THE FUTURE OF FOOD AND FARMING: EU AND THE CAP

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#FutureofCAP
The Future CAP in a nutshell
THE FUTURE CAP PRIORITIES AT A GLANCE

- Simplification and modernisation of the CAP
- Support to the development of a knowledge-based agriculture
- Higher ambition on environment and climate action
- A fairer and more effective distribution of support across MS and farmers
- A more balanced way of working together
HOW MUCH: CAP BUDGET IN PERSPECTIVE (current prices)

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Source: EC-DG AGRI.
Note: Budget figures are actual until budget year 2016, programmed from 2017-2020, and based on the MFF proposal for 2021-2027.
WHY: LESSONS LEARNT FROM ASSESSING THE CAP

Analysis and wide public consultation confirm major achievements of the CAP...

- Increase in EU competitiveness turned the EU into a net agro-food value-added exporter
- Positive impact on jobs, growth and poverty reduction spread in all EU rural areas
- Relative income stability within a very volatile farm-income and commodity-price environment

...but analysis and public opinion also reveal shortcomings to be addressed...

- Despite progress, the environmental performance of EU agriculture requires improvement
- Productivity growth is mainly driven by labour outflow and less by R&I or investment
- Equity, safety net and simplicity questions persist despite CAP efforts to address them

...in a changing broader environment within which the CAP operates

- Expectations about the level of agricultural and commodity prices changed from CAP post-2013
- The world trade environment has shifted from multilateral to bilateral/regional agreements
- New climate change, environmental and sustainability commitments stem from COP21 and SDGs
WHERE DO EU FOOD MARKETS GO?

What are the main trends in EU food markets?

• Increasing share of value-added exports, but domestic market still dominates EU production (90%)
• Arable crop production stable in land use, but with mixed risks and opportunities on productivity
• Livestock sector more challenged as a result of demand shifts, trade negotiations and diseases

What has changed in the food security debate?

• What to feed the world with? Food demand patterns change within a growing obesity/hunger paradox
• At what price to feed the world? Changing price patterns and the (uneven) distribution of benefits
• At what environmental cost to feed the world? Increasing pressures on resources and climate change

Is climate change the catalyst for sustainability?

• Challenge now widely recognized, thus adaptation strategies and best practices could gain momentum
• Strategies addressing diverse climatic conditions spread innovative solutions across the globe
• But mind the emerging gaps - on knowledge, technology and perceptions about science
Achievements and challenges at a glance
EU 28 AGRI-FOOD (2005-17)

EU agricultural exports and imports 2005-17 (in billion €)

- Commodities
- Other primary
- Processed (incl. wine)
- Food preparations
- Beverages
- Non-edible
- Balance
THE NEED TO DO MORE ON CLIMATE AND ENVIRONMENT

Reduction in environmental impact indicators (2010=100)

Source: Eurostat.
COMMODITY PRICE WAVES (REAL PRICE INDICES)

WORLDWIDE EXTREME WEATHER EVENTS

Natural catastrophes worldwide - number of events

Meteorological events: Tropical storm, extra-tropical storm, convective storm, local storm
Hydrological events: Flood, mass movement
Climatological events: Extreme temperature, drought, forest fire

Source: © 2017 Münchener Rückversicherungs-Gesellschaft, Geo Risks Research, NatCatService (January 2017)
CAP objectives and priorities
WHAT FOR: THE NEW ARCHITECTURE OF CAP OBJECTIVES

**BROADER CAP OBJECTIVES**

- **FOSTER A RESILIENT FARM SECTOR**
- **BOLSTER ENVIRONMENT AND CLIMATE**
- **STRENGTHEN FABRIC IN RURAL AREAS**

**SPECIFIC CAP OBJECTIVES**

**Economic**
- Ensure fair income
- Increase Competitiveness
- Rebalance power in food chains

**Environment & Climate**
- Climate change action
- Environmental care
- Landscapes and biodiversity

**Social**
- Generational renewal
- Vibrant rural areas
- Food and health quality

**CROSS-CUTTING CAP OBJECTIVES**

**Sustainability**

**Modernisation**

**Simplification**
**WHAT FOR: PRIORITIES OF THE FUTURE CAP**

**Strengthening environment and climate action**
- **EU** sets wide objectives and list of available types of intervention on air, water, soil, biodiversity
- **MS Strategic plans** define the pertinent actions to meet EU objectives based on MS specific needs
- Farmers apply for schemes and comply with stringent environmental criteria defined by EU/MS

**Better targeting of support**
- **DPs** provide an important safety net for farm income lagging behind the rest of the economy
- Better targeting of income support improved with internal convergence and redistributive payments
- Fairer distribution is improved with digressive cuts above 60 000 € and capping at 100 000 €

**Relying more on knowledge, innovation and technology**
- A better link of what we know to what we grow is promoted by the use of smart agriculture
- Anticipating future knowledge needs promoted with more funding for research to address them
- Exchange and knowledge transfer relies more on improved functioning of the FAS/EIP Systems
HOW: THE NEW DELIVERY MODEL OF THE CAP

EU

- EU Specific objectives
- Set of common Indicators
- Broad types of interventions

MEMBER STATES

- Identification of needs in MS's CAP Plan
- Tailor CAP interventions to their needs
- Implementation / Progress towards targets
### Agriculture and Rural Development

#### Common Output Indicators

**Annual Performance Clearance**
- Linking expenditure to output

#### Common Result Indicators

**Annual Performance Review**
- Checking progress towards targets

#### Common Impact Indicators

**Interim Evaluation**
- Assessing performance towards objectives

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**Multi-annual programming approach for the whole CAP**

**COMMON OBJECTIVES**  **INDICATORS**  **TYPES OF INTERVENTIONS**

**Assurance**

- Annual Performance Clearance
  - Linking expenditure to output

**Monitoring**

- Annual Performance Review
  - Checking progress towards targets

**Policy performance**

- Interim Evaluation
  - Assessing performance towards objectives
IMPACT ASSESSMENT: ITS CONCLUSIONS AT A GLANCE

Redistribution and better targeting of support: income effects

• Income effects are asymmetric with respect to farm size and sector affected
• Both cuts and the distribution of support matter, negatively impacting short-run competitiveness
• Flexibility in redistribution of support crucial in mitigating potentially negative income impacts

The dilemma of raising environmental ambition: mandatory or voluntary?

• Voluntary measures increase flexibility and improve targeting, but introduce uncertainty in ambition
• Mandatory measures increase area coverage and improve ambition, but are by design less targeted
• The right balance, based on needs and evidence, requires appropriate administrative capacity

Risks and mitigating factors: impact on modernisation and simplification

• Challenges at the EU level: Simplification of legislation and approval procedures of Strategic Plans
• Challenges at the MS level: Evidence supporting a needs-based approach for Strategic Plans
• Challenges at the farm level: Better link to advice and faster integration into Farming 4.0 realities
REPORTS AND MORE INFORMATION

On MFF Material
http://ec.europa.eu/budget/mff/index_en.cfm

On CAP legislative proposals, Impact Assessment and Background

Thank you for your attention!