# Support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP strategic plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) 2021–2027

2018/0216(COD) - 01/06/2018 - Legislative proposal

PURPOSE: to modernise and simplify the common agricultural policy (CAP) beyond 2020 (regulation on the CAP strategic plans).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the context in which the last CAP reform was decided in 2013 has shifted considerably. More specifically: (i) agricultural prices have fallen sharply as a result of macroeconomic factors and geopolitical tensions; (ii) the EU has become more open to global markets; (iii) the EU has made new commitments at international level, for example on climate change mitigation (through COP 21).

On the basis of the Commission proposal for the multiannual financial framework (MFF) 2021-2027, the Commission is presenting a set of regulations which define the legislative framework of the CAP for the period 2021-2027, namely:

- **a regulation on CAP strategic plans**;
- a horizontal regulation on the financing, management and monitoring of the CAP;
- and a single common organisation of the markets (CMO) Regulation.

These proposals give shape to the reflections on the future of the CAP presented in the Commission Communication on the future of food and agriculture in November 2017, which highlighted the challenges, objectives and possible avenues for **a 'future-proof' CAP, that needs to be simpler, smarter and more modern, leading to the transition to a more sustainable agriculture**.

CONTENT: this proposal lays down rules on the **objectives to be pursued** through Union support financed by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) under the CAP. It also defines the **new working method** covering direct payments to farmers, rural development support and sectoral support programmes.

**Objectives adapted to the new priorities**: the CAP general objectives shall focus on the economic viability, the resilience and income of farms, on an enhanced environmental and climate performance, and on the strengthened socio-economic fabric of rural areas.

The future CAP shall focus on nine specific objectives:

- support viable farm income and resilience across the EU territory to enhance food security;
- enhance market orientation and increase competitiveness including greater focus on research, technology and digitalisation;
- improve farmers' position in the value chain;
- contribute to climate change mitigation and adaptation, as well as sustainable energy;
- foster sustainable development and efficient management of natural resources such as water, soil and air;
- contribute to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;
- attract young farmers and facilitate business development in rural areas;
- promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry;
- improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare.

Moreover, fostering knowledge, innovation and digitalisation in agriculture and rural areas is a cross-cutting objective. To deliver on these objectives Member States shall ensure simplification and performance of CAP support.

**Greater flexibility for Member States**: Member States shall have a **certain level of flexibility** for transfers between allocations. The focus shall be less on rules and compliance and more on results and **performance**. This approach will give far greater freedom to Member States to decide how best to meet the common objectives at the same time as responding to the specific needs of their farmers, rural communities and society at large.

Member States shall present their proposed interventions to achieve the EU specific objectives in a **CAP strategic plan**. In the plans, Member States shall set targets on what they want to achieve in the programming period using commonly defined result indicators.

The Commission shall assess the proposed CAP strategic plans to ensure the consistency and coherence with the general principles of Union law and the protection of the internal market. Once the CAP strategic plans are established, Member States shall annually report on the progress made in the implementation. The Member States and Commission will monitor progress and evaluate the effectiveness of the interventions.

**Better targeting of aid**: direct payments shall remain an essential part of the policy, as farmers' income needs to be supported to foster a smart and resilient agricultural sector. Priority shall be given to supporting small and medium-sized farms and young farmers. Income support should be targeted to genuine farmers.

The proposal provides *inter alia* for:

- a reduction of payments as of **EUR 60 000** and compulsory capping for payments above EUR 100 000 per farm, with the possibility for Member States to deduct labour costs from the amount of direct payments;
- the possibility of granting a higher level of support per hectare for small and medium-sized farms;
- the obligation for Member States to allocate **at least 2%** of their direct payment allocation to attract young farmers.

Member States should be allowed to use part of their financial ceiling available for direct payments for **coupled income support** in order to improve competitiveness, sustainability, and/or quality in certain sectors and productions that are particularly important for social, economic or environmental reasons and undergo certain difficulties.

**More ambitious environmental and climate objectives**: direct payments shall be conditional on increased environmental and climate requirements. A new system of so-called '**eco-schemes**', funded from national direct payment allocations, will be mandatory for Member States, although farmers will not be obliged to join them. These eco-schemes will have to address the CAP environment and climate objectives in ways that complement the other relevant tools available and go beyond what is already requested under the conditionality requirements.

Member States will be required to dedicate **at least 30%** of their rural development budget to environment and climate measures. **40% of the total CAP** budget shall contribute to climate action.

For **rural development**, it is proposed to rebalance the financing between the EU and Member States' budgets. Less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain interventions such as LEADER and the payments for management commitments.

Member States shall have the possibility to **transfer up to 15% of respective direct payments** to EAFRD allocation and vice versa. A higher percentage can be transferred from direct payments to EAFRD allocation for interventions addressing environmental and climate objectives and installation grants for young farmers.

AVAILABLE BUDGET: the Commission proposal on the multiannual financial framework for 2021-2027 provides that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP should focus on its core activities with **EUR 286.2 billion** allocated to the EAGF and **EUR 78.8 billion** for the EAFRD.

These agricultural funds are complemented by **additional funding** from Horizon Europe, as the proposed envelope for this programme includes **EUR 10 billion** to support research and innovation in food, agriculture, rural development and the bioeconomy.