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THE EVOLUTION OF THE CAP REFORM NEGOTIATIONS AND THE STATE OF PLAY AT THE END OF 2020 – POSSIBLE POLITICAL IMPLICATIONS FOR ROMANIA

ABSTRACT

The Common Agricultural Policy (CAP) modernization, simplification and reforming is a dynamic and indispensable process for the future of agriculture and rural development in Europe. Climate change challenges need to be addressed in a mostly concrete and coherent way, to better protect the environment as well as to provide quality food, sufficient and accessible to European consumers. The development gaps between the EU member states and between the urban and rural areas, as well as the economic and social challenges, exacerbated by the 2020 pandemic crisis and BREXIT, have given a strong signal that a deep CAP reform and a simplification of its implementation are needed.

The change initiated in 2014, followed by a mid-term evaluation of its implementation and adjusted starting with 2018, has continued, so that, after a wide public consultation, in late 2017, the European Commission launched the communication "*The Future of Food and Farming*" outlining the directions and orientations for the post-2020 CAP, as it resulted from the consultations. This was practically the moment of opening the debates on the new reform. CAP reforming follows the rigours of the European legislative process, which has not been completed yet, being currently in the stage of trilogue negotiations, the ambition of the Portuguese Presidency being to be completed in May 2021.

The European elections of 2019 led to a new European political context, by which new alliances and political majorities were created, with their own agenda in the European Parliament, and the new European Commission presented the European Green Deal, the program for the current term. As a result, the future CAP will include additional measures, around a new and more ambitious green architecture, which will combine social, economic and environmental approaches towards a sustainable agricultural system in the EU. The paper aims to present this reform path by the end of 2020 and to identify its implications for Romania.

Key words: CAP, reform, farmers, direct payments, rural development, Romania.

JEL Classification: Q18.

1. INTRODUCTION

The Common Agricultural Policy modernization, simplification and reforming is a dynamic and indispensable process for the future of European

agriculture and rural development. It needs to address the climate change challenges in a mostly concrete and coherent way, to better protect the environment as well as to provide quality food, sufficient and accessible to European consumers.

The development gaps between the EU member states and between the urban and rural areas, as well as the economic and social challenges, exacerbated by the 2020 pandemic crisis and BREXIT, have given a strong signal that a deep CAP reform and a simplification of its implementation are needed. The reform process initiated in 2014 was evaluated in 2017 and adjusted in 2018, and it will continue until its implementation, in 2023, with a 2-year delay compared to initial expectations.

The debates on the CAP Post-2020 Reform began with the European Commission communication "*Future of Food and Farming*" following a wide public consultation, by which reform continuation through a more flexible approach was also proposed, a new "*management model*" based on performance and results, which also takes into account local conditions and needs, with increased ambitions for sustainability and achievement of climate objectives, proposing a new green architecture and support for increased cross-compliance as well as a new eco-scheme system.

The result of the latest European elections led to new alliances and political majorities, with their own agendas, and the new European Commission presented the *European Green Deal*, which is the EU roadmap for a sustainable economy, which seeks to turn the climate and environmental challenges into opportunities – in all policy areas – thus ensuring a fair and inclusive transitions for all European countries. This includes a series of strategies targeting Europe's climate neutrality by the year 2050. The European Green Deal provides a plan of action meant to foster the efficient use of resources by shifting to a cleaner circular economy, restoring biodiversity and reducing pollution. The plan of action establishes the necessary investments and financial instruments for all the sectors of the economy. This approach imposes the inclusion of additional measures, around a more ambitious green architecture, which will combine social, economic and environmental approaches towards a sustainable agricultural system in the EU, as well as more ambitious objectives than the CAP Reform Proposal initiated in 2018. In our analysis, we shall present the CAP reform path by the end of 2020 and try to identify the CAP Reform implications, in this perspective, for Romania.

2. STATE OF KNOWLEDGE

For more than 50 years, the Common Agricultural Policy (CAP) has remained one of the important European common policies, both in terms of budget (39% of total EU budget in the period 2014–2020) and of impact on population (farmers and consumers), being practically one of the common policies that lay at

the basis of the establishment of the European Union. The Common Agricultural Policy has successfully reached its initial objectives, namely to ensure a reliable supply of quality food products, at affordable prices, while providing support to European farmers to produce them. The Common Agricultural Policy implementation implies a joint decision-making process at EU, national or regional level. For legislative actions, the basis of CAP competences is found in the treaties signed by member states, in Romania's case in Article 39 of the Treaty on European Union, in which the objectives are stated, namely:

- increase agricultural productivity by promoting technical progress and ensuring a rational development of agricultural production, as well as the optimum use of production factors, in particular labour;
- ensure a fair standard of living for the agricultural community, in particular by income support to individual workers in agriculture;
- stabilise markets;
- provide certainty of food supplies;
- ensure that those supplies have reached consumers at reasonable prices.

Since 1962, the CAP has undergone several reforms, its adaptability being the element that actually ensures its longevity. The driving forces of CAP transformation consisted successively of the following elements:

- original CAP objectives (as mentioned in the Treaty of Rome);
- expansion of production above the level of consumption (which led to the increase of intervention stocks in the 1970s and 1980s);
- successive enlargements of the Union;
- budgetary limits;
- the constraints of the World Trade Organization (on market access, export subsidies and domestic subsidies to farmers) related to the Uruguay Round;
- need and ambitions to address environmental concerns;
- objectives of agricultural sector and member states to maintain the level of support to farmers;
- changing the role of governments in the European society.

In retrospect, it can be noticed the success of the CAP in terms of integrating agriculture in the market economy at EU level, as well as in integrating EU agriculture in the world economy, with the most important steps in this direction having already been taken. The European farmers must learn each day how to get adapted and operate in an ever-changing environment, and legislators have the power to help them to adapt to these changes and ensure clarity and simplification of legislation on the medium and long term. The reality of a European Union with 28 member states and the recent BREXIT have imposed substantial reforms since 2014. In our study we intend to review the metamorphoses of the most recent CAP reform, which have not been completed yet from the perspective of European legislators.

3. MATERIAL AND METHOD

The most important information used in the paper was the public information on the websites of the European Commission, the European Parliament and Council, as well as a number of preliminary reports of various European organizations (COPA COGECA) involved in the debates on CAP reform. At the time when this paper was finalised, the trilogue negotiations on CAP were not finalised yet.

4. RESULTS AND DISCUSSIONS

The reform of a complex and important policy such as the Common Agricultural Policy is a laborious process, based on public consultations and European legislative rigours, and it is possible that a long period of time will pass until its implementation through regulations, and the initial proposals might change significantly after the trilogue negotiations (Council, Parliament, Commission).

4.1. RESULTS OF MEETINGS OF THE AGRICULTURE AND FISHERIES COUNCIL IN THE PERIOD 2017–2020 ON THE COMMUNICATION AND LEGISLATIVE PROPOSALS OF THE EUROPEAN COMMISSION

After the European Commission (EC) presented the Communication on the post-2020 CAP “*The Future of Food and Farming*” (November 2017), a number of meetings followed in which the various issues presented were debated and the responsible ministers were able to support some of them or not, or they came with proposals to adjust the proposed regulations. The first debate took place immediately after the release of the Communication, in late 2017, under the Czech Presidency, which presented two issues for the debates, one on *the main strategic aspects of the future CAP arising from the Communication* and the second on *whether the Communication covers all the key issues and challenges of the post-2020 CAP and if not, what are the differences?* The first reactions from ministers were:

- CAP simplification is needed for a better subsidiarity;
- There is a need to establish a transition period, which was later materialised;
- The proposed simplification could transfer the complexity of implementation rules to member states (MS);
- It was emphasised that risk management needs to be addressed more carefully and in terms of fiscal policies that do not impede implementation at member state level;

- The possibility of adopting the Strategic Plans (for the two CAP Pillars) at regional level as well was proposed, with a certain flexibility to reach the objectives;
- There was some reluctance with regard to the proposed approach of having strategic plans for both CAP Pillars to be approved by the EC that may delay CAP implementation in the first year;
- The specific tools for attracting young people in the agricultural sector and generational renewal in agriculture were well received by most ministers;
- The lack of continuation of transitional national aids (not included in the Communication) was challenged by most member states applying it;
- The external convergence of direct payments was a sensitive topic, and member states had different opinions, as follows: they should take into account the differences in production costs (Belgium); this is an important aspect (Lithuania, Slovakia, Poland, Romania, Latvia); there were also voices against reaching external convergence (Denmark, Sweden, the Netherlands) and uncertainties with regard to reaching it (Portugal);
- There were concerns that the flexibility and subsidiarity proposed to member states might lead to a nationalisation of the CAP (Lithuania, France, Poland, Romania, Slovakia, Slovenia);
- It was concluded that less attention is paid to market instruments;
- It was emphasised that particular importance should be attached to strengthening the bargaining power of farmers in the food chain;
- Direct payments should be continued as they are a direct income source for farmers (Czech Republic); there must be a fair distribution of direct payments so that farms must not be penalised (Denmark); the need to strengthen the application of coupled payments was reiterated, including new production sectors (Slovakia, Poland) and it was proposed that direct payments should target efficiency also in terms of production cost, labour cost, purchasing power (Italy);
- The need to establish an adequate level of CAP funding was reiterated (Austria, Finland, Poland, Slovakia, Romania, Czech Republic);
- It was emphasised that there is a need to strengthen risk management tools (France, Romania, Slovenia, Finland, the Netherlands);
- Special support to organic farming and less-favoured areas is needed (France, Austria, Greece, United Kingdom, Slovenia), as well as increased support to animal welfare (Spain, Sweden, Denmark, United Kingdom, Finland, Italy);
- It was underlined that forestry policy should be also included, as CAP priority (Sweden, Finland);
- There is also a need to focus on market measures (Sweden, Denmark, the Netherlands);

- The development of *futures* market or commercial insurance must be encouraged (United Kingdom);
- There is a need to redefine the concept of active farmer (Slovakia);
- There should be increased focus on CAP getting in line with environmental policies and trade policy (Latvia, Ireland, Slovakia, Austria);
- The reform should take into account the costs of reaching the proposed objectives.

Throughout the year 2018, most of these issues initially reported were debated and we shall next present the most important of these issues. Under the Bulgarian Presidency, debates began (in January 2018) on the value added of the CAP and on reaching the key objectives of the CAP, as well as on maintaining an appropriate level of subsidiarity. Ministers highlighted the importance of the value added of CAP for farmers, citizens and society and its key role in contributing to a fair income for farmers, to ensuring security and food production across the EU, as well as the contribution that it can have to mitigate the climate change effects and maintain strong and sustainable rural areas. Ministers also agreed that in order to maintain this value added, an adequate funding of CAP should continue. As regards sustainability, ministers signalled out that it is possible that this reform could lead to renationalisation and emphasised that although it is important for CAP to be more flexible to national specificities and needs, there is a risk that the new implementation model will increase the administrative burden, distort competition and lead to delays in the reimbursement of direct payments.

In February 2018, direct payments, environmental and climate actions and rural development were on the agenda of debates on the future CAP. Commissioner Hogan reiterated the need to maintain direct payments, subject to better support guidance and to continue the external convergence process. He brought some clarifications on the new environmental architecture, which by the application of the new conditionality should provide flexibility to MS in transposing the EU standards, so as to allow general rules to be adapted to local situations. The current system of controls and sanctions should be replaced by a single system, based on the more flexible approach to cross-compliance, so that MS can establish an appropriate level of sanctions, within certain limits, so as to ensure fair competition conditions. Regarding the vitality of rural areas, CAP stimulates rural economy and the multiple role of different policies (cohesion, digitisation, environment). Inter-connectivity between the CAP and other policies should be improved.

Most member states (except for the Netherlands) emphasised the positive impact of direct payments on farmers' incomes, with double role as safety net for the periods with excessive market volatility and as risk management tool. Member states also recognised that the direct support should be better targeted at: genuine farmers, family farms, small and medium-sized farms, young farmers, sectors in difficulty, less-favoured regions. Redistributive payments, degressive payments or capping were mentioned as tools for redirecting support, subject to voluntary

application in the spirit of subsidiarity promoted by the new implementation model. Romania, Sweden and the Czech Republic definitely rejected the idea of capping, based on a unitary threshold proposed at EU level.

The MS group with direct payments below the EU average value (Poland, Romania, the Baltic countries, Portugal and Slovakia) called for the process of external convergence to be continued, until the convergence of subsidies value is reached at EU level and discrimination between farmers from different MS is eliminated. Cyprus and Malta called for caution, while Slovenia and Greece opposed it. Portugal proposed to continue the external convergence process simultaneously with the internal convergence. At the same time, it was emphasised that renationalisation / co-financing of the CAP is not a viable option. MS indicated that the simplification process is essential, identifying solutions such as greater flexibility / synergy/complementarity between pillars, avoiding double measures leading to double funding, diminution of administrative burden for farmers and local administrations.

Most MS indicated the need to maintain the coupled support scheme, with the possibility of including new areas, of increasing the allocated threshold, mainly from the perspective of opening up to new markets under Free Trade Agreements. The Netherlands, Sweden, Denmark and Luxemburg were reluctant to continue this form of support, due to distortion of markets, of competition and increased administrative burden. Denmark requested a reasonable period of transition from the type of unconditional direct support to the support aimed at the delivery of public goods.

Most MS indicated that European farmers already have an important role to play in protecting the environment and mitigating climate change. Increasing the environmental ambitions of the CAP and setting targets in line with the EU's international commitments should have in view maintaining competitiveness and not undermining the level playing field of European farmers with third-country farmers. To avoid side effects, farmers should be provided with appropriate incentives in the long term and be remunerated proportionally with the public goods supplied. The new improved conditionality seems to generate simplification, yet taking over the greening conditions may lead to an extension of the concept, which implies an increase in the basic requirements. As regards rural development, most ministers underlined the need to simplify measures, programming, evaluation and monitoring in order to reduce the administrative burden for authorities and beneficiaries. The importance of coherence and complementarity with other policies (cohesion, social, education) was emphasised.

Poland called for better coordination between the rural development programmes and other EU policies/structural funds to promote an integrated approach to rural area development. Other policies, in particular the cohesion policy, should have a greater contribution to rural development, including participation to funding projects in technical and social infrastructure or

development of public (healthcare, education) services in the countryside. The process of approving National Strategic Plans must not delay the CAP implementation process, and most ministers considered that a transition period would be needed to move from one system to another.

The need for generational renewal of farmers was emphasised, by improving the current tools available in both CAP pillars, an idea supported by a number of member states (Finland, the Netherlands, Hungary, Italy, Slovenia, United Kingdom and Romania).

In the Council of May, the Bulgarian Presidency proposed for debate the text of the draft Council Conclusions, with the intention of adoption, a process that required the MS unanimous support. The Council Conclusions were not adopted, but only the Presidency conclusions. The paragraphs on external convergence and coupled support were rejected.

In June, the Council submitted to debates the new CAP implementation model by which the MS benefit from greater flexibility, depending on local specificities, and ministers expressed concern over the CAP budget cuts proposed by the EC and expressed their skepticism in relation to the proposed budget, as it was not enough to implement all the EC proposals on the new CAP.

In July 2018, the Austrian Presidency began to debate the proposals for simplification and subsidiarity of the new CAP in terms of: ensuring fair competition conditions, improving the functioning of the common market, reducing the administrative burden, simplifying common European instruments (greening), shifting the focus from detailed rules to more effective policies, to promote biodiversity and also to meet the socio-economic needs of European agriculture. Commissioner Hogan stated that CAP simplification and subsidiarity targeted the following: over-declaration penalising system, reduction of market regulations from 200 to 40, reduction of the number of notifications (from 66,000 to 26,000), greening reviewing, changes in the Omnibus Regulation, simplification of risk management tools, etc.

With regard to subsidiarity, the EC legislative proposals sought first and foremost to rebalance responsibilities between the Commission and the member state from the perspective of policy decisions, which need to be linked to needs and results. Simplification was an objective in itself that must be pursued in all stages: planning, policy implementation, ensuring and evaluating performance. The new implementation model of strategic plans should eliminate overlaps between the two pillars, by generally valid definitions, include intervention instruments tailored to the needs of member states, remove control on eligibility conditions at European level and provide a much simpler and more locally adapted governance structure. Commissioner Hogan also provided a few simplification examples, namely:

- *For the environment* – eliminating greening and replacing it by a more ambitious system of measures, consisting of extended eco-conditionality covering all direct payments, complemented by voluntary compensatory

payments under both pillars, which together should account for 40% of CAP expenditure. Simplification would consist in replacing the two sets of rules and control systems for greening and cross-compliance by only one, in which the MS will decide the details of implementation and adaptation to national specificities.

- *For the young farmer* – the two definitions in the context of the two pillars are replaced by one, which can be adapted to national needs; the number of eligibility criteria at EU level has been reduced, both for direct payments and for rural development, from 10 to 4 for complementary support and from 15 to 5 for setting up of young farmers. MS will have even more flexibility in evaluating business plans, the type of vocational training, in granting a higher ceiling, etc.
- *Support to investments* through rural development measures – the current eligibility criteria have been reduced from 13 to 7;
- *Control and penalties* – simplification will come from the extensive use of the new technologies. The Joint Research Centre (JRC) has identified and made available tools that have already proved their usefulness (for instance the monitoring system, through the development of GIS applications, farmers will be provided with pre-completed applications with the latest data taken from LPIS or other public registers; EU will no longer establish rules on the control system (IACS); MS will be able to elaborate their own system of penalties, also referring to the control level and methods. Fewer EU rules involve fewer audits, and the EC will focus on compliance monitoring.
- *Number of indicators* – the shift to a performance-based system cannot be functional in the absence of indicators and reports on achieving the proposed results. The EC has reduced the number of indicators by 50% and selected only those indicators that do not increase the administrative burden for data collection, for instance the annual notification of implementation and control data, the annual communication of sectoral programmes and the annual implementation report for rural development have been limited to a single annual performance report.
- The important role played by satellite programmes (Galileo and Copernicus), available free of charge two to three times a week for each plot on the EU territory, by artificial intelligence and geospatial applications in monitoring and control on agricultural holdings was also mentioned. Thus, the development of a new monitoring system based on systematic remote observation of farm activities throughout the year is also envisaged. This will replace the traditional control methods whenever possible.
- An increasingly important role in reducing administrative burden and keeping the error rate below 2% will be played by using *smartphone*

applications, *geo-tag* photos and *cloud-computing*. Such technologies will also help reduce the burden of control over farmers. Member states need to consider developing departments capable of managing hi-tech, applications will be pre-filled by member states administrations with mostly up-to-date and reliable information, using the existing tools such as LPIS, saving considerable time for farmers.

Following these examples, most ministers acknowledged that they can make a substantial contribution to simplification and subsidiarity, but there is still potential for simplification, mainly with regard to:

- Framework definitions – voluntary application of the genuine farmer concept;
- Simple and clear strategic plans – the large number of details delay adoption; the number of indicators must be reduced;
- Some member states reiterated that capping should not be applied or it should be voluntary (Netherlands, Germany, Portugal, Finland, Bulgaria, Denmark, Ireland and Romania), as it imposes heavy administrative burdens with regard to deducting wage costs; however, Poland was in favour of capping;
- Extended conditionality, mandatory for all farmers – the current exemption for small farmers must be maintained, otherwise costs will be excessive for the member states with a considerable number of small farmers (Romania, Portugal, Croatia);
- Precision farming can have an impact only on large farms, which have the capacity to invest in high-performance systems, the digitisation and modernisation of agriculture require adequate resources, satellite control has its limits and can generate errors;
- An excessive number of delegated acts (adopted by the Commission) will be needed for an agricultural policy intended to promote subsidiarity (Germany);
- Control, monitoring and annual reporting impose heavy administrative burdens on member states;
- The reduction of the number of regulations is not a true indicator, the implementation of the contained provisions is the test of simplification (Spain);
- The implementation of such provisions will require the imposition of a transition period of at least 2 years (France).

France and Germany issued a joint declaration at that time, by which they reiterated the need to maintain the CAP budget at the current level and stressed that the Commission proposal does not provide for sufficient simplification and that the great environmental ambitions require adequate remuneration. These countries also called for the voluntary application of capping. Referring to conditionality application in the case of small farmers, the Commission explained that a

distinction should be made between obligation and control; the new implementation system provides for greater flexibility, and member states can shape their own national regulations, for GAEC in particular, and they can also adapt the conditions for small farms where environmental requirements are met. The Commission emphasised that a block ex-ante exemption of small farmers is not justified in terms of the new environmental ambitions, and as regards the exclusion of small farms from control, member states will be able to adapt their control system depending on risk and apply them a lower control rate.

In reference to cross-compliance, it was emphasised that a simpler modality is needed to ensure environmental performance, and this idea was supported by Finland, Czech Republic, Estonia, Latvia, Lithuania, Luxemburg, Netherland, Sweden and Romania. Member states called for a more result-oriented approach than that of the Commission that proposed increased requirements, as the new conditionality seems to add additional rules for cross-compliance and greening, which were already complex. The Commission stated that the higher environmental conditions call for the extension of existing rules to mandatory / voluntary measures or financial allocations (40%). The degree of flexibility provided will make it possible to reduce the administrative burden. The provisions related to SMR are mandatory anyway for all farmers, including small farms. Certain basic elements had to be established at EU level to preserve the common character of the policy.

In October 2018, the Austrian Presidency submitted the progress report on the CAP strategic plans to the Council in public session on the basis of two questions, focusing on the new implementation model and revised green architecture, stressing that these should not lead to the increase of administrative burden for farmers and national administrations. Commissioner Phil Hogan appreciated the support of the majority of MS to Commission proposal, mainly as regards the transition from a compliance-focused to a performance-based CAP. The calls for greater simplification and subsidiarity, mentioned in the strategic approach, should not undermine the CAP common character, so the Commission proposed common objectives, common indicators and a common system for performance assessment and reporting, common approval process by the Commission. The ambitions of the new CAP are adapted and revised in the new political and economic context, but also in line with societal requirements. In this sense, the *Commission reiterated the need for mandatory capping, redistributive payment and conditionality*.

In drawing up the strategic plans, member states will be technically supported by the Commission. The imposition of the proposed annual milestones is not an instrument of sanction, unless the actions taken by the MS fail to reach the proposed target. CAP will have a common performance system, based on indicators for different functions (result indicator for expenditures, impact indicators for objectives, etc.). Planning must have an appropriate character, and

the lack of progress does not mean imposing penalties in the first instance. A plan of action will be requested to effectively manage the intervention, by which the EC together with the MS will identify appropriate remedial measures.

The new green architecture has been established in the objectives of the CAP, the imposition of new agricultural and environmental practices (GAEC) and statutory management requirements (SMR) being the result of international agreements to which the EU is a party. The application of conditionality elements to all farms is essential in order to achieve the assumed environmental objectives, and also to justify the budget allocated to the CAP. The MS will be able to adapt conditionality to the national/regional specificity, so that, through measures proposed at local level, to noticeably contribute to the achievement of the new environmental objectives. The aim is to strike a balance between the EC proposal and the MS aspirations, where performance can be detailed according to national, regional or federal specificity. At the same time, it was emphasised that the aim was not to renationalise the CAP, but only to give the MS sufficient flexibility to build their own strategy to achieve the common European objectives.

In general, ministers welcomed, in principle, the transition to a performance-based CAP, but they considered that the new implementation model will lead to increased complexity and bureaucracy for farmers and MS administrations.

As regards the new green architecture, although growing environmental ambitions are welcome, in general, most ministers considered that such desiderata are not in line with the proposed CAP budget reduction and that such measures should be implemented in a flexible manner and better targeted, responding to national needs. The member states also expressed specific views, such as:

- Limiting the CAP budget and reducing co-financing rates for Pillar 2 cannot contribute to achieving the objectives of the new reform, on the contrary; the CAP should not pay the bill for BREXIT;
- The transition to performance represents sliding compliance to the level of farmers and national administrations; in particular the logic of Pillar 1 operation is complicated by imposing the annual performance evaluation;
- It is difficult to speak about conditions of fair competition as long as the level of direct payments and absorption rates are different at MS level; the continuation of Transitional National Aid (TNA) should be considered; requirements for farmers should remain proportional to the reward of their efforts to achieve the environmental goals;
- Strategic plans should not be too prescriptive or descriptive, but represent the framework for designing a strategy; interventions should be more strongly oriented towards application on voluntary basis; the development of Strategic plans should not lead to additional administrative burdens, and their approval by the EC must be transparent;

- The regulatory elements of the new implementation model, applied uniformly across the EU, contravene the current reform – thus, the definition framework needs to be made more flexible, mainly for concepts such as genuine farmer; capping should remain voluntary, redistributive payments should be more efficiently targeted according to specific national structures, the sectors to be supported, the provision of public goods at Pillar I level; market orientation is not sufficiently highlighted by the new model, and the enforcement of the environmental compliance issues has the potential to further limit access to this type of interventions;
- The new conditionality needs to be simplified, in the sense that MS should have more room for manoeuvre in choosing those elements that better meet national specificities;
- The agro-environmental and climate measures should remain the priority of Pillar II, because their annual verification represents only an administrative burden, and multi-annual controls are more appropriate; the complementarity of measures at the level of the two pillars needs to be more strongly emphasised, mainly from the perspective of double funding;
- The introduction of measures on the modernization of irrigation systems, a forestation of agricultural land, conversion of orchards and procurement of agricultural machinery among the possible investments through the rural development programmes has been supported by Romania;
- Reports and evaluations may be constructive, yet they involve material costs and human resources that MS do not have.

In late 2018, the Council also discussed other two progress reports, one referring to proposals on financing, managing and monitoring CAP, and the other on the common market organization. Ministers focused their interventions on the increased responsibilities of national authorities in CAP implementation and monitoring and reaffirmed the need for a simple and effective policy that does not generate excessive administrative burdens. At the same time, they considered that the existing market support instruments have proved to be efficient against market disturbances and they need to be maintained.

In late 2018, the presidency presented an intermediate report on the post-2020 CAP reform package referring to the three proposed regulations: strategic plans, CAP financing, management and monitoring and the common market organization (CMO) in agricultural products.

In January 2019, the Presidency of the EU Council was taken over by Romania, and in the first meeting the priorities and the programme were presented, overlapping with the end of the European Parliament mandate and the election of the new Parliament. In agriculture, the main priorities of the Romanian Presidency were the negotiation of the legislative package related to CAP Reform, in the context of the new multiannual financial framework 2021–2027. In addition, there

were also other priorities related to bioeconomy, agricultural innovation and research, plant proteins and plant and animal health.

The Romanian Minister, president of the Council, presented the priorities and then held an exchange of views on the new implementation model proposed in the post-2020 CAP reform package, focusing on issues such as the annual deadline, a progressive approach to targets and possible deviations. Ministers also discussed agricultural reserve and financial discipline. The new proposal on green architecture was presented in detail by the Commission.

The Councils in March and April resumed the debates concerning the post-2020 reform package, with special focus on environmental protection, which is one of the key issues of the reform, which will benefit not only farmers but all European citizens who want a sustainable food production and a greener future. Climate, biodiversity, water quality, plant and animal health are only some of the discussed issues having in view a sustainable food security. The Council held an exchange of views in the public sessions on the new green architecture, based on a presidency document. Ministers focused their interventions on the enhanced conditionality and related standards. In June, the Council discussed a progress report from the presidency on the work of the Council on all Commission's proposals on the CAP reform package, namely: the regulation on CAP strategic plans, the regulation on the Common Market Organization (CMO) and the horizontal regulation on the financing, management and monitoring of the CAP; in July the Council held an exchange of views on the environmental and climate issues of the post-2020 CAP reform package. During the exchange of views, several ministers emphasised the importance of ensuring sufficient flexibility to better adapt the requirements for a greater climate ambition to the needs of member states and to simplify the rules for the benefit of both farmers and national authorities. Our country's presidency has failed to make much progress in the CAP reform process, probably also because the overlapping with the election of the new European Parliament and the imminent change of the Commission were factors that influenced the steps taken in this regard.

During the last months of the year 2019, the Council discussed the progress report on the CAP reform left by the previous Commission, ministers focusing on sensitive key elements and the CAP budget in particular.

The New European Commission presented the *European Green Deal* in late 2019, which is practically the EU roadmap for a sustainable economy, which seeks to turn climate and environmental challenges into opportunities – in all policy areas – thus ensuring a fair and inclusive transition for all European countries. This includes a number of strategies aiming at a climate-neutral Europe by the year 2050.

The European Green Deal offers a plan of action meant to foster the efficient use of resources by moving to a cleaner, circular economy, to restore biodiversity

and reduce pollution. The plan of action establishes the necessary investments and financing instruments for all sectors of the economy.

To reach these desiderata, the Commission presented the Communication “*The Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system*” aiming, in the first place, at creating a sustainable food system, with emphasis on environmental protection, health and social protection. This new approach of the European Commission will be implemented through the funding instruments available to member states, the most important of which is the Common Agricultural Policy. As a result, besides the reform proposal initiated in 2018, the post-2020 CAP will include additional measures, around a more ambitious green architecture, which will combine social, economic and environmental approaches towards a sustainable agricultural system in the EU. The objectives of the European Green Deal related to the agricultural sector also include some additional targets established at EU level, namely:

- Reducing the use of pesticides by 50% by the year 2030;
- Reducing the sales of anti-microbial (antibiotic) products for farm animals and in aquaculture by 50% by the year 2030;
- Reducing the nutrient losses by 50% at least by the year 2030, which will lead to the diminution of fertilizer use by at least 20%;
- Increasing the land areas under organic farming by 25% by the year 2030;
- Increasing high-speed access to broadband internet in all the rural areas;
- Maintaining and increasing the land areas on which biodiversity is preserved, including agricultural areas under high-diversity landscape features.

Thus, the member states – through the (national or regional) Strategic Plans – should identify the most appropriate interventions that will implement the directions of action of the European Green Deal. The main direction of action identified is the sustainable food system – obtaining healthy food, in an environmentally friendly way, by promoting production techniques based on rational use/reducing dependence on pesticides and antimicrobials, reducing over-fertilization, promoting organic production practices, improving animal welfare and reversing the biodiversity loss process.

The concept of the strategy focuses on ensuring food security for the population (sufficient amount of food, with focus on food quality, nutritious food, at affordable prices) and on healthy food with changing food behaviours of the European population, taking into consideration that 50% of Europeans suffer from eating disorders and obesity in particular.

All the aspects included in this strategy, starting from the concept of sustainable food system, will also have an impact on the consumer’s choice of a healthy diet, leading to the increase in the quality of life and reducing consumers’ healthcare costs. This paradigm shift impacts food production and the entire chain – from farm to fork – and implies a series of changes in processing, transport,

packaging, actions to reduce food waste, combined with environmentally friendly production methods, which lead to obtaining healthy food. At the same time, informing consumers and producers on the need for such measures, in correlation with the benefits resulting from their application, will have a major importance. Member states will need to make efforts to reach the targets proposed by the EU, starting from the reality and current situation of each country (namely the level of application of pesticides, antimicrobials, fertilizers use, etc.).

COVID-19 pandemic of the year 2020 resulted in a major economic crisis, with a direct impact on the agri-food sector at European and global level, humanity facing an entirely new situation for which ad-hoc countermeasures have been sought. A series of decisions on finding solutions complemented the Council's agendas and the debates on CAP Reform took place in parallel. Thus, in March 2020, an informal meeting of the ministers of agriculture and fishing from the MS was held (in videoconference format), to identify measures for reducing the impact of COVID-19 pandemic and improve the response capacity of the EU. Later on the Commission gradually adopted some exceptional additional measures to support the sector, namely:

- Creation of priority transport corridors for food commodities, for live animals inclusively;
- Recommendations and regulations for cross-border movement of seasonal labour force in agriculture;
- Measures to support farmers' cash flow and to reduce the administrative burden (of national authorities and farmers):
 - Increasing advance payments for direct payments from 50% to 70% (Romania had already benefited from this percentage since 2016), for payments from Pillar II respectively (from 75% to 85%), which will be received beginning with mid-October 2020, depending on the mobilisation and organisation of each member state, which will be able to make payments even before all field controls are completed;
 - Reducing the number of physical controls in the field from 5% to 3%, flexibilization of control schedule and using alternative sources, like satellite imagery, geotagged photographs to prove the investments made;
 - Increasing the amounts for state aid, to 100 thousand euros/farm and 800 thousand euros / processing enterprise.

Other exceptional measures announced as additional response to COVID -19 crisis included:

- Private storage aid: for dairy products (skimmed milk powder, butter, cheese) and meat (beef, sheep and goat meat) which allowed the temporary withdrawal of products from the market for a minimum period of 2-3 months and maximum 5 to 6 months. This measure aimed at reducing the available supply on the market and will rebalance the market in the long run;

- Flexibility for the market support schemes for wine, fruit and vegetables, olive oil, bee-keeping and the school scheme of the EU and reorienting funding priorities towards crisis management measures for all sectors;
- Exceptional derogations from the EU competition rules for the sectors: milk, flowers and potatoes, which will allow operators to adopt self-organising market measures to stabilise the market (withdrawal from the market, storage to private operators) for maximum 6 months, with the monitoring of consumer prices.

On May 20, 2020 the Commission launched the two strategies, which are at the core of the European Green Deal. The two strategies set a new framework for the post-2020 CAP, promoting an integrated approach and strengthening the links between the CAP and other common policies with regulatory powers in the agri-food chain. *The European Green Deal and the two strategies strengthen a “multi-level” CAP*. These strategies become regulatory frameworks that will be constantly updated, and a great part of the implementation work will be carried out together with other directorates-general of the Commission.

The importance attached to these strategies is illustrated in the Communication from the Commission “*The EU budget powering the recovery plan for Europe*” in which it is stated that “rural areas will play an essential role in the green transition and in achieving the ambitious climate and environmental goals”. The Commission aims to consolidate the budget for the European Agricultural Fund for Rural Development by 15 billion € to support farmers and rural areas in making the structural changes needed to implement the European Green Deal and mainly to achieve the ambitious goals in the new Biodiversity and Farm to Fork (F2F) strategies. The two strategies presented were accompanied by a set of documents and a working schedule, referring to the actions/measures envisaged for 2020-2024, for implementation purposes, in direct connection with the common agricultural and fisheries policies, as key tools to support a fair transition.

The F2F and Biodiversity strategies have a major impact on the implementation of CAP Strategic Plans. Thus, the main challenge in the development of Strategic Plans is to ensure the contribution to the achievement of national objectives, as well as of the EU objectives in these areas. The 2-year transition to the future CAP would provide the member states with the necessary time to best adapt their national needs, identified through the SWOT analysis, both to the requirements of the new CAP and mainly to the actions proposed by the two strategies. These call for a number of improvements to the CAP reform and to the progress made in the regulation proposal. Some proposals would refer to:

- Minimum threshold for ecosystems and additional indications on the agricultural practices that could receive support;
- Integrating relevant elements of legislation on animal welfare and antimicrobial resistance in the CAP Strategic Plan Regulation (Annex XI);

- Practical initiatives for an efficient implementation of the future CAP through:
 - Establishing a structured dialogue for the preparation of CAP strategic plans, also by providing MS with recommendations on the objectives of the CAP, before the draft CAP strategic plans are formally submitted to the Commission. In this dialogue, member states will be asked to address the new quantified objectives of F2F;
 - The public sharing of additional documents (guidelines) on how the strategic plans will be evaluated, as well as the exchange of comments on the evaluation of the objectives proposed in various strategic plans of the CAP (to enable their comparison);
 - Assessment of coupled support and interventions in the sectoral programmes proposed in the MS strategic plans, in relation to their coherence and the overall sustainability need;

The Commission will also monitor the implementation of the Unfair Commercial Practices Directive by MS and will work with co-legislators to improve agricultural rules that strengthen the position of farmers (e.g. manufacturers of products with geographical indications), their cooperatives and producer organizations in the food supply chain.

The Biodiversity Strategy includes interventions to help protect biodiversity, improve eco-system services and preserve habitats and landscapes; cross-compliance standards also contribute to climate change mitigation, water, soil and biodiversity protection (SMR3 and GAEC 9 from the CAP Strategic Plans Regulation). EU biodiversity policy instruments include the Birds and Habitats Directives. A key pillar of these directives is the definition of special areas of conservation through Natura 2000, 40% of these being agricultural land areas, hence the key role of the CAP in meeting the EU's biodiversity objectives. The quantified targets to be reached by the year 2030 will strongly affect agriculture, namely:

- several agricultural land areas will be covered by Natura 2000 sites or protected area at national level to reach the 30% target of the strategy;
- at least 10% of agricultural land must have high-diversity landscape features (buffer strips, hedges, non-productive trees, etc.);
- 25% of agricultural land should be cultivated under organic system;
- the limitations and reduction in the use of pesticides and fertilizers will become mandatory;
- afforestation, reforestation and tree planting will be promoted – 3 billion trees at EU level.

These new targets translate into additional requirements that could be approved in conformity with the conditionality standards and eco-schemes. The allocation of a minimum share of the Pillar II funds for agro-environmental and climate measures could better protect biodiversity (organic farming, soil health,

nutrient management planning for biodiversity protection, pollination and genetic biodiversity of animals and plants and landscape features). The provision on more consistent Natura 2000 payments that could include, for instance, ban on ploughing/conversion of permanent pastures in all Natura 2000 sites and on all permanent grassland on the high nature value farmlands as compensatory measures.

The Croatian Presidency resumed, in mid-2020, the debates on the CAP reform, informing the ministers on the progress made and presenting the topics that need continuation of debates, having in view the two strategies that are part of the European Green Deal, namely *Farm to Fork* and the *Biodiversity Strategy*, as well as the problems due to the health crisis and the situation of agricultural markets. The conclusion was that considerable progress has been made on the CAP Reform, but there is a need to intensify debates at several levels, including fast responses to the health crisis.

The Council of July 2020 (the first physical meeting since the onset of COVID-19 pandemic) discussed issues related to the green architecture of the CAP in the reform legislative package, mainly those arising from the *Farm to Fork* and *Biodiversity* strategies, and in particular on the possibility of having a minimum budget for these schemes, a new element in the CAP Reform, which aims to provide additional incentives for farmers to adopt climate and environment-friendly practices, through direct payments inclusively. The Commission presented a working document covering two main issues, eco-schemes and GAEC 9.

Ministers reiterated their views on the voluntary or mandatory nature of green programmes and explained that financial flexibility is essential to ensure that farmers will not lose unused funds (especially if ring-fencing is introduced). The Council also discussed the possibility of introducing a minimum share of arable land area at EU level devoted to non-productive features, intermediate crops or nitrogen-fixing crops: some ministers called for greater flexibility, while others agreed on the approach based on a minimum share.

In September, ministers continued the discussions on the post-2020 CAP reform package, with a view to adopt the general approach of the Council in October 2020. The German Presidency submitted to the debates the green architecture, the new performance model and the implications of the new Multiannual Financial Framework (MFF) on the CAP Strategic Plans Regulation; the main objective of the German Presidency was to adopt the Council's position (general approach) at the ministerial meeting of October 19.

Commissioner Wojciechowski underlined that the CAP reform finalisation is a priority of the Commission and supports the Presidency's objective. Regarding the inclusion of European Council's conclusions on the Multiannual Financial Framework (of July 21, 2020) in the draft regulation, i.e. voluntary capping of direct payments to large beneficiaries at maximum 100,000 euros, he considered that the efficiency of direct payments should be increased by capping and a better

targeting of support to farmers who contribute to achieving the Green Deal objectives. Yet he regretted that once again the opportunity to apply degressivity and to compulsorily cap direct payments at EU level was lost. The Commission's proposal was initially designed on the basis of a binding system that ensures a level playing field in the EU. The German Presidency's proposal included a threshold under which payments cannot be reduced or capped, leaving the decision to the member states. A more equitable distribution of direct payments is a key solution. A possibility would be the redistributive payment and supplementing payments to young farmers for a fair distribution.

With regard to rural development, he recognised the need to rationalise and increase the EU co-financing level in line with other European funds under common management. He will work with the Presidency to revise the legal text taking into account the spirit of common harmonization and the differentiation of co-financing rates. With regard to reaching the 30% climate target, contribution of Pillar II (rural development), he welcomes the reintroduction of obligation for member states to propose eco-schemes, as the Commission has proposed, and the allocation of a pre-established (ring-fenced) amount for these. Only introducing the obligation for MS will not guarantee the achievement of environmental ambitions. As regards the financial management of eco-schemes, he considered that there is flexibility in planning, but in order to avoid non-access, a minimum allocation would be opportune in the first years to increase in the next years so as to reach the required average over the whole period.

With regard to biodiversity protection and conservation and GAEC 9 targets for which the German Presidency proposed a three-tier approach with minimum quotas for non-productive areas and landscape features, the Commission considered that this will lead to steps back in the implementation of greening and areas with ecological interest, issues criticised by the European Court of Auditors (ECA). As they are proposed, these standards would apply only to arable land, but the Commission considers that all agricultural land must contribute to biodiversity. For Pillar II, the Commission argued that the agro-environmental payments should be granted if additional efforts are made, to go beyond the status quo. The Commission is not in favour of the new definition proposed for the genuine farmer, or for the continuation of the transitional national aid (TNA). As regards the new implementation model, the EC welcomes the division of result indicators on natural resources into three indicators for soil, water and air, which will allow an optimal reflection of CAP's contribution to the protection of natural resources. Nutrient losses must be reflected by introducing a new performance indicator for sustainable land management. The target on land biodiversity and the indicators on commitments to maintain landscape features are missing. The Commission will work with the Presidency to identify and review the relevant indicators. Most

member states were in favour of a political agreement in the Council in October 2020, indicating the following.

Direct payments:

- External convergence must be calculated by applying the ceiling reduction only to member states above the EU (Czech Republic);
- Bulgaria considers it mandatory to maintain the current level of coupled support and TNA;
- Capping – Spain intends to set a cap at 100,000 euros; Latvia considers that capping or redistributive payment should be mandatory;
- Redistributive payment – should consider a correct definition of the size of small and medium-sized farms (Spain); compulsory application – France, Portugal; to maintain the provisions of the current regulation (Reg. 1307/2013) that make it possible to replace capping by redistributive payment, more easy to apply and less bureaucratic – Romania;
- Eco-schemes – Spain, France, Portugal, Slovakia, the Czech Republic and Romania supported the proposal of German Presidency, however member states expressed concerns over the possibility of losing funds; Denmark and Sweden are in favour of a multiannual application; another group of countries (Latvia, Lithuania, Croatia, Hungary, Poland) do not consider it opportune to impose a certain budget (ring-fence), and Hungary, Croatia and Latvia are even in favour of a voluntary application at member state level; Italy proposes a mid-term review on the implementation to establish the opportunity of increasing the percentage and the analysis of unused funds;
- Young farmers – the 2% allocation should not be limited only to setting up of young farmers;
- Coupled support – maintaining 13+2% status-quo supported by Portugal, Slovenia, Czech Republic, Romania and Bulgaria; allocation of a 25% percentage – Slovakia; Hungary considers that member states should be allowed to exceed the 13+2% threshold; Austria supported the Commission's proposal, while Sweden and Denmark considered that the percentage needs to be re-analysed not to generate production increase;
- With regard to Transitional National Aid – Hungary, Romania and Bulgaria welcomed the continuation of this aid; Romania and Czech Republic considered that this support must be maintained at 50% and should not be phased out;
- Austria presented a new correlation system between eco-schemes and contributions from Pillar II – which was supported by Slovenia and Denmark (common percentage model used for the young farmer).
- Extended conditionality:

- Exclusion of small farmers – France and Latvia were against it; PT, EL, IT, HR, EE, CY, HU, PL, BG, RO, MT, LU were supportive, inclusively by administrative costs generated by doubling controls on the basis of an additional control system; SI and LT were in favour of a simplified control system;
- GAEC 1 – Greece prefers 2018 as reference year;
- GAEC 9 – single percentage at EU level of 5% (arable land)/ 3% non-productive features (ES, FR, PT, AT, SI, EL, EE, HU, CZ, BG, RO, FI); SE and EE consider that the areas with a high share under forests should be treated differently; HR and PL consider that MS should establish the percentage; IE considers that it must be applied to the entire agricultural area.

Rural development:

- Inclusion of areas with natural constraints (ANC) in the 30% environment and climate allocation – supported by ES, PT, AT, SI, EL, CY, RO; NL calls for the increase of the general percentage allocated to the environment to 40%;
- Investments – irrigations must be 100% supported – PT; more intense investments in agro-forestry areas – PL.

The new implementation model:

- Most MS consider that essential progress was made that simplified the model, but there is still room for flexibilization and simplification;
- Article 89 must apply to all interventions (ES, EL);
- The EC and German Presidency should come with technical examples (DK);
- Indicators – support to the proposal of Croatian Presidency (FR, AT); indicator sheets to be made available to MS (AT); for the Common Market Organization, the indicators have not been clarified (LT, EE);
- NL, HU consider that the evaluation of strategic plans by the EC should be transparent;
- The modification of strategic plans must be possible more often for rural development intervention (PL).

Transition period: regulation to be adopted as soon as possible; support to German Presidency's proposal on the use of ERI funds in 2021–2022 (FR, ES, CZ, EE); LT advocates for only one year of transition. The commissioner considers that the positions of delegations could lead to a compromise that can be reached in October. MS specificities must be taken into account, but the importance of commonalities and an equal and fair treatment should not be overlooked. The EC has taken note of MS proposals and will take them into consideration when developing the position for reaching a compromise. It supports the creation of a task force for simplification measures to reduce bureaucracy. The transparency in the approval of CAP Strategic Plans is important. Suggestions/recommendations

will be provided to MS to support the approval of programmes. The criteria for approving the strategic plans will be made public.

In October 2020, following intense negotiations, *agreement was reached for the Council's position on the 3 regulations of the post-2020 CAP reform, by a large majority qualified* (one vote against – LT and 3 abstentions – BG, LV and RO). RO and BG abstained from voting because they requested, with appropriate justifications, the updating of the reference year for the payment of transitional national aid (TNA) from January 2013 to June 2018 in order not to pay subsidies for many animals that did no longer exist from the state budget (the German presidency announced during the negotiations with RO, CZ, SK and BG that it would update to the year 2018, but this did not materialise in the final compromise).

Negotiations essentially targeted the most sensitive aspects:

- The percentage of direct payments for pre-establishing the funds to be allocated for eco-schemes (for environment and climate), which is proposed at 20%, a 2-year “learning” period was introduced; eco-schemes are mandatory for MS, yet voluntary for farmers, the financial conditions that the member states will propose to farmers being essential to stimulate them to access the eco-schemes, thus avoiding the loss of significant funds;
- Reducing the direct payments for large farms: the proposal leaves it to the member state to apply the cap on 100,000 euros (on the basic payment, taking into account wages) or the redistributive payment;
- Conditionality for small farms: although some MS with small farms called for exemption from environmental conditionality and non-penalisation in case of misconduct, the German presidency, supported by a number of member states, considered that these should not be exempted, but left MS flexibility in application to reduce bureaucracy and sanctions;
- Application of transitional national aid: RO, BG, PL, HU called for the continuation of transitional national aid, which allow MS that apply the single area payment scheme – SAPS to support the livestock sector and complement the support for the crop sector; TNA was due to end in 2020, but RO managed to obtain TNA extension for the transition period (2021 and 2022) and also to maintain it for the entire next programming period; the initial proposal of the Presidency was 40% of the 2013 level, with an annual degressivity of 10%, and finally 50% was obtained with a degressivity of only 5% per year, which allows application until 2027 inclusively;
- Maintaining the ceiling of 2000 euros for the application of financial discipline: for the establishment of the agricultural reserve that reduces the direct payments to farmers by about 12 euros/ha/year; the EC proposed that for simplification purposes, this reduction should be applied to all farmers, not only to those who receive minimum 2000 euros/year, as it is

currently applied; despite the opposition from the EC and several member states, finally the current provision has been maintained, which facilitates its application in RO, given that out of the more than 800,000 beneficiaries of direct payments, more than 95% receive less than 2000 euros/year;

- Facilities in the application of good agricultural practices – GAEC8 and GAEC9.

Reaching agreement on the Council's position on the 3 post-2020 CAP reform regulations represented an important step forward in opening the trilogues by which the CAP reform process will be completed.

4.2. THE COMMON AGRICULTURAL POLICY REFORM – EVOLUTION OF THE DEBATES IN THE EUROPEAN PARLIAMENT

After taking over the baton from the rapporteurs of previous legislature in May 2019, the members of the European Parliament (MEPs) from the main political groups resumed and amended the proposed legislation by that date and managed to reach consensus, so that in the plenary session of October 20, 2020, the European Parliament agreed on the main lines of the CAP reform after 2023, which it will support in the negotiations with the Council and the European Commission (trilogues) beginning with November 2020.

The European Parliament (EP) has chosen (by a majority vote of more than 2/3) to make more ambitious proposals compared to the reform proposal presented by the European Commission in 2018. The European Parliament has advocated for:

- A policy with common agricultural, environmental and social ambitions for all the territories of the European Union;
- A policy reconciling the economy and the environment, for the European agriculture and rural areas;
- A transparent policy in the management of European funds, able to prove its effectiveness and measure the outcomes it has produced;
- A policy that does not confuse the necessary flexibility with renationalisation;
- A policy that supports the EU's social acquis.

MEPs have proposed a rebalancing of priorities and instruments from CAP Pillar I and II, focusing on the economic and environmental performance. In essence, the European Parliament agreed to bring Pillars I and II in line with each other by pursuing double performance; it has confirmed the principle of national strategic plans that have to be submitted by each member state (these plans, to be finally approved by the Commission, will define the modalities and means that each member state will mobilise to fulfil the objectives defined by the CAP). It has been agreed that each of the two pillars should contribute to the green transition and economic performance of European agriculture.

Pillar I:

- Any beneficiary of the CAP aid should comply with the common cross-compliance rules of the EU, besides the current rules on eco-conditionality and greening. Hence, 5% of arable land will have to be devoted to EFA (Ecological Focus Areas) and crop rotation must be practiced. The rotation definition remains an open question, the same as the coherence between including legumes in the EP position and the agronomic reality of these crops;
- 60% of the funds from CAP Pillar I should be devoted, in each member state, to the funding of support to basic income, redistributive payments (with minimum 6%), coupled support and operational programmes;
- 30% of the first pillar will have to be allocated to the greening measures of Pillar 1 (eco-schemes). These must achieve the green transition objectives, while seeking to improve the economic situation of farms. The measures that will be defined by member states in this eco-scheme framework will have to fall within the proposed area of action, among which carbon sequestration, reducing input use, agro-ecology or precision farming. The delegated acts to be proposed by the Commission would specify the criteria that have to be met by the measures to be eligible for the eco-scheme system;
- Member States will be able to mobilise 10% of the first pillar for coupled support (+2% for the programmes in favour of plant protein production) and 3% for measures under operational programmes outside the traditional sectors (wine, fruit and vegetables, olives, etc.). Member states would also have the possibility to use the unutilised coupled support to fund several operational programmes;
- The sectoral programmes for wine, fruit and vegetables and olives will be maintained, and it is proposed to extend authorisations for planting new vines to the year 2050;
- The ceiling for direct support is set at 100000 EUR per farm (excluding aid for eco-schemes, young farmers and wage costs). If 12% of the first pillar is allocated to redistributive payments, a member state can decide not to apply this ceiling;
- The possible transfers from the first to the second pillar are limited at 12% of the first pillar and should be allocated to environmental actions from the second pillar. A transfer from the second to the first pillar would be possible for maximum 5% (the limit is increased to 15% for the countries with average direct support at national level under the EU average).

Pillar II:

- 35% of funds from the second pillar should be allocated to the environmental actions (40% of the ICHN support could be included in this

framework) and 30% of funds under the same pillar would be devoted to investment financing measures and risk management instruments;

- Improving risk management tools that can be triggered from 20% losses and benefiting from 70% CAP co-financing;
- Re-establishment of current minimum and maximum amounts paid per hectare under CAP Pillar II;
- Consolidated crisis management: the position voted provides for a multi-annual crisis reserve of at least 400 million euros, which can increase to 1.5 billion euros in the respective period to finance exceptional measures and take over risk management instruments, mutual funds and Socially Responsible Investments (SRI);
- At the same time, under the market management instruments (single CMO), the proposals defined in the spring of 2019 are adopted, for a better organisation of sectors, rebalancing the share of farmers in the food chain, market transparency and, during periods of crisis, capacity to fast implement incentive plans to reduce production;
- A balance between the need for transparency in the use of public funds, simplification and measuring the environmental and economic results obtained.

The position adopted by the European Parliament moves away from the Commission's proposals on how the PAC will be managed and seeks simplification for farmers and member states (in the case when the Commission proposed a system that is easier to manage for itself, but more bureaucratic for farmers and paying agencies). The eligibility of final beneficiaries of CAP support will continue to be verified, as well as compliance with the rules defined at EU level and the national strategic plans for the different types of measures. On the other hand, the Commission will have to rely on the activity of national certification agencies and strictly limit any type of double control on farmers, unless there are deficiencies in the activity of certification agencies. The CAP effectiveness monitoring is planned on the basis of a limited number of indicators that analyse every two years the results obtained in relation to the objectives validated within the national strategic plans.

The European Commission's proposals for member states' annual controls and sanctions on the basis of administrative performance indicators (number of hectares under the different CAP measures) are rejected, as is the idea of having as many control and sanctioning policies as the number of member states. With this position, which is diametrically opposed to the idea of renationalising the CAP proposed in 2018, the European Parliament (led by the S&D and PPE groups) strongly reaffirms by a large majority its opposition to the rapporteur responsible for the case – that the common European dimension of the CAP cannot be questioned. Any attempt to rationalise and ultimately dismantle the CAP is strongly rejected.

4.2.1. Positions of the 7 political groups in the European Parliament

On behalf of the **PPE**, it was stated that the gradual introduction of environmental and climate issues in the CAP should be based on incentives and not on constraints and sanctions, arguing that there must be a balance between these environmental targets and support to farmers' incomes and economic development of the sectors. The compromise text introduced an ecological barrier to trade referring to compliance with the EU environmental and social standards by third countries. At the same time, it was mentioned that the rules on the instruments of cooperation between farmers have been revised, the supply management tools for quality products have been strengthened and the vine plantation authorisation until 2050 has been supported. Furthermore, the PPE advocated for the crisis reserve reform, to make it more operational and to set up a European Observatory to improve market transparency, which will enable a faster intervention of the Union in the event of major crisis.

On behalf of the **S&D**, it was stated that the legislative proposals put the green architecture at the core of the CAP reform, that direct payments would be subject to increased conditionality. What had been optional so far became a norm. 30% of the first pillar will be devoted to the new eco-schemes, and this will bring environmental ambition to unprecedented levels when it comes to the budget, 30% of Pillar I direct payments and at least 35% of Pillar II rural development. Out of the desire to put an end to abuses on workers in agriculture, it was proposed to introduce a social dimension in the CAP reform. The social dimension of the CAP should not be neglected, which should ensure that the essential principles enshrined in the European Pillar of Social Rights on workers' social protection are respected and that generational renewal exists, the creation of the new generation of farmers being of utmost importance, although many amendments are quite discouraging from this perspective. Moreover, the focus was laid on maintaining women in the rural area and on the gender dimension, so that policies dedicated to women must be in place.

On behalf of the **Renew** group, it was argued that farmers should be less dependent on the direct income support, which does not give farmers a competitive position. Farmers should be given more opportunities instead to earn a decent income. The compromise text has positive aspects but should leave more room for manoeuvre in the supply chain to make efforts for sustainability, and the additional costs for environmental protection, animal welfare and climate should be integrated in the sustainable product price. The European agriculture needs a vision, not an aggregator of standards and administrative mechanism, and the new approach means a decisive evolution of agricultural practices towards more respect for natural resources.

For the **ID** group, the new CAP is certainly one of the most important reforms of the entire legislature. More could be done to protect PDO / PGI products in the fight against unfair competition. The future CAP will be positive or negative, depending on how much money will be allocated to agriculture in the period

2021–2027, being ready to struggle to reject any cut in the budget dedicated to the CAP. CAP direct payments bring disproportionate benefits to the “old” MS compared to the “new” MS, and full convergence must be reached as long as all farmers must meet the same EU standards and requirements. The convergence process would guarantee fair competition and equal conditions between MS (redistribution of payments from MS above the EU average to those under the average).

The **Greens / EFA** expressed their discontent on the so-called reform, which maintains 60% of direct payments for the payment per hectare, which makes large farmers benefit from lots of money, to the detriment of small farmers who are in greater need of funding. 80% of funds continue to go to 20% of agricultural holdings, and this is not a true reform. The Biodiversity Strategy abandons quantitative targets, as set out in the “Farm to Fork” Strategy (50% fewer pesticides, 50% fewer antibiotics, 20% fewer fertilizers), fewer soybean imports, lower water consumption, a higher protein production in Europe. 10% of the agricultural area is needed to guarantee biodiversity and it is in vain that we talk about precision farming under the eco-schemes, as a farmer who apply precision spraying does not mean that he uses fewer pesticides.

ECR considers that the package referring to the strategic plans presented is quite disappointing, not only because it is supported by only 3 political groups, but due to the guidelines that it contains. The group does not agree that several conditionalities are provided for the basic payment, considering it unacceptable that no reasonable financial compensation is provided. Higher requirements are set for the basic payment, yet at the same time this will decrease by 30% or more, and the farmer is also obliged to remove 10% of land from production, and he can be compensated financially only through Annex III. There is a need for a policy that leaves room to innovative force, to entrepreneurship, which should contribute to setting a fair price. The focus was laid on the crucial importance in maintaining the agricultural budget, this being in the interest of a sustainable agricultural sector, which is ultimately in the interest of all. There are also environmental limits.

On behalf of **GUE/ NGL**, it was stated that the CAP reform is extremely important as it will decide how the food is produced, how the agricultural land will be managed, how the environment will be protected or destroyed, but the amendments do not make sense; the message was that the reform in the presented form should not be supported, considering that in the two-year transition period it is possible to come up with a CAP that works for farmers, for consumers and for the planet. In response to MEPs interventions, the commissioner for agriculture emphasised that the proposed compromises were moving in the right direction, in particular to support the allocation of 30% of the budget for direct payments to eco-schemes. The Commission presented several concrete eco-scheme proposals for maintaining the common character of the CAP, but the EC must take into consideration the great differences between member states, regions and sectors, as

the strategic plans represent the ideal framework for local conditions and consequently the member states have a high degree of flexibility.

Commissioner Wojciechowski added that agriculture is not a business like any other business, but an activity that needs support, as the European farmers cannot cope with global competition in the absence of direct payments. With regard to how the CAP reform provides support to small and medium-sized farms, he said that in the stage of strategic plans approval, it will be ensured that these farms are included in the common agricultural policy system and they will even be at its core, in order to stop small farm disappearance, as it happened with 4 million farms of this type in the last 10 years. 80 billion euros will be allocated for eco-schemes, and small farms will not be left out of the CAP. He highlighted the need to reflect more on removing what is not related to agriculture from the agricultural policy. So far, many activities have been funded from Pillar II that can be successfully funded from other funds, from the cohesion policy, from the recovery fund that has been adopted.

4.2.2. Main amendments adopted by the European Parliament

Following intense debates, the Parliament has adopted the following amendments:

- reserving 30% of direct payments for eco-schemes (environmental and climate interventions) and 35% of rural development (CAP Pillar II) for environmental and climate actions;
- establishing a cap on direct payments at 60,000 euros, calculated on the basic payment, taking into account 50% of wages and a maximum limitation ceiling for any farm at 500,000 euros, with the possibility of non-applying capping in the case of redistributive payment of minimum 12%;
- setting voluntary coupled payments at 13%+2% (status quo) of the annual level of direct payments allocated by the EU to a member state;
- continuing to apply transitional national aids (TNA) at 50% and setting the year 2018 as new reference year;
- maintaining the exemption from application of financial discipline for farmers who receive less than 2000 €/year direct payments;
- extending the application of vine planting rights to the year 2050.

The position of the European parliament was adopted in the final vote during the plenary session, allowing for, with the adoption of the EU Council's position on the CAP reform (of October 2020), the initiation of trilogue negotiations (EP, EU Council and EC) in November 2020, with a view to adopting the three reform regulations in the first half of the next year, during the Portuguese Presidency of the EU Council.

5. PRELIMINARY CONCLUSIONS ON THE NEW CAP

The negotiations on the Common Agricultural Policy reform in the EU Council and European Parliament lasted two and a half years, the two institutions reaching a political mandate in late October 2020, which is to be supported during future trilogues, following which the final form of the three regulations will be practically decided: Regulation on the CAP Strategic Plans, (horizontal) Regulation on financing and monitoring and Regulation of the Common Market Organization. These will be adopted when the EU Council, the European Parliament and the European Commission will reach a common agreement, most likely in the first half of the year 2021.

The first trilogue took place on November 10, 2020 and set the indicative timeline for the meetings (November 19 for the Strategic Plans, December 2 for the Common Market Organization, December 4 for the horizontal regulation). Trilogues will take place most likely until March 2021 and will be finalised in the plenary session of May 2021, when the final adoption of the reform is expected.

After the adoption and publication of the three CAP reform regulations (in about 4 months from the final agreement), delegated and implementing acts will be adopted, so that these should come into force on January 1, 2023.

Until that date, the Transition Regulations (also agreed during the trilogue, at the end of 2020) will be applied for two years. In 2021 member states must continue to prepare and finalise the National Strategic Plans setting out how the CAP reform will be implemented, with the deadline for their submission to the European Commission for approval being January 1, 2022.

The most sensitive issues during the negotiations targeted the following:

- Percentage of funds for direct payments allocated to eco-schemes (environmental and climate support);
- Conditions and flexibility provided to member states for the first two years for a “learning period”;
- Reducing direct payments to large farms;
- Conditionality for small farms;
- Continuing the application of Transitional National Aid (TNA) that was due to end in 2020, which allows member states that apply the single area payment scheme (SAPS) to support the livestock sector and be able to complement the support to the crop sector (maintained at 50% with only 5% degressivity per year, which allows its application until 2027 inclusively);
- Maintaining the ceiling of 2000 euros for the application of financial discipline: for the creation of the agricultural reserve by which direct payments to farmers are reduced by about 12 euros/ha/year; the Commission has proposed that this should be applied to all farmers for

simplification, not only to those who receive minimum 2000 euros/year, as is currently the case; despite the opposition by the Commission and several member states, the current provision has been finally maintained, which facilitates application in Romania, given that of the more than 800,000 beneficiaries of direct payments, more than 95% receive less than 2000 euros/year;

- Facilities in implementing the good agricultural practices – GAEC8 and GAEC9.

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