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Article Independent Farmers' Voice (October 2023 issue)

EU comparison of the 28 CAP strategic plans

Analyses from an environmental and social perspective: Positive design options despite low level of ambition

by Henrik Maaß, AbL consultant for EU agricultural policy

NABU and AbL have scrutinised the design of the Common Agricultural Policy (CAP) in the national strategy plans that have been implemented in all EU member states since the beginning of this year from an ecological and social perspective. The NABU study focuses on a comparison of the eco-schemes that were introduced this year as a central instrument of the CAP's so-called "green architecture". The AbL analysed the instruments for a fairer distribution of EU funds, which are intended to counter social crises such as the demise of farms and ageing. These include capping, staggering and redistribution. The results were presented at a well-attended joint digital event and can be viewed online.

Both areas are crucial for the sustainable transformation of the agricultural and food system. The urgently needed ecological change must be linked in a fair way with economic prospects for farmers and take their different needs into account. The ecological and social challenges are addressed very differently across Europe. The EU framework offers the member states considerable room for manoeuvre, which is usually not used progressively, so that the strategic plans often remain unambitious in both environmental and social terms. However, there are some innovative forms of organisation worthy of imitation, which are also inspiring for the further development of the CAP strategic plan in Germany. In the following, the analysis from the social perspective is described first. An article comparing the eco-schemes will follow in the coming months, once the figures on their utilisation are also available from the other EU countries.

Shaping a fair CAP

Capping and degression

At 72%, direct payments (DC) account for the largest share of the EU CAP budget. Half of the DC funds are channelled into basic income support (EGS), which is paid on an area basis. The new EU framework offers member states the option of voluntarily reducing the receipt of EGS per farm by up to 85% from € 60,000 and capping it at € 100,000. In the previous funding period, capping and degression were mandatory, but could be avoided through a redistribution premium, as in Germany. In 2023, ten EU countries will 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 some countries, however, the full labour costs can be taken into account, which means that the cap can be significantly increased on an individual basis. Only Spain limits the offsetting of labour costs to a maximum of € 200,000 EGS per company. The degressivity is organised in different ways and defines either only one stage, which makes full use of the EU leeway, or up 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 2023-2027, which had to be specified in the uniformly structured strategic plans, vary greatly. Austria is the only country to assume that the measure will not affect any operations and that there will therefore be no savings. In contrast, the estimate in Bulgaria is €60 million. This money is used in Bulgaria - as in most other countries - for the redistribution premium and accounts for 12% of its budget. Lithuania uses the money saved to support young farmers, while Slovakia shifts it to the second pillar, making the money available for environmental and climate measures. Theoretically, it would also be possible to use the money for the eco-schemes.

Redistributive income support

For the first time, the EU framework for the CAP provides for a mandatory minimum share of 10% of direct payment funds for the redistributive income support (UES, or "redistributive payment"), which is granted as a top-up on the first hectares and is intended to serve as the main instrument for a fairer distribution of CAP funds. As already described in the June issue of Bauernstimme, Germany is in the middle of the EU in terms of budgeting for the redistributive payment at 11.6% DC. Only five countries substantially exceed this proportion. The Czech Republic plans the largest share of 23% for the EES, followed by Croatia, Lithuania and Wallonia with approx. 20% and Hungary with 14% EES. On the other hand, eight member states make use of exemptions and spend less than 10% 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 are already evident in the definition of the first hectare, which ranges from 8.2 ha in Slovenia to 150 ha 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 see a hectare range at least twice as large, which makes the measure less effective. In nine strategic plans, large farms are excluded from receiving the redistributive payment by introducing an upper limit. In Greece, this is a maximum of 11 ha in arable farming regions, while in Hungary only farms larger than 1200 ha are affected. Paradoxically, some countries, particularly in Eastern Europe, also exclude micro-farms under 1-3 ha from receiving these payments. Most countries have only defined one hectare range for which the supplement is granted. Germany and some others pay a lower amount for a second hectare range. Paradoxically, Estonia, Lithuania, Luxembourg and Spain pay a higher amount for the second hectare area. Compared to the amount paid per hectare for the ECS, the amount provided for the EES is even higher only in the Czech Republic, Portugal, Lithuania, Wallonia, Bulgaria and Austria.

Special regulations

To simplify matters for very small farms and the administration, the EU is proposing a voluntary small farmer scheme, under which farms can opt for a lump sum payment instead of applying for the various direct payments in a bureaucratic manner. However, the limit envisaged for this is already €1250 per farm per year, which makes it unattractive for many member states to offer this measure. As a result, only Portugal, Bulgaria, Malta, Latvia and the Czech Republic have included this scheme in their strategic plan, with only Bulgaria and the Czech Republic fully utilising the possible €1250.

As only 29% of farms in the EU are managed by women on average - in Germany the figure was only 10% in 2016 - some EU countries are making efforts to provide women with special support. Ireland, for example, pays women a 20% higher investment subsidy, while in Spain women receive 15% more income support for young farmers. In the Czech Republic, Portugal and Italy, women are favoured in the selection criteria for business start-up support.

Staggered eco-regulations

The linking of organic and agri-structural objectives within a measure is already being implemented in some cases. Capping, differentiation and redistribution should not be limited to the EGS, but should be applied in all CAP measures, for example to increase the incentive for small farms to participate in the organic schemes, as the bureaucratic and operational costs are particularly high compared to the economic benefits for them.

Examples can be found in Poland, Spain, Romania and Belgium, among others. A Polish organic regulation for animal welfare reduces payments per livestock unit by 25% between 100 and 150 livestock units, above which no payments are granted. 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 a special premium of 4000 euros per hectare for the first three hectares for farms with a maximum of 10 hectares. In Flanders, the organic regulations for precision farming and for a soil passport are also degressive. Spain initially provides for a reduction in large farms if the organic regulations are oversubscribed. One of the reasons given for this is to avoid overcompensation due to cost degression when implementing the organic regulations.

Due to the annual possibility of making changes to the strategic plans and their implementation, inspiration from other countries can be used to creatively develop the German CAP strategic plan so that the available resources are used in a targeted and efficient manner to achieve the common goals.

Finally, it must be noted that even the fairest organisation of direct payments cannot compete with an unfair market. Even redistribution does not make fair prices obsolete. Therefore, greater attention must also be paid to improvements in market regulation, international trade and food infrastructure.

To make our food system more resilient, we need many new farmers and, at the same time, new artisan processors. Supporting the next generation is therefore key. Analysing support for young farmers and business start-ups in the EU countries will therefore be part of the next article.

Article Unabhängige Bauernstimme (December 2023 issue)

Business start-up support in an EU comparison

Need for improvement in Germany with regard to support for young farmers in the CAP Strategic Plan

by Henrik Maaß, AbL consultant for EU agricultural policy

In order to make our food system more resilient, we need many new farmers and, at the same time, new artisanal processors. Across the EU, more than half of farm managers are older than 55 and only 6.5 per cent are younger than 35. Supporting the next generation is therefore a central component of the Common Agricultural Policy (CAP) in the various national strategic plans that have been implemented in all EU member states since the beginning of this year.

An AbL analysis of the instruments for a fairer distribution of EU funds, which are intended to counter social crises such as the demise of farms and ageing, also compared the different ways in which support for young farmers and business start-ups is organised in the EU countries.

Support for young farmers is possible both via direct payments as additional income support and via second-pillar measures such as support for business start-ups or a supplement to investment support. According to the EU framework, the total budget for these measures must amount to at least three per cent of the funds earmarked for direct payments (before reallocation to the second pillar). Across the EU, a total of 3.6 per cent has now been earmarked for the funding period from 2023-2027, half of which will be allocated to young farmer income support (JES). Most countries, including Germany, just about fulfil these minimum requirements. Only seven member states make significantly more funds (more than +25%) available for generational renewal: Malta, Greece, Croatia, Lithuania, Belgium, Portugal and Slovenia.

To monitor the EU objective of supporting generational renewal, one of 44 result indicators measures the number of young farmers who have set up with the support of one of the relevant CAP measures, including a breakdown by gender (m, f, d). Accordingly, the strategic plans envisage supporting between 154 and 80,000 young people in setting up. Compared to the total number of companies in the respective countries, this means that 1.0% (Portugal) - 9.8% (Greece) of the companies are included. In Germany, the figure is 7.2% of companies. However, the problem with this figure is that the amount of the respective support does not play a role.

Unlike almost all other EU countries, Germany allocates almost all of its budget to the JES in the first pillar and is only topped by Ireland, whose support for young farmers is channelled exclusively through this measure. In contrast, Portugal and Denmark are the only countries that do not support young farmers via the first pillar and instead support them exclusively via second-pillar measures.

The structure of the JES provides for a hectare-based premium in most member states, with Poland, Bulgaria and Cyprus granting an unlimited premium, but all others stipulating an upper limit of between 25 ha (Greece) and 300 ha (Hungary). In Germany, this is 120 ha, which is almost twice the size of an average farm. Only in the Czech Republic is the upper limit below the average farm size.

Both Belgian regions provide for two hectare areas for which the payments are significantly lower in the higher hectare area, similar to the redistribution premium in Germany.

Interestingly, France, Luxembourg and the Netherlands provide for a flat-rate farm payment instead of the area-based premium, which is paid annually for five years regardless of the size of a farm. This ranges from €2800 (NL) per farm managed by a young farmer to €6660 in Luxembourg. In France, around € 4600 was originally planned. However, due to high oversubscription, the sum had to be reduced to less than €4000. For the current funding period, this approach would be a way for Germany to better target young farmer funding without costly budget shifts.

The establishment premium or business start-up support provided for under the second pillar, which includes a concept-based, untied grant of several tens of thousands of euros, has hardly been offered in Germany to date and is therefore only provided with a very small budget. In relation to the number of young farmers to be supported according to result indicator R.36, Germany only provides €1,680 each and is thus at the bottom of the European league, apart from Ireland, where young farmers are supported exclusively via the first pillar. In contrast, Poland provides €11,000, France around €34,000 and Spain just under €40,000, while the Czech Republic and Denmark even provide over €60,000.

A special feature of support for young farmers is the additional support for women in some countries. In Spain, women receive a 15% higher JES. In the Czech Republic, Portugal and Italy, women are favoured in the selection criteria for business start-up support.

Lithuania has chosen its own way to increase the budget for young farmer support, where the money saved from the capping of basic income support is channelled into the JES.

Due to the annual possibility of making changes to the strategic plans and their implementation, inspiration from other countries could be used to creatively develop the German CAP strategic plan so that the available resources are used in a targeted and efficient manner to achieve the common goals.

In principle, the support programmes described above can make it easier to enter agriculture, but such a step is only attractive if the framework conditions for an adequate income based on fair prices are guaranteed. Therefore, the most important ways to support young people are ultimately to improve market regulation, international trade and the regional food infrastructure.