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Shaping the common agricultural policy for the future

Why a closer link between social and environmental objectives in the CAP and national strategic plans is essential

by Henrik Maaß and Phillip Brändle

The reformed Common Agricultural Policy (CAP) came into force at the beginning of 2023. Only 60 per cent of the funds for the newly introduced eco-schemes were utilised in this first practical test. In order to avoid having to transfer money back to Brussels, the premiums were increased and the first adjustments were made to the structure of the eco-schemes. As the organic payments that were not made in subsequent years due to the non-utilisation of funds also had to be compensated for, the Federal Ministry of Agriculture proposed two new organic schemes, among other things, with a view to the national CAP strategic plan. The following article outlines the subsequent discussion and assesses the proposals. It also takes a look at the strategic plans of other EU member states on the points of capping and degression, redistribution to small and medium-sized farms, special regulations for micro-enterprises and women, as well as a staggering of the eco-premiums. The result is that the closer interplay of ecological and social objectives must also be at the heart of a future-proof reform of the CAP after 2027. This is also reflected in the proposals of the associations' platform on the CAP post-2027 document [here](#).

After a long struggle and two years of transition, the European Union's reformed Common Agricultural Policy (CAP) came into force in 2023. Its first practical test therefore inevitably took place in spring 2023. Until 15 May 2023, farms in Germany were able to submit an application for the first time within the new funding period. The extent to which the newly introduced and voluntary measures of the so-called eco-schemes within the first pillar will be utilised was particularly eagerly awaited. The results of this first practical test of the eco-schemes were rather modest in Germany. Only around 60 per cent of the calculated eco-schemes were actually applied for in 2023. This corresponds to several 100 million euros.

Restraint with the eco-regulations

There is a wide range of feedback from practitioners as to the reasons for this reluctance. There is broad agreement that the premium amounts are too low and that their implementation is not economically viable for many farms. Due to

the short period of time between In addition, there was often a lack of necessary information on the specific structure and practical implementation of the eco-regulations after the reform and the first application. There was also often a lack of functionality in the online application programmes. Farmers also emphasised that there has been no sign of any reduction in bureaucracy so far and that the switch to the new system has actually made things even more complicated. When designing measures for the organic regulations, deadlines and percentage figures in particular make farm management inflexible and lead to concerns about unforeseeable and blameless infringements with potentially far-reaching sanction risks. Increasing digitalisation, which is often an attempt to respond to the demand for a reduction in bureaucracy, also causes problems for those who cannot or do not want to use a smartphone, for example. For many, the desire for better prices is also still at the forefront. This is paired with the hope of being less reliant on EU funding, partly because the risk of

sanctions in the event of non-compliance by signing the now electronic application forms "felt like I had one foot in prison", as a young farm manager from Brandenburg describes it. This feeling is further intensified by the overall increase in complexity and satellite monitoring. Due to the massive signing this year, the premium amounts for both the measures of the organic schemes and the other CAP instruments will be higher in 2023 than originally assumed. Specifically, the premiums for all organic schemes will increase by a one-off 30 per cent in 2023 and those for basic income support (basic premium), the redistributive payment for small and medium-sized farms and young farmer support will each increase by ten per cent. In short, all farms will receive more than planned and the eco-schemes will be better paid in 2023 than originally assumed. This is the only way to avoid the German government having to transfer CAP funds back to Brussels. Another concrete consequence is that Germany has already had to make initial adjustments to the structure of the eco-scheme this year. The aim of these adjustments is to increase the attractiveness of the measures for farmers so that the calculated sums and areas of the individual organic schemes are actually applied for in 2024. The adjustments essentially include premium increases for the organic scheme for diverse crop rotation with at least ten per cent legumes, the renunciation of plant protection products, the creation of flower strips and the retention of agroforestry areas. In the design of individual eco-schemes, simplifications were made.

Germany struggles to make improvements

Another concrete consequence of the unspent eco-scheme funds in 2023 and the underlying ecological services not provided is that these must be compensated for in subsequent years. As early as autumn 2023, an intensive debate therefore broke out in Germany about adapting the CAP strategy plan and the law and ordinance on CAP direct payments. The starting point was a proposal by the Federal Ministry of Agriculture (BMEL) to increase the budget for organic schemes from the current 23 per cent of the first pillar of the CAP to 28 per cent in future. This increase is to be combined with the introduction of two additional eco-schemes for permanent grassland:

- Promotion of permanent grassland that is mowed a maximum of twice and on which cultivation is possible without restriction,
- Permanent grassland on which liquid fertiliser is applied using trailing shoe and slitting tech.

The BMEL also proposed increasing the proportion of direct payments that are reallocated to the second pillar. During the debate, the European Commission quickly made it clear that the compensation of unspent funds and benefits should in turn take place through the eco-schemes, as compensation could be implemented much more quickly in this way.

Agricultural associations such as the Arbeitsgemeinschaft bäuerliche Landwirtschaft (AbL), organic farming associations and environmental, nature, climate and animal protection organisations reacted positively in principle to the planned adjustments. Dairy farmer and regional chairman of AbL Niedersachsen, Ottmar Ilchmann, describes the proposal for an additional organic regulation for permanent grassland that is cut no more than twice as particularly welcome: "It has been clear for years that the organic regulation lacks an offer for traditional grassland farms with grazing dairy cows and their offspring. The federal and state governments have recognised this several times at their conferences of agriculture ministers. Nevertheless, the introduction of a grazing premium within the organic scheme has so far failed mainly due to resistance from the federal states, as they fear problems with similar offers within the second pillar. An eco-scheme for permanent grassland that is cut a maximum of twice is a smart way to strengthen dairy farms with pasture farming without directly promoting pasture farming". The proposal for the further eco-regulation for the application of liquid farm manure was rejected by the associations with regard to its design. Instead of promoting a specific application technique, they suggested promoting farms with particularly low nitrogen and phosphate balances. The planned increase in the budget for organic regulations was welcomed by the AbL as the implementation of a central and concrete recommendation of the Future Commission for Agriculture (ZKL). Elisabeth Fresen, Federal Chairwoman of the AbL and member of the ZKL, points out that: "all associations involved in the ZKL have agreed that the budget of the organic regulations should gradually increase in order to completely link the direct payments step by step to concrete public welfare benefits, which must be income-generating for the farms. The BMEL's proposal is therefore also in line with the ZKL is logical."

The President of the German Farmers' Association (DBV), Joachim Rukwied, on the other hand, reacted rather unfavourably to the BMEL's plans. Although the proposed organic regulations for farms with a lot of permanent grassland were a step in the right direction, the increase in the budget for organic regulations was "simply unacceptable". The main reason he gave for this was that food security had become significantly more important with the start of the war against Ukraine and agricultural policy had to take note of this.

The federal states always have an important role to play in adapting CAP legislation. In order to coordinate their position, Werner Schwarz, Minister of Agriculture of Schleswig-Holstein and acting Chairman of the Conference of Federal and State Ministers of Agriculture (AMK), invited to a special AMK meeting on 21 November 2023 to adapt the CAP legislation. With regard to the proposal for an additional organic regulation for permanent grassland areas that are cut a maximum of twice, Schwarz already made it clear in the run-up to the conference that this was "to be welcomed from a Schleswig-Holstein perspective". However, no agreement was reached at the special meeting. The AbL calls this an "indictment", also because the ministers have been emphasising the need to strengthen farms with a lot of permanent grassland and pasture farming in the organic regulations for years.

European comparison of CAP strategic plans

In the discussion about the possible further development of the CAP Strategic Plan each year, it is also helpful to look at the bigger picture. The German Nature and Biodiversity Conservation Union (NABU) and AbL have scrutinised the differences in the design of the new CAP within Europe. While the NABU study focused on a comparison of the content of the organic regulations, the AbL analysed the instruments for a fairer distribution of EU funds. The results were presented at a joint, well-attended event and can be viewed online.¹

It became clear right at the start of the event, that both areas - ecological and social - are crucial for the sustainable transformation of the agricultural and food system and that the urgently needed ecological change must be linked to economic prospects for farmers in a fair way. The results of the analyses also showed impressively that the ecological and social challenges in the individual strategic plans are very different.

be addressed. This is possible because the member states have a great deal of room for manoeuvre when designing the new CAP. However, this has so far been used far too rarely for an ambitious design. However, there are also some forms of organisation worthy of imitation that could and should also serve as inspiration for Germany. Results in the area of social justice are presented in more detail below:

Capping and degression

At 72 per cent, direct payments (DC) account for the largest share of the EU CAP budget, half of which flows into the area-based basic income support (EBS), the so-called "basic premium". The new EU framework offers member states the option of voluntarily reducing the receipt of the basic premium per farm by up to 85 per cent from €60,000 and capping it at €100,000. Ten EU countries apply these instruments, with Austria, Bulgaria, Lithuania and Latvia only implementing capping and Portugal and Slovenia only applying degression. Spain, Ireland, Slovakia and the two Belgian regions of Flanders and Wallonia, which each have their own strategic plan, provide for a combination of both instruments. In seven countries, the full labour costs can be taken into account, which means that the cap can be significantly increased individually. Only Spain limits the offsetting of labour costs to a maximum of double. The degressive reduction in the basic premium is designed in different ways, from just one stage, which makes maximum use of the EU's room for manoeuvre, to four stages, which are intended to make the transition to capping smoother. The estimated savings from capping and degression for the funding period from 2023 to 2027, which had to be specified in the uniformly structured strategic plans, vary greatly. Austria is the only country to assume that there will be no savings. In contrast, the estimate in Bulgaria is 60 million euros in savings. Like most other countries, Bulgaria is using the money for the redistribution premium to strengthen small and medium-sized enterprises. Lithuania, on the other hand, is using the money saved to support young farmers and Slovakia is shifting it to the second pillar, where it is available for environmental and climate protection.

Redistribution to small and medium-sized farms EU member states are obliged to implement the redistributive income support (RIS), also known as the "redistributive payment". This is granted as a premium on the first hectares

and is intended to serve as the main instrument for a fairer distribution of CAP funds. With 11.6 per cent of DC funds, Germany's EES budget is in the middle of the EU average and only just above the EU minimum requirement of ten per cent. Only four countries exceed this substantially: the Czech Republic plans the largest share for the EES at 23 per cent, in Croatia, Lithuania and Wallonia it is around 20 per cent. On the other hand, eight countries make use of exceptions and spend less than ten per cent of DC on the EES, which in some cases calls into question the Commission's approval of the strategic plans from a social perspective. The differences in organisation begin with the definition of the first hectare, which ranges from 8.2 hectares in Slovenia to 150 hectares in the Czech Republic and Sweden. Compared to the average farm size of the respective countries, only Wallonia, France, Ireland and Germany remain below this limit with their definition. Eight countries provide for a hectare range at least twice as large, which makes the measure less effective. Nine strategic plans exclude large farms from receiving the redistributive payment with an upper limit. In Greece, this is eleven hectares, while in Hungary only farms with more than 1,200 hectares are affected. Paradoxically, nine countries, particularly in Eastern Europe, also exclude very small farms of less than one to three hectares from receiving these payments. Most countries have only defined a hectare range for which the supplement is granted. Germany and some others pay a lower amount for a second hectare range. Only in the Czech Republic, Portugal, Lithuania, Wallonia, Bulgaria and Austria is the amount provided for the UES per hectare higher than the basic premium.

Special regulations for micro-enterprises and women

To simplify matters for particularly small farms, the EU is proposing a voluntary scheme for small farmers in which farms can opt for a lump sum payment of up to €1,250 per year instead of applying for the various direct payments in a bureaucratic manner. However, only Portugal, Bulgaria, Malta, Latvia and the Czech Republic have included this regulation in their strategic plan. Another aspect of fairness is gender equality in agriculture: as only 29 per cent of farms in the EU are managed by women on average (in Germany, the figure was just ten per cent in 2016), some EU countries are making efforts to provide more support for female farm managers. Ireland, for example, pays women a 20 per cent higher investment grant, while in Spain women receive 15 per cent more income support for young farmers. The Czech Republic, Portugal and Italy favour women in the selection criteria for business start-up

funding.

Eco-regulations staggered

The linking of ecological, socio-economic and agri-structural objectives within a measure is already being implemented in some countries. Capping, differentiation and redistribution are not limited to the basic premium, but are also applied in other CAP measures. In this way, the incentive for small farms to participate in the organic schemes can be increased, as the bureaucratic and operational costs are proportionately higher for them than the economic benefits. A Polish organic scheme for animal welfare, for example, reduces payments per livestock unit (LU) between 100 and 150 LU by 25 per cent; no payments are granted above this level. Romania offers an organic scheme explicitly for small farms between one and ten hectares. In Wallonia and Flanders, payments for organic farming are degressive. Wallonia offers small organic vegetable farms with a maximum of ten hectares a special premium for the first three hectares of 4,000 euros per hectare. In Flanders, the organic regulations for precision farming and for a soil pass are also degressive. Spain initially provides for a reduction for large farms if the organic regulations are oversubscribed. One of the reasons given for this is to avoid overcompensation due to cost depression in the implementation of the eco-schemes.

Reform of the CAP after 2027 - debate has begun

The closer interplay of ecological and social objectives must also be at the heart of a future-proof reform of the CAP after 2027. In November 2023, the Associations Platform on the CAP, a community of organisations from agriculture, environmental, nature, climate, consumer and animal protection and development cooperation,² presented its statement *Shaping the future - Together for a crisis-proof, more ecological and fairer agriculture and agricultural policy* and handed it over to the two parliamentary state secretaries Claudia Müller (Federal Ministry of Agriculture) and Bettina Hoffmann (Federal Ministry for the Environment). The approximately 40-page brochure³ contains objectives, demands and proposals for the reform of the CAP after 2027 and identifies the adjustments that need to be made in the current funding period in order to ensure that the upcoming reform can be implemented in a predictable and sustainable manner for agricultural businesses (see box with key messages).

The key points of the statement are that, from

2028, all CAP funding should be used to reward farmers for clearly defined services in the areas of environmental protection, nature conservation, climate protection and animal welfare. In order to address the still important socio-economic objectives of the CAP, the associations' platform proposes that agri-structural aspects should also be taken into account when calculating the premium amounts for these services of general interest, thus linking ecological and social objectives in each premium. To reduce the bureaucracy of the CAP, it is proposed that the existing agri-environmental and climate measures (AECM) of the second pillar and the eco-schemes be merged and coherently coordinated, at least at the application level. Funding for young farmers should be based on a concept-based, non-area-based approach business start-up premium. The associations also consider it necessary that farms subsidised by

the CAP must also comply with certain basic requirements after 2027. In their view, however, these should be much leaner than the basic requirements in the current funding period. Specifically, the associations are in favour of implementing the following four basic requirements in the area of ecology in addition to the basic requirements to be strengthened in the area of social justice:

- Ensuring a high crop diversity through a wide crop rotation with a proportion of legumes well above the level of the current basic requirement for crop rotation.
- Preservation of permanent grassland.
- Provision of a minimum proportion of non-productive land and a ban on the removal of landscape elements in the interests of restoring biodiversity.

Key messages from the associations' platform on the Common Agricultural Policy (CAP) after 2027⁴

The CAP after 2027...

- ... is fully geared to the ecological and socio-economic challenges in the area of land use. It makes a decisive contribution to solving the nature and climate crisis and creates economic opportunities for farms on the path to ecological transformation. It improves social conditions in agriculture, weakens structural change and promotes the establishment of new farms.
- ... takes account of agri-structural, socio-economic and locational factors when calculating the subsidy rates. specific aspects.
- ... has cancelled the previous eco-regulations and agricultural environmental and climate measures (AUKM) in a single nationwide programme, which was supplemented by clearly defined measures by the federal states, e.g. in the area of contractual nature conservation or investment promotion.
- ... has been significantly simplified and de-bureaucratised - among other things, because the funding programmes offered by the and federal states are coherently coordinated with each other and, at least at the application level, a consolidation has taken place.
- ... is committed to the promotion of young farmers. The programme implements a concept-based, non-area-related business start-up premium for young farmers and agricultural start-ups nationwide.
- ... continues to contain certain ecological and social basic requirements as an entry ticket for funding, but these are much leaner and more efficient than the current basic requirements.
- ... implements a funding model that ensures a rising level of ambition and increased effectiveness, as well as addressing all environmental assets.
- ... clearly focuses rural development policy on the (re)establishment of decentralised artisanal food processing, the strengthening of regional value chains and producer groups and the diversification of agricultural operations.
- ... puts the farmers in a better position by means of the Common Market Organisation (CMO) to keep the markets in balance through efficient, joint market management in order to achieve profitable growth. prices. The conclusion of supply contracts with the farmers is mandatory for the receiving organisation. The organic transformation of agriculture is supported by the CMO.
- ... is based on a gradual increase in the budgets and premiums for the remuneration of environmental, nature, climate and animal protection services in the funding period up to 2027. The new strategy was implemented in gradual and plannable steps. There was also an expansion of the The programme is being expanded to include a wider range of support services and a more coherent coordination of these.

- Protection against further degradation of wetlands and moors: no new or active drainage or deepening of existing drainage levels.

The associations' platform attaches great importance to the organisation of agricultural markets (CMO). A bundle of measures should enable farmers to keep these in balance and thus achieve profitable prices. In the view of the associations, an important basis for this is the recognition of the primary sector/agriculture as an independent "sector organisation for agriculture". In the event of a market crisis, this organisation should be able to implement temporary but binding quantity limits, which are financed by the entire sector. The associations are also in favour of introducing an early warning system for emerging market crises for all sectors of agriculture. They also call for the binding conclusion of supply contracts between producers and buyers, including the specification of price, quantity, quality and duration, to be made mandatory in all member states, as is already the case today in the EU's Common Market Organisation (CMO) as a voluntary measure for EU member states.

is possible. The corresponding Article 148 of the CMO must be further developed to include company structures organised as cooperatives.

The associations' platform also emphasises that for agricultural products whose level of sustainability in the areas of environmental, nature, climate and animal protection as well as social compatibility exceeds the legal minimum standard of the European Union, the new Article 210a CMO has created the possibility for producers to agree on minimum prices or price supplements for sustainability services. In addition, a vertical agreement along the value chain is also made possible in principle. In the view of the associations, the guidelines currently being drafted for this article must therefore ensure that the application of Article 210a in practice enables the increased added value of sustainable products to be passed on along the chain to the producers and thus adequately refines them for their services. Last but not least, the political actors in the EU are called upon to always ensure that exports from the European agri-food industry elsewhere - especially in the countries of the global South - do not increase producer prices.

Conclusions & demands

- What is needed is a gradual, comprehensive increase in the budget for eco-regulations and the Agri-environmental and climate measures (AECM) of the second pillar at the expense of the basic premium - combined with a significant increase in the level of premiums for existing and possibly new subsidy programmes.
- Additional eco-regulations for an environmentally friendly permanent grassland management, including the grazing of dairy cows, as well as for particularly low nitrogen and phosphorus balances well below the permissible upper limit of the fertiliser legislation are to be introduced.
- The premium amounts of the eco-schemes should be staggered according to socio-economic and agri-structural aspects (e.g. field and/or farm size), as is already the case in Poland, Spain, Romania and Belgium, for example.
- Coherence between eco-regulations and agri-environmental and climate measures (AECM) must be improved.
- What is needed is the application and further development of Art. 148 and 210a of the Common European market organisation (CMO) in favour of a binding conclusion of supply contracts and passing on the increased added value of sustainable products along the value chain.
- A more targeted distribution of the funds of the reducing basic premium according to actual need by significantly increasing the budget of the redistribution payments. The redistribution premium must ensure that an upper limit is set for participation in the redistribution premium and implement a degression and capping of subsidies.
- A more effective definition of "active farmer" for the better exclusion of non-agricultural investors from CAP funds is necessary.
- The promotion of young farmers as a non-area-linked and concept-based start-up premium instead of a hectare-based surcharge must be implemented nationwide.
- Support for the (re)establishment of regional artisanal food processing is and to intensify regional value chains and producer organisations as well as the diversification of farms must be strengthened.

and that no other dumping effects emanate from them.

The start of the debate on the CAP after 2027 comes at a time when one global crisis seems to follow the next. The fact that these crises could also leave their mark on the future of the CAP is obvious, not least when looking at the European Multiannual Financial Framework (MFF) from 2021 to 2027. The CAP is currently allocated around a third of the budget. The budget items "Migration and border management" and "Security and defence", on the other hand, only account for two and one percent of the total budget respectively. The European Commission must submit a proposal for the MFF after 2027 by June 2025 at the latest. The potential accession of Ukraine, which would increase the Union's agricultural area by around 40 million hectares (and thus by a quarter) in one fell swoop, would also make the current architecture of the CAP and in particular the largely flat-rate area payments impossible.

It will take good arguments and a strong offer from agriculture to society to convince it to continue to give the CAP the financial weight it currently has - and needs. A consistent qualification of the funds for environmental, nature, climate and animal protection as well as the social cohesion of rural areas and a strengthening of democracy could be such an offer. The German federal government should be at the forefront of this offer from agriculture to society. The concept announced in the Ampel coalition's proposal for the middle of the legislative period on how direct payments under the CAP can be appropriately replaced after 2027 by a system of incentivising climate and environmental services that generates income for agricultural businesses offers an ideal opportunity for this.

The topic in the Critical Agricultural Report

- ▣ Daniela Wannemacher and Phillip Brändle: Courageous change of the CAP. EU agricultural reform fails to meet ecological and social challenges. In: The critical Agricultural Report 2023, p. 57-61.
- ▣ Christian Rehmer and Phillip Brändle: A tentative step in the right direction. The reform of EU agricultural policy maintains flat-rate area payments, but also offers room for more environmental, climate and animal protection as well as fairer allocation of funds. In: The critical agricultural report 2022, p. 40-45.

- Jürgen Metzner and Sönke Beckmann: The time is ripe! A public goods premium can make the Common Agricultural Policy fit for the future. In: The Critical Agricultural Report 2022, p. 46-51.
- ▣ Christian Rehmer and Phillip Brändle: On watering down and Improve. The reform of EU agricultural policy on the home straight. In: The critical agricultural report 2021, p. 43-47.
- ▣ Christian Rehmer: Between horse-trading and poker game. The negotiations on the future EU agricultural policy. In: The critical agricultural report 2020, p. 49-53.
- Ulrich Jasper and Christian Rehmer: EU agricultural policy before the election. Platform organisations present an assessment of the Commission's proposals and their own demands on the Common Agricultural Policy. In: The critical agricultural report 2019, p. 40-49.
- Ulrich Jasper and Christian Rehmer: The future of direct marketing payments. On the EU Commission's new plans and Berlin's potential pioneering role. In: The critical agricultural report 2018, p. 34-38.
- Ulrich Jasper: Honouring farmers' achievements. A proposal for the design of future agricultural policy. In: The critical agricultural report 2017, p. 37-40.
- Ulrich Jasper: Overcoming the permanent crisis - for farmers, the environment and animals! Germany's fatal influence in EU agricultural policy and the unutilised opportunities for agricultural policy improvements. In: The Critical Agricultural Report 2016, p. 34-39.

Remarks

- 1 Detailed information on the study "Ecological and fair? European comparison of the 28 CAP strategic plans" can be found at: www.nabu.de/natur-und-landschaft/landnutzung/landwirtschaft/agrarpolitik/eu-agrarreform/33889.html.
- 2 See also: www.verbaende-plattform.de.
- 3 Statement of the associations' platform: Shaping the future - Together for a crisis-proof, more ecological and fairer agriculture and agricultural policy. Objectives, demands and Proposals of the associations' platform for the CAP reform after 2027 and transition steps. November 2023. Berlin/Hamm 2023 (www.verbaende-plattform.de/fileadmin/Documents_and_Graphics/Statements/FUTURE_GESTAL_TEN_The_Association%20and%20Platform_for_GAP_after_27_Doppelseite.pdf).
- 4 Taken from: Verbände-Plattform (see note 3), p. 4 f.



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