more whereas in particular France and Denmark (both big beneficiaries historically) would receive less.

Even outside the CAP, the budget negotiations will be complex, with the Parliament wishing to secure maximum funding and the usual clash between net payers and recipients. The discussion could be complicated further if there is a conditionality mechanism allowing the EU to cut funding if a given Member State does not abide by fundamental EU principles, such as the rule of law. Thinking about Hungary and Poland - both large recipients of EU money with unfortunate autocratic tendencies. Another controversial proposal is the creation of new sources of proper EU income with a new tax on non-recyclable plastics and appropriation of the payments made through the EU emission trading scheme.

But what about the content of the actual CAP? The proposals will not be formally adopted by the Commission until end of May/early June but leaked texts have been circulating since last week. The idea behind the “delivery model” put forward by the Commission is to limit the role of the EU to laying down policy objectives and basic requirements , leaving room for the Member States to adapt the policy to the local realities. The current “2 pillar structure” (direct payments and rural development) would be abolished. As for market measures, they are likely to remain unchanged, with only minor adjustments to the current “common market organisation” (CMO) put forward. This would mean that public intervention for SMP and butter remains in place, while other tools such as private storage could be used in exceptional circumstances. The protected dairy terms and marketing standards should also be maintained in their current form.

Let us not forget these are only proposals from the Commission. Both the budget and CAP texts will be debated for the next two years or so within and between the co-legislators, i.e. the Council and the European Parliament, with the Commission acting as a mediator once the ‘trilogue’ talks to find a compromise kick-in. The process will be interrupted in 2019 due to European Parliament elections and subsequently the nomination of a new Commission, but the direction has been set and it is clear the CAP will not remain unchanged.

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