

# Future farming policy

Common Agricultural Policy 2021 – 2027 | June 2018

The European Commission's draft legislative text includes capping of payments and major cuts to environmental and rural development spending.



The European Commission has published its legal document on EU farming policy and support after 2020; this sets out in legal terms the proposals that were published in November. The proposals are still open to negotiation and change so do not treat them as definitive, and also the budget is still to be finalised. One of the main changes claimed by the EU Farm Commissioner is a shift from 'rules and compliance' to 'results and performance'. We will wait and see. ***These changes are important to the UK as it is still unclear when a British farming policy will apply from, given major uncertainties remaining in the UK-EU withdrawal negotiations, and so we may have to comply with these rules until our British policy is ready. The main points are:***

## CAP Strategic Plans

- There will be greater power for Member States to design their own policies, under both Pillars 1 and 2 (see below). However, this must be done within a common framework, with each country producing a 'CAP Strategic Plan', which sets out how it will meet nine EU-wide objectives:
  - Support viable **farm incomes** to support food security.
  - Increase farm **productivity**, enhance market orientation and increase competitiveness; this will be supported by a greater focus on **research**, technology and digitalisation.
  - Improve farmers' position in the **value chain**.
  - Contribute to **climate change mitigation**, adaptation and generation of sustainable energy.
  - Foster **sustainable management of water, soil and air**.
  - Contribute to the protection of **biodiversity** and enhance ecosystem services.
  - Attract **young farmers** and encourage business development in rural areas.
  - Promote **employment, growth, social inclusion** and local development in rural areas, including sustainable forestry.
  - Respond to societal demands on **food and health**, including safe, nutritious and sustainable food, animal welfare, **limiting antibiotic use, sustainable use of pesticides** (based on a common set of impact and output indicators).
- Each CAP Strategic Plan will be approved by the EU and regularly monitored, as is currently done.

## Direct payments

**(Pillar 1 – proposed budget €265bn, a cut of @ 11% in real terms (based on 2018 prices))**

- Introduce a **compulsory €100,000 (£87,000) ceiling on direct payments** per beneficiary per year; there will be an adjustment for the amount of labour a farm uses to avoid negative impacts on jobs. It is unclear whether the EU will introduce anti-avoidance measures to stop splitting of farm businesses.
- **Reductions in payments** from €60,000 upwards (this is often called degression), of 25% lower payments for the tranche between €60-75,000, 50% lower between €75-90,000, and 75% lower between €90-100,000. All cut payments will be redistributed within each Member State, to support small and medium sized farms which remain 'at the heart of the European family farm model'.
- **Small farmers** will receive an annual lump-sum and not have to complete a claim form, to simplify administration. Member States will decide how to categorise what is a small farm.
- **Young farmers** may get an additional top-up, including an 'installation allowance' of up to €100,000. There will also be support for mentoring of young farmers by older ones, improving inter-generational knowledge transfer or developing succession plans. Member States will also be encouraged to increase access to land for young farmers through more flexible rules on taxation, land law and inheritance.

**Environment and rural development****(Pillar 2 – proposed budget €79bn, a cut of @ 26% in real terms (based on 2018 prices))**

- The EU claims that **40% of the total CAP budget will contribute to ‘climate mainstreaming’**, which means environmental and climate change actions.
- **Greening is scrapped and replaced with ‘enhanced conditionality’**, which means some elements of greening plus new rules, including mandatory nutrient management plans, crop rotation instead of crop diversification and preserving carbon-rich soils, wetlands and peats.
- A new **‘eco-scheme’** under Pillar 1 to reward farmers who go beyond standard environmental management. It will be a payment per hectare per year. Sounds like Entry-level Stewardship.
- Member States will be able to use their own money to increase spending on rural development to offset the cut in the EU spending on rural development (cut from @€90bn to @€79bn post-2020).
- At least **30% of rural development must be spent on the environment, climate or biodiversity**. There will be a financial performance reserve of up to 5% to reward Member States that meet their climate, environment and biodiversity targets.
- At least 5% of rural development must be spent on **LEADER**, which is community-led local development.
- **Risk management** tools must be used by Member States, through an EU-wide platform that could include financial contributions to insurance premia and mutual funds for both production and income risks. Member States can also transfer 3% of Pillar 1 funding to risk management tools for sectors that currently don’t have Common Management Organisations (CMOs).

**Other issues**

- **Transfers between pillars:** Member States will be able to transfer up to 15% from one pillar to the other, plus an additional 15% from Pillar 1 to Pillar 2 for spending on climate and environment measures.
- **Research:** there will be an additional €10bn for research and innovation in food, farming and rural development through the EU’s Horizon Europe research programme. This is one of the biggest increases in spending that is proposed.
- **Farm advisory services:** each Member State must make this service available to farmers to help them deliver any requirements related to the national CAP Strategic Plans.

**Overall budget for 2021-27**

	<b>Total over 2021-2027 (seven year period)</b>	<b>% cut in real terms (based on 2018 prices)<sup>1</sup></b>
<b>Direct payments</b>	€265bn	-11%
<b>Rural development (EARFD)</b>	€79bn	-26%
<b>Market support measures (EAGF)</b>	£20bn	
<b>Total CAP budget</b>	£365bn (This is 28.5% of the overall EU long-term budget)	-15% (Or -5% in current prices, which is how the EC usually presents it)

- Equalising direct payment levels between Member States: the long-term policy of making payment levels per hectare more equal continues, with the aim of closing the existing gap by 50% by 2027.

<sup>1</sup> Percentage figures based on Professor Alan Matthews’ calculations, 2 May 2018, who makes the excellent point that the ‘slow squeeze on Pillar 2 while Pillar 1 direct payments are (relatively) protected does not square with the Commission’s rhetoric that the next CAP will require a higher level of environmental and climate ambition.’

## Reactions

Predictably, the proposals have not been well received, with farming bodies criticising any erosion of farm incomes and environmental bodies saying it lacked ambition.

The EU farm body Copa-Cogeca said it wanted real simplification of the rules, no renationalisation of the policy and no capping or reductions (degression) of payments. It also opposes the ring-fencing of a high proportion of Pillar 1 payments for climate change objectives.

The body that represents the organic sector in the EU (IFOAM EU) was more positive, saying that it welcomed payments by results, more ability to tailor policies to national circumstances and ring-fencing of money for 'eco-schemes' and agri-environmental measures. BirdLife described the proposals as 'CAP greenwash 2.0', with too weak environmental accountability for Member States which will encourage a 'race to the bottom'. Other environmental groups said the protection for healthy food and biodiversity was too weak and criticised the 26% cut in spending on Pillar 2, which includes the bulk of targeted environmental spending.

## What can farmers do now to prepare?

When the UK Government published its consultation, called Health and Harmony, on the future for food, farming and the environment, in March, we set out five broad principles that businesses should consider in order to ready themselves. We have updated them following the EC's proposals:

1. People make the difference – so ensure that managers and staff have agreed a strategy for the business, based on critical reviews of how it is performing now and what the opportunities for improvement are. There is a clear link between successful businesses and highly skilled people; not all businesses have the right people, skills, drive and vision, in which case they should explore options to invest in training to inspire the current team or bring in the right staff.
2. Farm as efficiently as possible; the top 25% businesses are less reliant on direct payments and more resilient to volatility. Farmers should continue to look for ways to improve their farming systems, in terms of outputs and markets for their products, variable and fixed costs.
3. Take your approach to environmental management as seriously as your approach to crop and livestock management. This will prepare you for enhanced conditionality, the new 'eco-scheme' and the new generation of UK agri-environment schemes (which is likely to be called the Environmental Land Management Scheme (ELMS)).
4. Understand what valuable public goods your land produces, by reviewing Biodiversity Action Plans, Landscape Character Areas, flood risk maps, water risk maps and air quality maps.
5. Collaboration – this is not just about scale, but about using the best skills of the group, sharing labour and machinery, group buying and selling, sharing risk, cutting capital investment, and producing landscape-scale public goods, such as pollination.
6. Grow profits from diversification and environmental management to reduce the impact of the cut in Direct Payments and spread the businesses' risk.





## National Contacts

### Farm Research Group Chairman

George Chichester MA FRICS FAAV  
01635 576914  
george.chichester@struttandparker.com

### Land Research Group Chairman

Charlotte Kershaw MRICS ACI Arb  
01273 407019  
Charlotte.kershaw@struttandparker.com

### Farming Department

Will Gemmill BSc FAAV MBPR  
01223 459471  
will.gemmill@struttandparker.com

### Land Management

James Farrell BSc MRICS FAAV  
01423 706770  
james.farrell@struttandparker.com

### Development & Planning

Simon Kibblewhite BSc (Hons), BA, FRICS MCI Arb  
020 7318 5177  
simon.kibblewhite@struttandparker.com

### Research

Jason Beedell MRICS PhD BSc(Hons)  
07795 651493  
[jason.beedell@struttandparker.com](mailto:jason.beedell@struttandparker.com)

### Accounting & Taxation Services

Alex Heffer FCCA  
01245 254656  
alex.heffer@struttandparker.com

### Energy

Alexander Creed BSc (Hons), MRICS FAAV  
020 7318 5022  
alexander.creed@struttandparker.com

### Building Surveying and Architecture

Tony Saffery BSc (Hons) MRICS  
01483 383098  
tony.saffery@struttandparker.com

### National Estate Agency

Guy Robinson BSc (Hons) MRICS  
020 7318 5175  
guy.robinson@struttandparker.com

### Estate & Farm Agency

Michael Fiddes  
01223 459500  
michael.fiddes@struttandparker.com

## Farming Departments

**Cambridge** 01223 459500

**Chelmsford** 01245 258201

**Morpeth** 01670 516123

**Newbury** 01635 576914

**Northallerton** 01609 780306

**Norwich** 01603 617431

**Oxford** 01865 366700

**Perth** 01738 567892

**St Albans** 01727 840285

**Salisbury** 01722 328741

**Stamford** 01780 484040