

**Towards a post-2020 CAP that supports farmers and delivers public goods to Europeans**

Avoiding a race to the bottom - An ambitious and better targeted CAP

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## Summary of IFOAM EU's CAP recommendations:

- Set mandatory minimum expenditure in each CAP Strategic Plan of 70% for the environment and climate;
- Strong governance rules that counterbalance the new flexibility given to Member States
- Eco-Schemes to be better defined, including their ambition and eligibility criteria;
- All payments under both pillars that facilitate the delivery of public goods for the environment, climate and animal welfare to be delivered as an incentive, and not as lost revenue;
- Extend the list of indicators using existing EU requirements (e.g. statistics collected), the European Commission should make a full evaluation to update the indicators list by 2024;
- Risk Management Tools to be voluntary for Member States and have lower co-financing rates;
- Keep the CAP budget at least at current level and set it in constant prices accounting for inflation.

## The need for a new CAP beyond 2020

Europe's farming sector is facing multiple challenges in the form of environmental degradation and loss of fertility due to unsustainable practices, change in climate patterns, increasing market volatility for agricultural products and a steady decline of the rural working population. In this difficult context business as usual is not an option. A transformative approach is needed to ensure the long-term environmental, economic and social sustainability of agriculture in the European Union (EU).

The Common Agricultural Policy (CAP) can be a decisive tool to trigger this transformation towards sustainability. Certain instruments of the current CAP are helping European farmers to make progress towards more sustainable farming, such as the measures for organic farming conversion and maintenance among other successful provisions of the Rural Development Programme. Nonetheless, most CAP payments are granted to farmers as income support for fulfilling the policy's minimum conditions, resulting in an untargeted public policy that supports the status quo, and with it short term economic gains at the expense of long term sustainability.

**IFOAM EU firmly stands for the principle that public money has to deliver public goods for all Europeans** (see [vision paper on the CAP](#)). The CAP stands at a crossroads, where on the one hand farmers face mounting challenges and on the other public opinion is more critical about how public money is spent. In this difficult context, and at peril of losing relevance, the CAP needs an ambitious shift to support the agricultural system of tomorrow.

This paper lays the position of IFOAM EU for the revision of the CAP for the period of 2021 to 2027, based on the European Commission's proposals for the CAP from June 2018, as well as the relevant provisions of the proposal for the EU's Multiannual Financial Framework (MFF).

## Strengthening a results-oriented CAP

IFOAM EU's long-term vision for the year 2034 is to mainstream the use of public money for public goods in the entire CAP architecture. By then, the policy should consist of a single pillar with its budget fully oriented to promoting agroecological outcomes via:

- public goods payments for a range of environmental and socio-economic services performed at farm level (100% EU financed) representing 80% of the overall EU budget;
- complementary supporting measures (co-financed) accounting for the remaining 20%.

With this long-term aim in perspective, IFOAM EU welcomes the post-2020 CAP proposal, which could potentially offer a framework to design better targeted agricultural measures, in particular through **the New Delivery Model founded on a results-based approach and the possibility to design the CAP to match a country's specific context**. Moreover, the CAP's green architecture is enhanced with the strengthening of the current cross-compliance rules and with the creation of **Eco-Schemes under the 1st pillar**, while the successful **Agri-Environment measures under the 2nd pillar** are kept. But this new delivery model will only deliver for the environment if the increased flexibility for Member States is balanced with safeguards – including more ambitious ringfencing for the climate and the environment across the two pillars- as well as strong governance and accountability rules. The increase in voluntary instruments to support the environment and climate under both pillars is welcomed by the organic sector, as it gives farmers more choice on how they deliver public goods to Europeans, thereby encouraging their entrepreneurial ambition. The main obstacle to reach a more sustainable CAP is the proposal's unambitious frame for National Strategic Plans with nearly no money ringfenced for public goods delivery, making such payments mostly voluntary for Member States.

The co-legislators with the support of the European Commission should build upon the proposed New Delivery Model and strengthen it. Eco-Schemes are an important new tool, but the definition remains too vague, as do the types of agricultural measures or systems that can be covered or the level of ambition to be expected. **Clearer criteria should be defined for Eco-schemes, including its differentiation from enhanced conditionality rules and how it complements Agri-environment measures in pillar two to avoid misapplication of EU double funding requirements**. This principle should be applied in a smart way to ensure that its essence is respected while at the same time synergies between different CAP instruments are not blocked. As an example, organic farming conversion may be financed under Agri-Environment measures as is the case today, while organic maintenance could be covered under Eco-Schemes, where both interventions run in parallel without falling under double funding.

The proposal's flexibility for Member States to move money from the 1<sup>st</sup> to the 2<sup>nd</sup> pillar is welcome. Countries should be allowed to move a larger share of the CAP budget to the 2<sup>nd</sup> pillar, but they should not be able to go below the amount allocated for Rural Development in Annex IX, which guarantees the continuation of essential programmes for the modernisation of the farming sector. Rural Development has so far been CAP's backbone when it comes to supporting environmental ambition in farming. Yet as the Commission proposes to raise the minimum requirements under enhanced conditionality, there is a risk that many farmers will stick to the bare minimum rather than to change their farming practices. To avoid this, incentives in Rural Development should be made more attractive for farmers who want to go further. The most effective way to achieve this is **to no longer apply the principle of "costs incurred and income foregone" and instead give an additional incentive under Rural Development to farmers that make efforts towards the environment, the climate and animal welfare**. In addition, there should be a clear mention in the new CAP for Rural Development to support recognised European Quality Schemes by covering (where relevant)

certification costs and information about these schemes. This support has been crucial in enabling farmers to convert to organic as well as other certification schemes, therefore the new CAP should list this key measure.

**The list of indicators in the new CAP proposal is a good starting point, but it should be improved to set the basis of a successful results-oriented policy that depicts as much as possible the complexity of Europe's socio-economic and environmental situation.** The output indicators for setting up the interventions are particularly vague and more a list of existing measures, rather than offering new possibilities for payments for delivering public goods (e.g. payment interventions restoring CO<sub>2</sub> in the soil). Existing EU requirements and statistics of relevance to the CAP general and specific objectives should be closely evaluated and integrated where possible to the indicator's annex before the new Regulation enters into force. Additionally, the European Commission should have the possibility to introduce new indicators via delegated powers and be required to carry out a full evaluation to be presented before 2024 with the purpose to identify and develop new indicators for the following CAP programming period. The results-based approach should be constantly updated and rely on increasingly stronger data collected at EU level.

## Dealing with root causes rather than symptoms – Risk Management should be voluntary

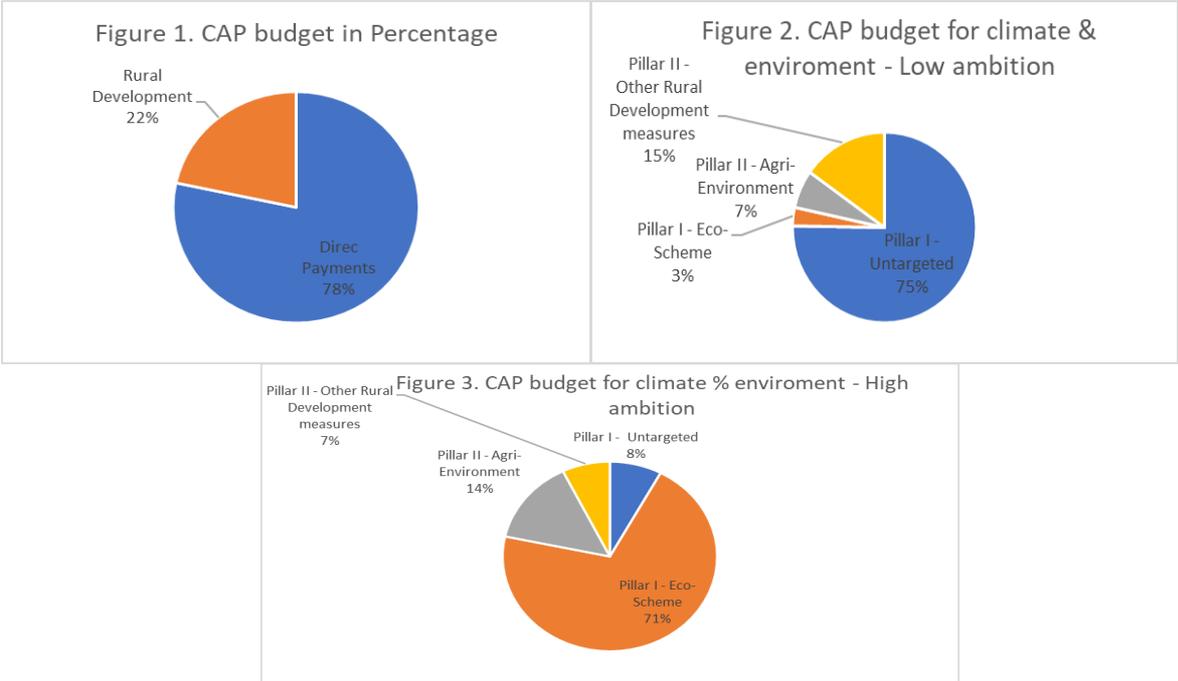
IFOAM EU disagrees with the proposed mandatory requirement for all Member States to introduce Risk Management measures such as insurance schemes for farmers. In first line, this will create more competition for limited CAP pillar 2 funds as it turns banks and insurance companies into eligible CAP recipients. This will further reduce the reach of Rural Development Programmes. More importantly, these insurance schemes run the risk of assisting mainly farmers that put themselves under disproportionate risk in the first place by not taking steps to improve their resilience, such as rotating crops, increasing organic carbon and covering their soil from erosion. Instead of using money to fix the damage of natural disasters and market shocks, the second pillar should invest in prevention by supporting the resilience of farmers in the long term. **Therefore, IFOAM EU recommends making the Risk Management Tools voluntary for Member States.** The EU maximum co-financing rate under pillar 2 for insurance schemes should be lowered.

## Avoiding a race to the bottom - An ambitious and better targeted CAP

Eco-Schemes allow for the first time to support a wide range of voluntary climate, animal welfare and environmental interventions under the 1st pillar of the CAP. This is important because that is where most of the budget is, with the proposal attributing 78,4% of the total EU CAP budget to the 1st pillar and remaining 21,6% to the 2nd pillar (see Figure 1). This evidences the intention to move away from a system based on income support to compensate farmers, towards a framework that rewards them for voluntarily going beyond the minimum environmental requirements. This allows farmers to choose between either getting more support to produce food and public goods for society, or instead focusing on productivity and getting less support.

At the same time, the proposal fixes no minimum or maximum thresholds for Eco-Schemes, and Agri-environment measures have a minimum budget of 30% in pillar 2. This means that in theory a

Member State may choose a low ambition strategy and dedicate as little as 10% of its CAP allocation to environmental measures (see Figure 2) and another may place 85% or more on the environment (see Figure 3). This creates a big imbalance to the CAP design and a foreseeable source of tension between Member States. Faced with the risk of losing competitiveness to its neighbours, a country is likely to protect its farming sector by lowering its environmental ambition. This prisoner’s dilemma at the time of drafting the CAP Strategic Plans brings the very high risk of having a race to the bottom for the environment and climate objectives. The most effective way to avoid this negative incentive is to set the bar high. **IFOAM EU strongly encourages to set a mandatory minimum requirement for each CAP Strategic Plan of least 70% on the climate, environment and animal welfare.** Member States should be free to decide on the share of 1st and 2nd pillar money going to the environment and climate objectives and the weight between the pillars, as long as 70% of their total national envelope is dedicated to them.



Source: IFOAM EU own calculations using MFF budget distribution for both pillars.  
Assumptions: Figure 2 for a low ambition scenario assumes that 4% of Pillar I goes to Eco-Schemes and minimum 30% of Pillar II to Agri-environment measures; Figure 3 for a high ambition scenario takes 90% of Pillar I for Eco-Schemes and 66% of Pillar II to Agri-Environment.

The transformation of the CAP to protect the environment, climate and its other important socio-economic objectives needs sufficient funding. The drastic cuts proposed in the MFF budget proposal can only exacerbate an already dire situation for the farming sector, which can already be seen today. Therefore, IFOAM EU firmly asks Member States to consider the risks of making such cuts, particularly for the 2<sup>nd</sup> pillar. **Instead, the post-2020 CAP budget should at the very least be maintained at the current level, where possible it should be extended to further develop sustainable agriculture and strengthen the social fabric of rural communities.** Moreover, it is essential that the budget comparisons refer to “constant prices” (integrating inflation) and not “current prices” as it was presented. Having a well-targeted and sufficiently-funded CAP are two necessary preconditions to transform Europe’s agricultural sector and make it fit for the next decades.