

# THE CAP REFORM

September 2020



*The EPP Group is and will continue to be the voice and defender of European farmers and our rural communities. We see agriculture as a **strategic sector**. We believe in a multifunctional, Common Agricultural Policy centred on family farms across Europe that enables farmers to do what they do best: produce the high quality food that we are famous for. Our political group stands for a diversified, competitive sector that produces safe, high quality food in sufficient quantities, while responding to legitimate societal concerns about the environment, climate change and animal welfare. We must tackle these challenges together with our farmers by supporting sustainable production patterns and providing incentives to contribute to climate, biodiversity and environmental goals.*

## 1. Green Architecture, Global Environmental Budget

The green architecture debate is of great interest to society, is being followed closely by the media and is highly contentious. It is therefore important to find a balance between societal demands, a high level of ambition for the climate and the environment as well as defending farmers' interests. The Global Environmental Budget (**GEB**) would have such a balancing effect in this debate.

As an innovative approach, this concept did not figure in the votes in the Committee of 2019. A national strategic plan will provide a coherent whole, comprising interventions and funding under both pillars. Deciding, through the GEB, upon a single percentage for the overall CAP Strategic Plan dedicated to environmental

and climate objectives is a logical solution. Member States would be able to use the GEB to contribute to the achievement of the environmental and climate objectives of Article 6 in a flexible way and tailored to their conditions and needs.

The GEB is an opportunity to reach a compromise on the financial allocation of environmental and climate-related measures - an aspect that will play a role in the public evaluation of the agricultural reform. Another advantage of the GEB is that the way in which the national envelope is distributed across the two pillars (= distributive justice) becomes irrelevant, since each Member State must represent the same overall percentage across both pillars.

The following interventions should be counted under the GEB:

- > 5% compulsory ecological focus areas (Pillar 1);
- > eco-schemes (Pillar 1);
- > protein crops (Pillar 1);
- > beekeeping sector and the environmental components of operational programmes in the other sectors (Pillar 1);
- > Agri-environmental sustainability climate mitigation and adaptation measures and other management commitments (Pillar 2);
- > Natural or other area-specific constraints (Pillar 2);
- > Area-specific disadvantages resulting from certain mandatory requirements (Pillar 2);
- > EAFRD interventions of all types addressing the specific environmental and climate-related objectives set out in points (d), (e), (f) and (i) of Article 6(1) (Pillar 2);
- > expenditure on farm advisory services aimed at improving environmental and climate performance (Pillar 1 and Pillar 2).

In the interests of simplification, there should be no different weighting of the individual interventions. The Basic Income Support for Sustainability (BISS) shall not be part of the GEB, except for the 5% of arable land where non-productive features or areas where no pesticides and fertilisers are used are obligatory under conditionality (the former ecological focus areas).

We support a figure of 30% for the GEB.

To avoid the danger of “emptying the 2nd pillar”, at least 30% of Pillar 2 expenditure must be dedicated to climate and the environment. This would also eliminate the need for a mandatory allocation in percentage terms for first pillar interventions.

The financial transfer between the two pillars also plays an important role. Money that is transferred from Pillar 1 and Pillar 2 remains free of co-financing obligations.

The question of which requirements are covered by **conditionality** will continue to be a highly controversial political issue. Elements such as the Farm Sustainability Tool for Nutrients (FAST) or a minimum percentage for non-productive land going beyond the obligation on farmers already present under conditionality rules should be covered by **eco-schemes**.

We support a target of 8% for ecological focus areas (non-productive features or areas where no pesticides and fertilisers are used) at Member State level. 5% should be mandatory for farmers in general while allowing flexibilities under the existing Greening rules. The rest should be mandatory for Member States and be achieved by incentives.

Member States are obliged to make eco-schemes attractive to encourage strong farmer uptake. Money not used for this purpose should be redistributed to other Member States. If it is decided to not go for a global environmental budget, money not used in eco-schemes can be made available for environmental measures in the second pillar.

### What should the eco-schemes ‘menu approach’ look like?

To preserve and strengthen the commonality of the CAP, the Commission should be empowered to adopt a delegated act establishing a Union catalogue of practices complying with the rules that are set in the basic act. Member States shall

establish a national list of practices eligible for the eco-schemes, drawing from the afore-mentioned Union catalogue.

**ANNEX III**, which sets out the technical requirements which must be fulfilled under conditionality (GAECs and SMRs), as adopted in the Agriculture and Rural Development Committee (AGRI), should be retained in substance. In the interests of maintaining the commonality of European agricultural policy, Member States should not be given the option of including additional requirements in conditionality. Higher requirements should be compensated for in the eco-schemes.

The combination of eco-schemes and conditionality within the framework of “**enhanced eco-schemes**” is to be advocated in the interest of simplification. Because eco-schemes have a higher level of ambition, there is no need for a “double-checking” of these measures within the framework of conditionality.

## 2. The social dimension in the CAP

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EU funds should only be given to recipients who respect legal forms of employment. Other groups want to include employment legislation in conditionality to ensure that CAP support is not paid to farmers who employ workers illegally. It is not the task of European agricultural policy to implement national social policy; that is the sole responsibility of the Member States. Therefore, the disbursement of CAP funds cannot be linked to national labour or social legislation. Nevertheless, the agricultural sector also has a social responsibility to end illegal employment, respect legal labour standards and to protect seasonal workers. Farmers and agricultural enterprises that illegally employ workers shall not receive direct payments.

## 3. Climate

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We support that 40% of the CAP should be used for climate measures. The definition must be clarified. We also welcome interventions for supporting the protection and restoration of wet- and peatland. We strongly support the idea of encouraging the production and consumption of European agricultural produce which contributes to a healthy lifestyle, such as by

urging Member States to make use of more targeted VAT rates for fruit and vegetables, amongst other products.

## 4. Antimicrobial resistance

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We need to combat antimicrobial resistance and facilitate the necessary reduction in the use of antibiotics. The CAP must provide incentives to support farmers in achieving this goal.

Early action needs to be rewarded.

## 5. Support for grassland

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Member States should have the possibility to support grassland more intensively either via first pillar payments or attractive programmes in Pillar 2 and ask Member States to look at this option in line with their national climate targets. In any case, permanent grassland shall not receive less direct payments than the national average of BISS payments. Grassland helps to protect biodiversity and mitigate climate change. Support should be less bureaucratic, for example, when, for biodiversity reasons, some plants co-exist in grassland.

## 6. Link to Farm to Fork Strategy

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The principles of the **Farm to Fork and Biodiversity Strategies** have to be assessed carefully. If possible, additional administrative burden for farmers after the agreement of the new CAP should be avoided. It is more useful to urge Member States to properly define eco-schemes and Pillar 2 programmes in their National Strategic Plan. Nevertheless, if farmers are confronted with additional requirements, Member States must provide additional financing.

## 7. Capping, Degressivity, Redistribution

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To ensure a fairer distribution of CAP funds, the AGRI Committee has limited itself to two instruments: The **reduction of payments** (hereinafter referred to as “capping”) and the **redistributive payment**. The **degressivity** proposed by the Commission has been removed from the text.

At least 5% of the Member States’ direct payments envelopes is to be allocated to the redistributive payment. A cap is to be applied for an amount received above €100,000/farm, after deduction of the expenses for eco-schemes, young farmers and 50% of labour costs.

If 10% (i.e. 5% more than what is mandatory) of the national envelope is used as a redistributive payment, a Member State can decide against capping. The advantages of the redistributive payment are that it is unbureaucratic, impossible to circumvent through legal “creativity”, comprehensible and benefits smaller farms.

We support the AGRI position but with an increase in the minimum mandatory redistributive payment to 7% and to 12% to not apply capping.

## 8. Active Farmer

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We need to avoid financing for business models where the recipient of the subsidies has no particular link to his farm except the revenue. We support the compromise text being reached at shadow level that asks that at least a minimum of agricultural activity must be carried out. We urge the Member States, under the surveillance of the Commission, to present a negative list of recipients of direct payments being excluded from the receipt of direct payments. In addition, where a holding that benefits from CAP payments is part of a larger, primarily non-agricultural structure, this must be transparent.

## 9. CAP strategic plans, performance monitoring and control systems

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We support the intention to simplify and modernise the CAP for the economic benefit of farmers and to meet citizens’ expectations by establishing a programme design via CAP strategic plans and introducing a realistic results-based performance framework. We emphasise that such proposals should not lead to a partial renationalisation of our agricultural policy and jeopardise the financial credibility of the CAP expenditures. We defend therefore maintaining common rules, a set of interventions and control systems at EU level to avoid distortions, diverging national practices and ensure equality of treatment between farmers.