Slicing the "C", regressing the "A", diluting the "P": the CAP deserved better...

Tassos HANIOTIS
Senior Guest Research Scholar, IIASA; Special Advisor for Sustainable Productivity, ForumForAg

When it comes to the impact of the Commission's Multiannual Financial Framework (MFF) proposal on the Common Agricultural Policy (CAP), the devil is out there in the open for all to see – in the lip-service paid in addressing the most serious dual challenges of food security and climate change that global agriculture faces, in the abandonment of the market orientation that characterised the CAP for more than two decades, in the treatment of the CAP as a social policy for the "most-in-need", in the absence of any analysis accompanying the proposal; the list could go on...

In this article **(accessible in full on LinkedIn)** I will focus on the big picture emerging from the CAP proposal – the increasing gap between the policies needed to address the challenges faced by EU agriculture and the solutions chosen by the von der Leyen Commission.

1. A more "impactful" CAP but in which direction?

The MFF CAP proposal looks like reform, screams it is a reform, but is far from a reform– it falls short in meeting every single objective of Article 39 of the Treaty that the CAP is meant to serve. It is a recipe for policy disaster.

With its proposal the Commission **will impact** (in a way that it did not even attempt to analyse) **land asset values close to 2 trillion euros.[i]** The least this would merit is some sign that the stakes and risks are at least understood. **Farm income** is not uniform in evolution, but its aggregate growth, always volatile in the case in farming, **has been on a clear upward path with, and because of, the exact opposite of the proposed policy design** – based on a constant budget and decoupled support as a safety net. While Member States are allowed to compensate for losses of farm income with national aid (state aid rules have significantly been relaxed in recent years), this was not what Article 39 implied. Neither is the very different budgetary space each Member State has available for state aids a reflection of a policy whose focus is EU-wide.

The **second negative impact** would be on **productivity growth**. In our days such growth can only be sustainable, combining the economic and environmental aspects of daily farm activities. Yet **the abandonment of any common basic conditionality elements linked to land management**, leaving to Member States responsibility to introduce what they consider as pertinent, will not only remove any possibility to assess at EU level the "commonality" of policy impact, but **will reduce incentives** to promote a clear orientation towards simultaneously increasing yields and reducing environmental footprint, thus contradicting the fundamental basic EU priorities on climate-linked carbon farming – unlike the claim of the proposal's narrative.

The **third negative impact will be on upward pressure on food prices**. The Commission here repeats the mistake of the (forgotten) Farm-to-Fork strategy by considering that reducing supply (the combined effect of the above two impacts) will in some magical way not affect food prices because changes in consumer patterns will do the job of keeping prices low. This will simply not happen. **The continuation of the very positive initiatives of DG AGRI to address food inflation and food chain bottlenecks is thus undermined by the proposals that pit the reality of reducing supply against the hope of doing the same with demand** (and all this at EU level, disregarding the global impact stemming from a large exporter).

2. It's not just about "how much", but what you do with it that matters – where is the "C"?

There was a time **in the past** when the CAP was based on price support, in an EU with less Member States, but still **with diversity** in its agriculture, as is the case today. At that time, the same support (intervention) price applied to all, despite huge differences in the domestic price of the supported commodity (be it cereals, beef, dairy, fruit or vegetables). These differences were turning even larger if one were to take into account artificially converted exchange rates ("green ECUs"). Yet, despite this reality, **nobody claimed** at the time **that the CAP was not a Common policy for a very simple reason – the commonality in the basic, fundamental principles of its policy design.**

3. Agriculture needs a boost in its forward-looking transformation – yet it gets a reversal

The relevant question to pose is whether the Commission still considers EU agriculture as a contributor to the world food system and its needs or not in terms of its policy design. The recently published 2025-2034 OECD-FAO Outlook once more reconfirm in unambiguous terms the challenges that global agriculture already faces and will increasingly do so in the years ahead - namely the need to increase productivity and do so sustainably.[ii]

Whether the CAP strengthens its orientation towards better addressing this need will be judged by policy choices, not claims. Unfortunately, the new orientation presents a clear reversal with respect to previous choices.

4. Where is the "P"?

Whichever transition path for the future of the CAP is chosen, whichever redistribution key for the budget and for farms is chosen, area-based payments could support the necessary path to deliver CAP objectives. They will become sufficient only when distributed on the basis of criteria that reflect the opportunity costs of land, labour and environment.[iii]

The necessary **data** to do so **exist** to a large extent, at least to the extent that is required **to start a process of CAP evolution towards a policy reflecting both the need to address the challenge of sustainable productivity growth and the reality that farm decisions jointly determine their economic and their environmental output – why should policy split them?** The **political will** to do so **is absent**, and the CAP proposal is the best reflection of this.

Member States get what they want, the freedom to essentially run their agricultural policy as they please, with the Commission abandoning the leadership role it had in all previous reforms of the CAP. Whether EU agriculture gets what it needs will be at the core of the policy debate in the months to come.

---

[i] The latest (2023) Eurostat figures indicate an average price of 11800 euros per hectare in the EU, with 157 million hectares allocated to agriculture. Of course, price range significantly between and within Member States.

[ii] https://www.oecd.org/en/publications/oecd-fao-agricultural-outlook-2025-2034_601276cd-en/full-report.html

[iii] More on my LinkedIn profile: https://www.linkedin.com/in/tassos-haniotis