
Agriculture in Europe: Greener practices and a brighter future for the sector

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The future of the European Union's (EU) Common Agricultural Policy (CAP) is closely linked with the discussion on the EU's next Multiannual Financial Framework (MFF) for 2021-2027. As the CAP is a primary recipient of EU money, any changes to the amount of funding available and criteria for its use will have major implications for the sector. With the upcoming negotiations on the next MFF, the new EU budget framework, there is an opportunity to future-proof Europe's agricultural sector and create new incentives for farmers to align their practices with the EU's environmental and climate goals. To ensure the viability of the sector, the MFF post-2020 must focus on making Europe's agriculture greener.

BACKGROUND – FARMING AND THE ENVIRONMENT – A COMPLEX RELATIONSHIP

Agriculture and the environment are interdependent. The quality of water, air and the soil have a direct impact on the quality and availability of farm products. Similarly, climate-induced changes in the ecosystem have severe consequences for agricultural production. According to the European Environment Agency, the increased frequency of extreme weather events (e.g. droughts and floods) is already diminishing water reserves for farming and hurting crop yields. Conversely, agriculture puts pressure on many public goods, such as biodiversity, water quality and availability, or air and soil quality. In the European Union, agriculture accounts for at least 10% of the bloc's greenhouse gas emissions and 24% of total water usage. Each year, it is also responsible for the loss of 970 million tons of fertile soil. The future of European agriculture thus hinges on optimising interactions with the environment. With this objective in mind, the CAP should, on the one hand, lead to a reduction of agricultural emissions and a promotion of sustainable natural resources management. On the other hand, it should help farmers to adapt to the changes brought on by climate change.

The CAP was introduced in 1962 to unify member states' agricultural policies around common goals. Today, with a budget of EUR 408 billion for 2014-2020, it represents 38% of the EU's total expenditure. The policy has two main pillars: Pillar 1 funds income support, direct payments to farmers and market measures. This includes basic payments per hectare, an additional payment for young farmers, and income support in areas with natural constraints or in regions where specific types of farming that are of economic, social or environmental importance are facing difficulties. The EU sets the requirements for all pillar 1 funds, which are enforced across all member states. Pillar 2 allows national and sub-national governments to design rural development programmes that address regional challenges and needs. The Commission co-finances them after it has verified that the programmes comply with the EU's rural development rules and objectives.

To better align farming practices with the EU's environment and climate goals, the EU introduced greening measures for the period 2014-2020. At present, 30% of direct payments under pillar 1 are subject to farmers' compliance with three environmental requirements: diversifying crops, maintaining permanent grasslands and dedicating 5% of arable land to Ecological Focus Areas (EFA). The latter applies to farms that exceed 15 hectares of arable land and cover a broad range of features, such as field margins, hedges and trees, buffer strips and fallow lands.

However, these three greening measures have not been ambitious enough due to, among other things, the flexibility granted to member states to choose among a long list of options for EFAs. According to a 2017 study from BirdLife Europe and the European Environmental Bureau, the impact of the environmental changes at the local and regional level brought about by the latest CAP remains too small to reverse the downward trends of environmental degradation and the over-abstraction of water and soil depletion.¹ The European Court of Auditors found that the greening measures have led to a change in farming practices on only about 5% of EU farmland.² Many farmers have been able to continue receiving direct payments without significantly changing their practices or reducing their environmental footprint. Overall, the greening efforts under the current CAP have not led to a significant change in farming practices, nor have they had a clear, measurable positive environmental impact.

The need to improve the CAP's environmental performance is becoming more evident as shown by a recent public consultation on modernising and simplifying the CAP carried out by the European Commission in 2017. Over 300,000 stakeholders, including farmers, private companies, associations, public authorities and NGOs, platforms and academia voiced their opinions on the current CAP. 23% of all participants identified the increasing pressure on the environment and climate change as *the* main challenges for EU agriculture, while 18% pointed to climate mitigation and adaptation. 79% of all participants agreed that environmental and climate challenges should be taken up at the EU level.

STATE OF PLAY – A NEW FRAMEWORK FOR FARMING IN THE EU

Globally, there is a growing recognition that interlinkages between food and agriculture on the one hand and climate and environment on the other need to be better addressed. With the international community, the EU and its member states have on several occasions committed to sustainability objectives for the agriculture sector. For example, the G20 Agriculture Ministers' Declaration of 2017 stresses the need to ensure more sustainable use of water in agriculture, as well as improved management and protection of water-related ecosystems through the involvement of farmers.

Under the Paris Agreement, which entered into force in November 2016, EU member states committed themselves to limit global warming to well below 2°C (compared to pre-industrial levels). The EU has set targets to reduce its greenhouse gas emissions by 20% by 2020, by 40% by 2030, and at least by 80% by 2050. The farming sector, which contributes substantially to the total greenhouse gas emissions of the EU28, will have to play an essential role in this endeavour. While agriculture does not fall under the scope of the EU Emissions Trading System (EU ETS), it is included in the Effort Sharing Decision, which sets binding annual greenhouse gas emission targets for non-ETS sectors and calls on member states to define and implement national policies and measures for reducing these emissions.

Under the Sustainable Development Agenda and Goals (SDGs), the EU member states have agreed to "ensure sustainable food production systems and implement resilient agricultural practices that help maintain ecosystems" (SDG 2.4). Meeting other goals - including access to and a more sustainable management of water; sustainable consumption and production; combatting climate change and its impacts; and more sustainable management of ecosystems and a decrease in biodiversity loss (SDGs 6, 12, 13 and 15) - will also have an impact on agriculture. Given the sectors' significant influence on these goals, the future CAP should align with them and contribute to reducing the Union's environmental footprint on the road to 2030.

In its 2017 Communication 'The future of Food and Farming', the European Commission recognises the pressure that agriculture puts on natural resources. It acknowledges that the CAP should incorporate more ambitious objectives with regards to protecting the environment, resource efficiency and climate action. According to the document, the adapted policy objectives should strongly commit to the delivery of public goods. Income support for farmers should be made conditional on them switching to more environmentally sustainable practices, while a "more ambitious yet flexible approach" should replace existing greening measures.

The Commission proposes that the EU sets the policy parameters of the CAP, including the objectives, requirements and possible interventions, while member states would bear greater responsibility for developing their methods to achieve the targets. National governments would also have to monitor and report on their performances, while the Commission would assess and approve their plans per climate and energy targets and environmental goals. While the CAP's current governance structure would prevail, the member states would have greater flexibility in tailoring the compliance and control framework, and in determining the beneficiaries of CAP funds. This delivery model, called the CAP strategic plan, would cover interventions under both pillar 1 and 2. With this approach, the Commission aims to establish a more result-driven system that will boost subsidiarity and adequate targets for member states.

The modernisation and simplification of the CAP hinge on the negotiations on the **post-2020 MFF: it will determine how much money is available to support the sector and under what conditions**. The withdrawal of the UK from the EU will leave a sizable gap to the EU budget and has fostered calls to reform and cut the EU budget. As a response, the Commission's MFF proposal, presented on 2 May 2018, suggests reducing CAP spending by 5% in 2021-2027. It reiterates the message of the Communication: fulfilling the EU's climate and environmental goals calls for tighter linkages between payments and performance. It suggests strengthening the conditionality for direct payments, ear-marking part of rural development funding for actions beneficial to the climate and the environment, and introducing voluntary eco-schemes to facilitate the transition to a more sustainable agricultural sector post-2020. The proposal has been criticised by some EU member states, most prominently France, who argue that decreasing the CAP budget stands in opposition to the EU's declared sustainability ambitions. In the Commission's proposal, the CAP however still accounts for around 30% of the EU budget, and as will be elaborated below, addressing the sustainability challenge requires turning words into action.

PROSPECTS – CONCRETE MEASURES TOWARDS A MORE ENVIRONMENTALLY SUSTAINABLE CAP

Making European agricultural policy more ecologically sustainable starts with 1) making policies more coherent and setting clear guidelines for member states, 2) promoting smart farming, 3) holding member states accountable, and 4) developing a sustainable food system policy.

First, it is crucial for the EU to develop a **comprehensive policy and legal framework with clear environmental targets**. These can guide member states in the development of their strategic plans on agriculture. The Commission's detailed legislative proposal on agricultural spending at the beginning of June should contribute to this. As member states and EU institutions refine the details of the next MFF and the CAP, they will need to demonstrate the latter's alignment with the EU's environmental and climate goals and added value in the delivery of public goods, which has not been the case in the past. The level and distribution of EU spending must align with the Union's global commitments including the SDGs and the Paris Agreement. The Commission's 'The future of Food and Farming' and the MFF proposals weak references to the internationally-agreed goals reveal a lack of ambition. To meet its global commitments, the EU must use the policy and legal framework to stipulate what farmers' obligations are in terms of environmental protection and climate action.

The EU must couple its revamped policy framework with a **performance-based approach**, which the Commission has itself recognised as the way forward both in the 'Future of Food and Farming' communication and the MFF proposal. This approach should ensure that climate and environmentally friendly performance becomes a precondition for financial support in the agricultural sector. The CAP should demonstrate its contribution to public goods as well as its added value for Europe and Europeans. This approach should aim to achieve outputs that support environmental and climate objectives that are measurable against robust indicators set by the Commission. To ensure adequate monitoring and provide evidenced-based environmental performance assessments, the Commission and member states need to invest in data collection and analysis. A real test will be the direct payments to farmers, which according to the Commission's MFF proposal should remain a vital part of the CAP. If this is the case, it is essential to stop unconditional income support and tie payments to performance.

Second, **smart farming** can boost the CAP's environmental performance and resource efficiency. The 2017 Communication recognises the need for more training and innovation promotion in that regard. It remains vague, however, on specifics and the financing of these measures. There is an untapped potential for new technologies to drive sustainable practices in agriculture. For instance, drones can help to detect moisture and nutrient deficiencies. The collection of more precise geospatial information on soils and crop nutrition can help to diminish fertiliser or pesticide usage and water consumption. According to the European Data Market Monitoring Tool, small farms can increase their crop yields by adopting smarter water management and fertilisation practices. The Commission's plan to invest over EUR 100 million in the digital transformation of agriculture under its work programme for 2018-2020 is a good start to build a smarter future for Europe's agricultural sector.

Third, member states must become more **accountable**. To better accommodate local conditions, the Commission is suggesting giving more autonomy to national governments in the name of subsidiarity. According to the proposal, member states would be responsible for monitoring and reporting their national performance. Yet, safeguarding a result-driven CAP across Europe requires clear guidelines. To increase comparability and accountability, member states' environmental performances need to be assessed by the Commission against the declared objectives on a yearly basis in order to identify reasons for failures and bottlenecks.

Holding member states accountable should start with the implementation of the **polluter pays principle**. So far, member states have been weak in applying this principle of environmental responsibility, often due to insufficient enforcement practices. This situation needs to change. The Commission should more readily start infringement procedures against member states that fail to uphold their obligations. If farmers who receive EU payments are not able to demonstrate compliance with EU environmental standards, this should result in reducing or even phasing out financial support entirely.

Fourth, in the end, the future CAP should contribute to delivering **healthy and sustainable food to all Europeans**. The only way forward is to adopt a more comprehensive food system approach. It would require the CAP to foster a smarter use of resources, improve production methods and promote nutritious, sustainable diets. Achieving a more holistic food system approach would require that the focus of CAP is shifted from unconditional income support to farmers to making the sector economically, socially and environmentally sustainable. The CAP would become a tool for tackling diverse challenges along the food chain, such as unsustainable water abstraction, greenhouse gas emissions and food waste. At the same time, it would promote healthier lifestyles and protect a vital source of subsistence for European farmers: climate and the environment.

The debate on a more environmentally sustainable CAP is timelier than ever. The MFF negotiations between the Commission, Parliament and the member states will define the future of the Union's agricultural policy, and this opportunity to reform the CAP should not be missed. With so many new challenges ahead, the new MFF needs to mirror the ambitions of the SDGs and the Paris agreement on climate change. Environmentally sustainable farming is the foundation for future-proofing Europe's entire agricultural sector in the long term.

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The views expressed in this Policy Brief are the sole responsibility of the author.

¹ Stichting BirdLife Europe & European Environmental Bureau (2017), "Is the CAP Fit for purpose? An evidence-based fitness-check assessment", Leipzig, German Centre for Integrative Biodiversity Research (iDiv) Halle-Jena-Leipzig (page 4), available at https://www.ufz.de/export/data/2/191862_executive_summary_17.11_final.pdf

² European Court of Auditors (2017), "Greening: a more complex income support scheme, not yet environmentally effective", Luxembourg: ECA (page 6), available at https://www.eca.europa.eu/Lists/ECADocuments/SR17_21/SR_GREENING_EN.pdf

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