

Rāpopoto | Summary

- On 25 June 2021, EU member states and the European Parliament agreed on the €270 billion 2023-2027 EU Common Agricultural Policy (CAP) following months of intense negotiations. This report explains the outcome of the negotiations and selected views from public sources.
- The new CAP aims to deliver on the Green Deal, including the Farm to Fork and Biodiversity strategies, by requiring the 27 member states to a) set out in ‘Strategic Plans’ how they will meet specified common objectives and b) incentivise farmers to go above and beyond baseline environmental requirements by adopting ‘Eco-schemes’ such as crop rotation, precision agriculture, organic farming, carbon farming and agro-forestry.
- Discussions over the CAP have illustrated differing views amongst various stakeholders in the EU, particularly in relation to the level of climate ambition in the CAP. Farmers and national governments have largely welcomed the political agreement, while some members of the European Parliament and environmental NGOs have argued that the CAP does not go far enough and includes loopholes. Meaningful implementation by member states is now important.
- The new CAP has strengthened calls for EU environmental, health and animal welfare standards to apply to imported agricultural products.

Pōrongo | Report

- On Friday 25 June 2021 “a fairer, greener, more animal friendly and [more] flexible” Common Agricultural Policy (‘CAP’) was **provisionally agreed** by agriculture ministers from the 27 EU member states (the ‘Council’) and the European Parliament – the two co-legislators – under the auspices of the European Commission (the EU’s executive branch).
- This follows 25 trilogues, three super trilogues, one jumbo trilogue, and over 100 formal meetings over the past three years. Trilogues are negotiations between the Parliament, the Council and the Commission (as facilitator) on legislative proposals.
- The provisional CAP has been accepted by the Council and is expected to be voted on by the Parliament after the European summer. The reform will then enter into EU law upon its formal adoption by the Council and will take effect from 2023 until 2027. Delays to its approval means the existing CAP rules were extended by two years, applying from 2021 until 2023.
- Since the new CAP was proposed by the European Commission in June 2018, the von der Leyen Commission was formed and the European Green Deal and its related Farm to Fork and Biodiversity strategies were launched, **increasing pressure on the CAP** – which makes up a third of the EU’s total budget – to deliver on the EU’s bold green ambitions.
- Earlier **negotiations collapsed in May** owing to differing levels of ‘green’ ambition between the Council and the Parliament. The new CAP’s alignment with the Green Deal, including the Farm to Fork and Biodiversity strategies, was said to be one of Parliament’s stated red lines.
- Since then, the Commission has been subject to criticism from MEPs, farming groups and some member states because of its advocacy for greater environmental ambition, which some felt made it difficult for the Commission to remain ‘neutral’ in the negotiations.

What was agreed?

- To transition to more sustainable and climate-friendly farming, the new CAP requires member states to produce for the first time **‘Strategic Plans’** that outline how they will achieve the CAP’s environmental (climate change,

natural resources, biodiversity) and non-environmental objectives.

- Non-environmental objectives include: generational renewal, rural areas, health and antimicrobial resistance, competitiveness, farmers' position in the value chain.
- Pascal Canfin, the centrist-liberal chair of the parliament's environment committee, has said that this will assure CAP consistency with EU environmental and climate legislation and with the Green Deal including "targets for 2030 set out in the Farm to Fork Strategy and the EU Biodiversity Strategy".)
- Targets include the use of pesticides, sales of antimicrobials, nutrient loss, area under organic farming, high diversity landscape features and access to fast broadband internet. The Commission asks Member States to determine specific national values for these targets and align their CAP strategic plans accordingly.
- **Strategic plans** submitted for Brussels' review by the end of 2021, **are expected to be where the 'rubber meets the road' and to ultimately implement the ambition on the ground.**
- The new CAP also ring-fences 25 percent of the budget that is allocated to member states for direct payments to farmers ('Pillar One' of the CAP) for new **'Eco-Schemes'** – environmentally-friendly farming practices such as crop rotation, precision agriculture, agro-ecology (including organic farming), carbon farming and agro-forestry – thus incentivising farmers to go above and beyond the baseline environmental requirements that they are already required to meet. The scheme has a two-year 'learning period' and a 'floor' mechanism set at 20 percent, which allows some funding to be paid as direct payments if the take up of eco-schemes is insufficient.
- This percentage had been one of the **key sticking points** in the negotiations. The Commission's proposal and Parliament had sought for this amount to be 30 percent and the Council sought 20 percent. This outcome was celebrated as a win by some in the Parliament, who said that the eco-schemes' "strong [25%] budget and robust design" will prevent greenwashing. However, some Greens MEPs countered that the eco-schemes have not been sufficiently defined so their likely effect is unclear, and that they ultimately depend on member states' implementation, which weakens the provision.
- Separately, 35 percent of the budget allocated to member states for rural development ('Pillar Two' of the CAP) must go to projects that enhance **environmental, climate and animal welfare practices**. (This was previously 30 percent.)
- Beyond environmental measures, the new CAP introduces for the first time a **"social conditionality"** mechanism, which was not in the original Commission proposal but was pushed strongly by the Parliament, that will link direct payments for farmers with complying with farm workers' rights, such as fair pay and working conditions. Farm workers are often migrant and seasonal workers.
- The mechanism will be voluntary from 2023 and mandatory from 2025, after which time **penalties (reduced payments to farmers) will apply**. The Commission is asked to monitor the impact of the mechanism on workers' conditions and potentially propose enhancements to it. "The CAP's new social dimension can bring real benefits to workers from day one," said MEP Paolo De Castro, adding that, farmers who take care of their employees and comply with labour standards will no longer be disadvantaged. Criticism of this condition was that labour law is not an EU competence, that the provision is outside the scope of the CAP, and that it would be an administrative burden to link it to CAP payments.
- To make the new CAP fairer, EU member states now have to **redistribute** 10 percent of their direct payments allocation to **smaller-scale farms**. (This is in lieu of capping payments at €100k, as originally sought. The Commission had originally sought to cap payments to farmers receiving over €100k per year from Brussels, but this was rejected by members due to the vastly differing average farm sizes across member countries.
- The CAP is said to channel about 80 percent of funds to 20 percent of farmers/landowners and a very small percentage of agricultural holdings own half of the land area.) Portugal's Agriculture Minister Maria do Céu Antunes told media this redistribution mechanism will mean the yearly stipend for small farmers in Portugal can now rise from €850 to €1,250. Further, at least 3 percent of national budgets for direct payments must be directed to **young farmers** (defined as farmers up to 40 years) to support the new CAP's generational renewal objective. There are also provisions to try to reduce the (historical) price per hectare **differences in payments among member states** ('external convergence').

Reactions to the new CAP

- Broadly speaking, the response appears to be a) relief that the new CAP is finally agreed, providing certainty for farmers and national governments, who must now quickly develop their strategic plans before the end of 2021, and b) acknowledgment that **the new CAP, while not revolutionised, is at least slightly greener** via the national strategic plans and eco-schemes, is *slightly* fairer via the redistribution requirements, and offers sufficient flexibility for member states to deliver on common objectives.
 - However, **farmers remain watchful** of the ensuing details and implementation, mindful of the growing pressures on them, and **environmentalists and Green MEPs are unsatisfied** – pointing out the loopholes and derogations that weaken the environmental dimension of the deal.
 - For example, countries don't have to protect wetlands or peatlands until 2025 if they can prove they're having trouble mapping these areas, and many small farmers are exempt from leaving any space for nature on their
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farms. An EU official has said this is to keep the policy simple, not to offer carve-outs. Further, a rebate mechanism would let countries dedicate 50 percent less to eco-schemes if they spent more than 30 percent in the CAP's second, smaller pillar, dedicated to rural development, which environmentalists say undermines the intention to shift toward greener food production methods.

- Acknowledging this sentiment, EU officials say that this deal has at least broken the “silo” that existed [between farming and environmental interests] and puts the CAP on the “path” to alignment with the Green Deal. As one commentator noted, if the CAP was being designed from scratch, it would look very different, but it is being reformed so the change needs to happen more slowly so as to not be too disruptive.
 - **Agriculture Commissioner Janusz Wojciechowski** said that while the Commission may not be “happy with each and every detail of the compromise” (for example, 50 percent of payments to hard-to-farm areas like mountains will be considered climate-friendly after pushback from EU governments, although the Commission wanted that figure to be zero), the overall package is “a very good and balanced outcome...collective red lines have been respected” and was the “maximum which was politically possible”. The Commissioner hailed the obligatory ring-fencing of a quarter of direct payments for new eco-schemes as a “big achievement,” and also said it was a success that there will be greater funding incentives than before for friendlier animal welfare practices.
 - **Commission Vice President and Green Deal chief Frans Timmermans** said the agreement “could have gone a bit further”, adding “obviously I’m very ambitious, the Commission is very ambitious” but “this is a big step in the right direction and work is ongoing but aligning the CAP with the Green Deal is now possible”.
 - In a media statement, the **Council** said the agreement “paves the way for a **fairer, greener and more performance-based CAP** that seeks to provide a sustainable future for European farmers” and that it “bolsters environmental measures” and “includes provisions to ensure more targeted support for smaller farms and help young farmers enter the profession”.
 - **Portugal’s Minister for Agriculture, Maria do Céu Antunes**, who led the Council’s negotiations by virtue of Portugal’s Council Presidency role in the first half of 2021, said “...we’ve got a balanced agreement. It very much goes along the lines of what Council wanted”. Further, “...we have agreed the most ambitious CAP to date. This is a good deal for farmers and for Europe, which will strengthen the European agri-food system, making it more sustainable and fairer for everyone. The agreement provides for a modernised CAP that supports the transition to greener and more climate-friendly farming, increases respect for social and labour rights, and ensures that farmers remain competitive without leaving anyone behind.”
 - **Germany’s Agriculture Minister Julia Klöckner** praised the “system change” deal. **Austria’s Agriculture Minister Elisabeth Köstinger** said the reform was a “huge milestone forward” to make EU agriculture greener, but said concerns remained about how to enact the reforms in practice. **French agri-food minister Julien Denormandie** said the compromise is a “good deal” that will “strengthen the environmental ambition of the CAP throughout the EU”. **Spain’s Luis Planas** said it was a “fairer and more sustainable CAP”. **Italy’s Stefano Patuanelli** said the reform’s positive points “outweigh the points on which better solutions could be found, especially in terms of simplification and competitiveness”.
 - The EU’s farm lobby **Copa-Cogeca** welcomed the agreement and the certainty it provides but remains watchful as the technical details are fleshed out, ever concerned about the regulatory and financial pressure on European farmers. They said the provisional CAP deal represents an “unprecedented challenge for the EU farming community,” while work “will need to continue to translate this in technical terms,” with secondary legislation to guarantee a swift and timely implementation. They point to “many concerns for the sector,” particularly regarding the “overall coherence” of the agreement reached with other EU policies such as the Green Deal that “will weigh ... in a complex and contradictory way for farmers.” **The European Council of Young Farmers** welcomed the increased support for young farmers. **French farmers’ union FNSEA** warned of the “significant impact” the deal would have on farmers.
 - The reaction from the **European Parliament**, which has provisionally agreed to the deal and will vote on it after the European summer, is mixed. **German MEP Norbert Lins**, the chair of the agriculture committee, said “the CAP will be fairer, greener and puts farmers in the centre”. In response to claims that the Council had ‘won’ the CAP reform battle, he maintained to media that “...this was the situation four weeks ago. But then they moved a lot towards us, and now we have a balanced situation, a balanced agreement”.
 - **Pascal Canfin**, the chair of the environment committee, said the deal delivered “on the essential” and it ensured that “consistency with the climate and environment legislation is now the backbone of the system.” **French conservative MEP Anne Sander** [said](#) her pro-European European People’s Party had “successfully imposed their priorities” on the new CAP which she said “balanced economic and environmental sustainability.” **Parliament’s rapporteur on strategic plans Peter Jahr** said it is “economically, socially environmental more just”.
 - However, **MEP Petros Kokkalis** wrote that the agreement “[fell short] of what we promised, can and should be doing”. **French MEP Benoît Biteau** labelled the deal a “disaster” that would fail to tackle the pressing issue of climate change. The **European Parliament’s Green group**, which has pledged to not support the deal during the plenary after the summer, said the deal falls well short of their environmental expectations, is insufficiently linked to Europe’s broader environmental targets laid out in the Green Deal, and is little more than greenwashing. The
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group's farm policy lead **Greens MEP Martin Häusling**, said that thanks to the deal around a third of the EU's budget has nothing to do with the Green Deal.

- **Häusling** anticipates a future EU Court of Auditors report that will say that CAP funding has again failed to cut the EU's farm emissions. "The Parliament did not achieve much and if we consider the compromise about eco-schemes [from 30 to 20 percent of payments], I say the Council has won".
- A [June 2021](#) report from the European Court of Auditors found that the €100 billion of CAP funds attributed to climate action had little impact on such emissions, which have not changed significantly since 2010.
- The **Greens** did say, however, that "member states have possibilities to do a good job ... they can find opportunities and eco-schemes that are ambitious and achieve exactly what is requested by the Green Deal".
- **Climate and environmental activists and organisations** have responded critically. **ClientEarth**, a legal NGO, said "The new CAP was meant to show how serious the EU is about tackling climate change and the biodiversity crisis, but instead, superficial attempts to align the policy with the European Green Deal have only been added at the eleventh hour".
- **WWF**: "This cannot be called a co-decision: the Parliament has lost virtually all the amendments that could have made the future CAP somewhat greener and fairer, while the Council has managed to get most of its positions through". Think tank **ARC2020**: "a sad indictment of the CAP process and the ability of the EU institutions — ministers especially — to deal with climate and biodiversity collapse" and Parliament has compromised on "all major elements of fairness for farmers and environmental standards". **Greenpeace EU**: the deal is "a failure for the climate because there are no provisions in the reform that obliges member states to put in place new practises to decrease greenhouse gas emissions".
- **BirdLife Europe**: the deal is "full of greenwashing," as "most of the multi-billion euro budget can continue to flow to destructive business-as-usual practices if EU countries wish." The **European Environmental Bureau (EEB)** described the "failure to shift support to ecological farming" as a "major policy failure." The "weak rules" under the new EU farm policy will "maintain support for harmful farming practices" and "worsen" the environmental crisis. They said the reform package is a "monumental failure of leadership" and that instead of "helping farmers restore degraded soils, adapt to climate change and rescue collapsing bee and other wildlife populations ... we are already seeing national governments planning for business as usual, to keep the money flowing to intensive farms".

Tākupu | Comment

What does this mean for New Zealand?

- A discussion closely related to CAP reform (and the gradual rollout of the Green Deal's Farm to Fork and Biodiversity initiatives) is how to **protect EU farmers from potentially unfair, less regulated imports** from countries with laxer rules around, for example, deforestation, chemical use and child labour – so-called trade safeguard amendments.
 - The European Parliament had initially sought through the CAP reform for imports to follow EU food production standards, including health, environmental and animal welfare standards, but the Council and Commission have steered this towards seeking to **harmonise standards "within the framework" of World Trade Organization rules**. A draft statement to this effect reads: "Given the importance of its market in international trade, the European Union can use its leverage capacity to raise health and environmental standards globally...".
 - The Commission is set to report in 2022 on how it will do this, or on **"the rationale and legal feasibility of applying environmental, health and animal welfare standards [as well as processes and production methods] to imported agricultural and agri-food products"**. France, who holds the rotating Council presidency in the first half of 2022, is expected to advance this 'level playing field' or 'mirror' clause.
 - Some farming groups are unequivocal about their expectation that imports should meet prescribed EU standards (i.e. the same not equivalent standards) and have expressed scepticism that WTO discussions would yield any results on this front. For this reason, and because the proposed Carbon Border Adjustment Mechanism will not apply to agriculture, they see restricting 'non-compliant' imports as ultimately the only solution.
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