Strategic dialogue on the future of agriculture in the European Union (Discussion paper)

Background to the dialogue

1. In her State of the European Union address at the European Parliament in Strasbourg on 12 September 2023, President of the European Commission Ursula von der Leyen highlighted the role of food security and self-sufficiency in this area, commending farmers who, thanks to their work, provide food to Europeans every day. In her view, the EU needs more dialogue and less polarisation on agricultural issues. That is why Pres. von der Leyen stressed the need to launch a strategic dialogue on the future of agriculture in the European Union.

In implementing this announcement of the strategic dialogue, it would be important to invite EU farmers, agricultural unions and organisations and all individuals and organisations at the heart and future of European agriculture to participate in this dialogue. At this occasion, I would like to present my thoughts and comments that can serve as a possible reference and basis for this dialogue.

2. Food security, alongside defence and energy security, is one of the main pillars of global security, both for societies and states and for everyone. Without a functioning food system, the physical existence of humans is at risk. Food security is therefore a strategic challenge for societies and countries, including the European Union.

This is confirmed by the current crisis situation, which has been ongoing for more than 3 years, first linked to the largest pandemic in Europe in over 100 years, and then to the first – in 80 years since the Second World War – aggressive war resulting from Russia’s attack against independent Ukraine. In particular, Russia’s aggression shows us that food can be used as a weapon, as Russia is currently doing, so ensuring access to food is a strategic challenge.

3. The European Union is a major producer and the world’s largest exporter of food. The value added of agricultural production in the EU-27 in 2022 was EUR 222 billion, 44% higher in 2015. Farmers’ incomes have also increased in recent years, with average income per unit of agricultural labour in 2022 being 44% higher than in 2015.

The potential of European agriculture and of the food system as a whole makes it possible to ensure food self-sufficiency for 460 million EU citizens and to export to third countries high-quality EU food produced with the highest quality, health and environmental standards in the world. EU exports of agricultural and food products to third countries in 2022 amounted to EUR 229 billion, EUR 58 billion higher than imports into the EU market.

The European Union is not threatened by food shortages in the coming years. This is due to farmers and all food workers, but also to the Common Agricultural Policy, which has been successfully supporting European agriculture for over 60 years. Also, over the next 5 years 2023-2027, the EU will allocate EUR 307 million to agriculture, or more than EUR 60 billion per year, under the Common Agricultural Policy.

4. However, we need to recognise the risks that may cause this security to be lost in the future and which needs to be addressed in time. The 2020 agricultural census in the EU countries indicates several adverse trends in EU agriculture in the decade 2010-2020.

5. There is a rapid decline in the number of farms in the EU. Between 2010 and 2020, the number of farms decreased from 12 to 9 million, i.e. by around 25%. Around 800 farms have disappeared statistically in the Union every day. Not only the smallest and weakest farms, but also high-production
farms have disappeared, e.g. The Netherlands, which is dominated by intensive farming, lost 27% of farms over the decade 2010-2020.

The rapid disappearance of mixed farms, combining plant and animal production, is a particularly worrying phenomenon. Between 2010 and 2020, the number of these farms decreased from 3.1 million to 1.8 million, i.e. by 42%. The negative aspect of this phenomenon is that mixed farms, which rely on their own fodder and produce natural fertilisers, are the most sustainable and resilient model of farming, but we are losing these farms particularly fast.

Livestock production also decreased over the decade from 122 million LU (livestock unit) to 113 million LU, i.e. by 7%, with mixed farms falling from 21.5 million to 14.9 million LU or 31%. With the disappearance of farms, the average size of farms increased from 16 to 17.5 ha in years 2010-2020. At the same time, the number of the largest farms, above 100 hectares, has increased from 286 thousand to 328 thousand, and the land used by these largest farms has increased from 76 to 82 million ha, which is already more than half of all agricultural land in the EU.

6. The results of the census also point to a serious lack of generational renewal in agriculture and the ageing of the agricultural population. The average age of a farmer in the European Union between 2010 and 2020 rose from 55.5 to 57, and more than 3 million, i.e. one third of EU farmers, are over 65.

7. The results of the census also point to a process of shrinking agricultural land resources in the EU, which threatens food security. The area of agricultural land in the EU also decreased between 2010 and 2020, from around 159 to 157.5 million hectares. This is a loss of only 1% (1.5 million ha), which is more than, for example, the area of all agricultural land in Belgium.

8. European agriculture is also suffering from climate change and unfortunately increasing natural disasters, especially droughts and floods. Only in the last 3 years 2021-2023 have experienced severe droughts in many EU countries, including Spain, Italy, Portugal, Greece, forest fires also in Italy, Greece, Spain, Croatia and others, as well as floods in Germany, Belgium, Italy, Greece and Slovenia. These disasters account for tens of billions of euros in losses.

9. Food security in the years was threatened by the COVID-19 pandemic, which had an impact on the functioning of agricultural supply chains from farm to fork and disrupted the transport of food products, especially international transport. Shops had problems with the delivery of goods. To prevent these difficulties, the EU has taken a number of actions, including providing guidance to ensure the effective functioning of the food supply chain in the EU, in which seasonal workers have been identified as ‘critical workers’. It also provided direct support to farmers and SMEs, facilitated State aid and introduced exceptional market intervention measures; “The EU reacted quickly to the threat posed by the COVID-19 pandemic to agricultural product supply chains. The various support measures taken by the Union helped mitigate distortions in the agri-food sector...”, as stated by the European Court of Auditors in its Special Report No 09/2023.

10. Russia’s aggression against Ukraine is also a threat to European agriculture. Russia uses food as a weapon and its actions have destabilised agricultural markets, mainly due to the massive increase in energy and fertiliser prices (in 2022, the increase in fertiliser prices was 149% compared to the previous year), and the destruction and blocking of Ukrainian seaports, which has caused and continues to block Ukraine’s agricultural exports, mainly grains to the markets of Asian and African countries. Increased imports of agricultural goods from Ukraine have also become a consequence of this war. In 2022 alone, imports of agricultural products from Ukraine to the EU market increased from 7 to 13 billion euro, i.e. by around 6 billion euro, causing a shock on agricultural markets in some EU countries, especially in countries bordering Ukraine.
The European Union has organised support for Ukraine by enabling its agricultural commodities to be exported by land through solidarity lanes, as well as supporting EU farmers affected by the crisis caused by the war in Ukraine. Aid from the EU agricultural reserve, as well as under national public aid, has exceeded 9 billion euro since May 2022.

11. The over- reliance on external supplies has become an economic threat. EU agriculture relies heavily on fertiliser imports. In November 2022, the European Commission presented a Communication on ensuring the availability and affordability of fertilisers. The Communication sets out a series of actions and guidelines on how to address the challenges facing EU farmers and industry today.

Livestock farming is dependent on the import of protein feed. The EU produces 77% of feed protein, but only 29% of the high-protein raw materials needed to balance animal feed come from the EU;

Common Agricultural Policy 2021-2027 (Strategic Plans 2023-2027)

12. The system of support for agriculture and rural areas in the European Union is based on the Common Agricultural Policy, the legal framework of which is set for the budgetary and programming period 2021-2027 and, given the two-year transitional period in force between 2021 and 2022, the legal framework for the CAP applies for the period 2023-2027. The implementation of the Common Agricultural Policy is carried out through the National Strategic Plans approved by the European Commission, adopted for all Member States in the second half of 2022.

The main orientations for the development of the CAP contained in Union legislation and in the national strategic plans include in particular:

- **higher green ambitions**: Cap plans are in line with environmental and climate legislation. In its CAP strategic plan, each EU country is required to display a higher ambition on environment and climate action compared to the previous programming period (no ‘Backsliding’) and is required to update the plan when climate and environmental legislation is modified;
- **contribution to the Green Deal targets**: the national CAP Strategic Plans contribute to the Green Deal targets (the CAP recommendations set out how this contribution is expected);
- **Enhanced conditionality**: Beneficiaries of the CAP have their payments linked to a stronger set of mandatory requirements. For example, on every farm at least 3% of arable land is dedicated to biodiversity and non-productive elements, with a possibility to receive support via eco-schemes to achieve 7%. Wetlands and peatlands are also protected.
- **Eco-schemes**: at least 25% of the budget for direct payments is allocated to eco-schemes, providing stronger incentives for climate-and environment-friendly farming practices and approaches (such as organic farming, agro-ecology, carbon farming, etc.) as well as animal welfare improvements;
- **rural development**: at least 35% of funds are allocated to measures to support climate, biodiversity, environment and animal welfare;
- **operational programmes**: in the fruit and vegetables sector, operational programmes allocate at least 15% of their expenditure towards the environment;
- **climate and biodiversity**: 40% of the CAP budget has to be climate-relevant and strongly supporting the general commitment to Dedicate 10% of the EU budget to biodiversity objectives by the end of the EU’s multiannual financial framework (MFF) period.

The CAP 2023-27 directs support to those who need it:
• **redistribution of income support**: EU countries have to dedicate at least 10% of their direct payments to the redistributive income support tool, to better address the income needs of smaller and medium-sized farms;

• **active farmers**: the new legislation contains a mandatory but flexible definition of an active farmer to be established by EU countries, including the level of activities undertaken. Only active farmers may receive certain EU support;

• **social conditionality**: Cap payments are linked to the respect of certain EU labour standards and beneficiaries are encouraged to improve working conditions on farms;

• **convergence of payments**: in the CAP 2023-27 levels of income support converge more, both within individual EU countries and between EU countries;

• **supporting young farmers**: EU countries have to distribute at least 3% of their direct payments budget towards young farmers, in the form of income or investment support, or start-up aid for young farmers;

• **Improving the gender balance**: gender equality and increasing the participation of women in farming are – for the first time – part of the objectives for CAP Strategic Plans. EU countries must assess these issues and address the identified challenges.

The CAP 2023-27 will strengthen the position of farmers in the supply chain and boost the competitiveness of the agri-food sector:

• **improved bargaining power**: new rules reinforcing producer cooperation, encouraging farmers to work together and enabling them to create countervailing power in the market;

• **market orientation**: the CAP 2023-27 maintains the overall market orientation from the previous reforms, encouraging EU farms to align supply with demand in Europe and beyond;

• **crisis reserve**: to cope with future crises, the reformed CAP including a new financial reserve amount to at least EUR 450 million per year;

• **support for the wine sector**: specific rules have been agreed to improve support for the wine sector.

13. The CAP will continue to benefit from a robust long-term budget.

387 billion euro in funding will be allocated to the CAP for the 2021-27 period. This comes from two different funds: the European agricultural guarantee fund (EAGF), which has been set at 291.1 billion euro (in current prices); and the European agricultural fund for rural development (EAFRD), which will amount to 95.5 billion euro.

The budget for the EAFRD including 8 billion euro from Next Generation EU to help rural areas make the structural changes necessary to achieve the objectives of the European Green Deal and the digital transition.

To allow EU countries to better adapt the policy to their farming sectors’ priorities, they are entitled to transfer up to 25% of their CAP allocations between income support and rural development. EU countries can apply additional flexibilities for certain purposes, such as supporting environment and climate objectives, supporting young farmers and where countries have below-average direct payments.

14. Advancing research, knowledge-sharing, and innovation is essential for securing a smart and sustainable agricultural sector.
As part of its commitment to support research and innovation in agriculture, the Commission has proposed to set 10 billion euro from the Horizon Europe programme for projects relating to food, farming, rural development and the bioeconomy.

The reformed CAP benefits from this increased investment, incorporating stronger agricultural knowledge and innovation systems (AKIS) to boost the development of innovation projects, disseminate their results, and encourage their use as widely as possible. Farm advisory services are a key tool in sharing new knowledge and ideas.

15. The CAP 2023-27 provides for several **interventions specifically for young farmers**. EU countries tailor their measures to national conditions in their CAP Strategic Plans.

Strategies to benefit young farmers generally involve combining several interventions or actions including:

- the Complementary Income Support for Young Farmers (CISYF),
- Installation of young farmers, new farmers and rural business start-ups.

EU countries must dedicate an amount corresponding to at least 3% of their direct payments budget to support young farmers. This support may be granted as income support, investment support or start-up aid for young farmers (only 50% of relevant investment support would be counted towards this target).

The CISYF is a voluntary scheme under direct payments providing enhanced income support to young farmers who are newly set up for the first time and who are entitled to basic income support. The support is granted in the form of an annual payment per eligible hectare or annual lump sum.

In addition, rural development interventions that can be included in CAP Strategic Plans for the 2023-27 period providing additional opportunities to help young farmers get started:

- **Installation of young farmers, new farmers and rural business start-ups**: this is a voluntary type of intervention by EU countries under CAP 2023-27 rural development funds, which aims to provide immediate start-up support to farmers and businesses.

16. The Farm to Fork Strategy is an important strategic document affecting the Common Agricultural Policy and the National Strategic Plans. The strategy aims to **shift the current EU food system towards a sustainable model**.

While recalling food security and safety as priorities, the strategy’s main objectives are to:

- ensure sufficient, affordable and nutritious food within planetary limits,
- reduce the use of pesticides and fertilisers and sales of antimicrobials,
- increase the amount of land devoted to organic farming,
- promote more sustainable food consumption and healthy diets,
- reduce food loss and waste,
- Combat food fraud in the supply chain,
- improve animal welfare.

_A vision for the future of agriculture in the European Union (theses for discussion)_
17. The vision for the future of agriculture in the European Union should be based on the 4 x S principle – security, stability, sustainability and solidarity.

We need food security for all our citizens, we need stability for our farmers, sustainable agriculture for our environment and climate, and finally solidarity between farmers and society as a whole, and solidarity with people in the world who are threatened by food shortages and hunger.

18. **Food security should be the top priority of agricultural policy**, as the primary task of agriculture is food production and without prejudice to other environmental or climate-related tasks – this function of agriculture should be maintained and strengthened.

The implementation of any other policies affecting agriculture, the adoption of any legislation on agriculture and farmers should always take into account their impact on food security. A “food security proofing” approach is necessary. In the case of agricultural legislation, an impact assessment should be carried out, considering the impact on food security, and if the regulation in question would lead to a significant reduction in agricultural production and food security risks, such regulation should be abandoned or amended accordingly in order to avoid negative effects on agriculture and food systems.

The impact assessment should consider not only the direct impact on agricultural production but also on farmers’ incomes and farming conditions. This principle should apply not only to regulation but also to the implementation of specific measures, such as non-agricultural investments in rural areas. Member States should ensure that the implementation of such investments does not pose risks to agricultural production or that those risks are effectively mitigated.

Food security is also food sovereignty. The Union should aim to maintain or strengthen the EU’s food self-sufficiency in all key agricultural sectors, such as cereals, oilseed crops, meat, milk, fruit and vegetables. The Union should also be self-sufficient in the supply of key agricultural inputs, in particular fertilisers.

19. **Agricultural stability.** In order to ensure food security, it is essential to ensure a stable situation for farmers, both economically and legally.

A key tool for ensuring agricultural stability is the Common Agricultural Policy, the framework and principles of which are defined until 2027 and which must be continued beyond 2027, while preserving its main pillars, namely direct payments and rural development funds.

In particular, support schemes for young farmers, which promote generational renewal, need to be maintained and strengthened in both pillars of the CAP.

The Common Agricultural Policy governance system based on national strategic plans should also be maintained.

The **Common Agricultural Policy budget** of around EUR 60 billion per year (together with national co-financing of Pillar II) is significant on the one hand, but on the other hand represents only about 0.4% of EU GDP. Consideration should be given to the adequacy of this budget in terms of whether it is sufficient to ensure food security and other environmental or climate-related tasks of agriculture. In the future CAP after 2027, the **introduction of the third pillar of the CAP, the crisis support pillar, should also be considered.**

Given the scale of the crises affecting agriculture, in view of the massive damage caused by natural disasters, the increasing disruption of agricultural markets caused by political factors, such as the war in Ukraine, the current crisis support system based on the agricultural reserve is not sufficient and the
The health of agriculture and, in particular, the willingness of young farmers to live in the countryside depends to a large extent on the conditions of rural development, and these conditions still differ significantly from urban conditions. In synergy with other policies, in particular cohesion policy, it is therefore necessary, in the spirit of Article 174 of the Treaty, to **promote better living conditions in rural areas**, in particular as regards access to public services such as health, education, culture and public transport. These issues are addressed more broadly by the Commission in 2021 and the ongoing Long-term Vision for Rural Development until 2040.

### 20. Legal stability

should include a number of key principles to be preserved for farmers in the implementation of policies and law-making, both at EU and national level.

These principles are:
- agricultural land should be protected and its use for non-agricultural purposes should be minimised,
- permanent regulation of land tenure should be sought, in particular with regard to land leases, the sustainability of these contracts and the protection of tenants, as well as guaranteeing that leaseholders have access to all EU funds,
- new rules on farmers should be introduced sufficiently in advance so that farmers have time to prepare for them,
- the imposition of new tasks and obligations on farmers should be linked to financial compensation,
- raising production standards and meeting environmental, climate or animal welfare objectives should be achieved by means of financial incentives rather than coercion.

### 21. In terms of sustainability

the Strategy should refer in particular to the Farm to Fork Strategy, but ensuring that it is implemented in such a way that it does not jeopardise food security.

It should be stressed that only sustainable agriculture can ensure food security and that excessive concentration and intensification of agricultural production, conversion of agricultural activities into industrial activities is not beneficial for food security.

Support for small and medium-sized family farms, farms with a diversified production and crop structure, mixed farms combining crop and livestock production should be strengthened, with support for farmers ensuring high animal welfare standards in livestock production as a key instrument for sustainability.

Support for the current concept of eco-schemes as a mandatory part of direct payments should be continued, with a stronger focus on carbon farming practices and animal welfare. Animal welfare should be the main point of reference in support policies for livestock farms and for the promotion of products derived from livestock production.

Support for organic farms and the production, processing and consumption of organic food should also be strengthened in support of sustainable agriculture. These issues are covered by the broader

22. The principle of solidarity as a guide to the vision of the future of agriculture should take into account its external and internal dimensions. Externally, it should be noted that the European Union produces alive not only for itself but also for the world markets that need it very much. The European Union’s share of world trade is an important contribution to global food security. Therefore, the European Union will work in solidarity with our partners to open food trade, remove unjustified barriers. The Union must also have sufficient food resources to continue and develop various forms of humanitarian food aid for regions in the world at risk of hunger.

Within the framework of internal solidarity, understood here as social solidarity with farmers, the Union should strengthen links between farmers and consumers. It is important in this regard to further develop the geographical indications system, food quality schemes, the development of short supply chains and direct sales, taking into account and developing local and regional links between farmers and consumers.

There is also a need for education about the role and importance of agriculture, farmers’ efforts towards the environment, the climate or animal welfare, and that sustainable farming is not a threat to the environment, on the contrary, contributes to the achievement of environmental sustainability objectives.

Proposals for key questions for the participants in the Strategic Dialogue

It seems that the strategic dialogue should focus on the following issues:

23. The continuation of the Common Agricultural Policy – The Common Agricultural Policy of the European Union, currently planned and programmed until 2027, which has been in progress since 1962, should it continue beyond 2027 and to what extent?

- the Common Agricultural Policy budget – Is the Common Agricultural Policy budget of around EUR 60 billion, representing around 0.4 % of EU GDP, sufficient or should it be strengthened, if so, what scale of reinforcement should be?

- The structure of the CAP – Should the current structure of CAP expenditure, based on two pillars, Pillar I – direct payments and second pillar – rural development, be maintained or needs to be changed, and is the current distribution of funds, with around 2/3 of direct payments and 1/3 of rural development expenditure, appropriate or should it be changed?

- Supporting farmers in crises and natural disasters – Should the Common Agricultural Policy strengthen instruments to support farmers in crisis situations, or should this be left to the Member States? Would it be appropriate to introduce a third pillar of the CAP, including crisis support measures for farmers in situations of losses caused by market crises or natural disasters? Should Member States be free to transfer part of their CAP funds to support farmers who have suffered losses as a result of natural disasters?

- National Strategic Plans – Should national strategic plans be maintained as primary systems for the implementation of the CAP in the Member States? Are the requirements on the content of strategic plans appropriate or should they be shortened and simplified?

- Young farmers – Should the existing support scheme for young farmers, which consists of increasing direct payments in Pillar I and support for setting up farms in Pillar II, be
maintained? Should support for young farmers be increased? What additional aid instruments for young farmers could more effectively support generational renewal in agriculture?

- **Eco-schemes** – Should eco-schemes be kept mandatory for Member States and voluntary for farmers? Should eco-schemes be defined at EU level, or should this be left to the initiative of the Member States? Should the current minimum envelope for eco-schemes of 25% of the budget for direct payments be maintained or amended? Which eco-schemes should be particularly supported?

- **Coupled payments** – Should existing coupled payments be maintained and which products should be covered by these payments?

- **Redistributive payment for small and medium-sized farms** – Should a redistributive payment for small or medium-sized farms, amounting to at least 10% of the direct aid budget, be maintained? Could the amount of this funding pool be changed?

- **Capping** – Should mandatory capping be introduced at EU level, i.e. limiting or excluding direct payments to the largest farms? What should be the maximum payment not subject to capping?