



THE EUROPEAN RECOVERY PLAN

HOW IT SHOULD BE DESIGNED TO BETTER SUPPORT AGRICULTURE

July 2020

The European Commission has presented an ambitious European Recovery Plan and a new Multi-Annual Financial Framework for the 2021-27 period.

The new proposals bring in new resources for the agriculture sector as compared to the initial proposal of May 2018, although the total amount of support falls in 2018 constant prices by €34 billion as compared to the 2014-2020 period.

The key elements for the sector are:

- “A €15 billion reinforcement for the European Agricultural Fund for Rural Development to support rural areas in making the structural changes necessary in line with the European Green Deal and achieving the ambitious targets in line with the new biodiversity and Farm to Fork strategies”
- “An increase of €4 billion for the Common Agricultural Policy (...), to strengthen the resilience of the agri-food (...) sector(s) and to provide the necessary scope for crisis management”

The focus of this paper is on putting forward Farm Europe’s proposals on how best this well-needed resources can be put to use.

- The rural development additional resources should be committed between 2022 and 2024. This should be amended to allow the new resources to be committed as from 2021, as the whole point is to without undue delay help the sector to recover

from the current crisis and prepare for the future. The new resources should be part of the 2021 budget and not wait for the implementation of the CAP reform which will not occur before 2023.

- The second proposal Farm Europe wishes to make is to dedicate the €15 billion reinforcement to supporting dual-purpose investments in farms. Those investments should reduce the environmental footprint and at the same time improve the economic situation of farmers.

Examples are investments in digital or smart farming tools and systems, and on production of bio methane from livestock effluents. Those investments squarely qualify for the objectives set-out by the Commission to prepare the sector “making the structural changes necessary in line with the European Green Deal and achieving the ambitious targets in line with the new biodiversity and Farm to Fork strategies”.

- Another proposal is to reinforce the co-financing rates for those investments. The Commission reduced the co-financing rates for rural development actions by 10% in its CAP reform proposal. But the dire economic and financial situation of many farmers and countries calls for a higher rate of community financing to make sure the uptake is optimal. Farm Europe thus proposes that community co-financing should raise to 75%.

Those investments should benefit from the bulk of the new resources, and at least €10 billion be ring-fenced to that purpose.

- The new resources should also contribute to further support crisis management tools, like climatic insurance, mutual funds and income insurance. The EU, with very few exceptions, is poorly equipped with these tools, and the new funds could provide the right incentives to bolster the interest of farmers in using the existing legislative provisions. The main obstacle to the development of crisis management tools in the EU seems to be the cost. The new funds could provide the resources to increase community co-financing and thus render these tools more attractive.

- The €4 billion new resources for the CAP Pillar I are clearly earmarked for crisis management. This makes it possible to finally create and adequately fund a Crisis Reserve, as Farm Europe has put forward in previous papers and initiatives, and the European Parliament Comagri has proposed. €1.5 billion should be committed to the new Crisis Reserve as from 2021. The Crisis Reserve should have the

mandate and the resources to quickly redress markets, intervening at early stages and without delay with a wide range of emergency measures.

- The remaining resources should be used to support the sectors that are already suffering from the Covid-19 impact. Support actions should be agreed to swiftly rebalance hard hit markets, e.g. in the wine, beef and sheep and goat sectors.

It is of crucial importance to swiftly mobilize the additional resources as from 2021. It would be unwise and contrary to the key objective of the European Recovery Plan to wait for the adoption of the CAP reform, and the subsequent presentation of the Strategic Plans. That process would mean simply and squarely two years lost whilst the crisis hits harder.

Farm Europe believes that the European Commission Recovery Plan, although still coming short on the budget for the sector, offers a unique opportunity to shape the response to the Covid-19 crisis and prepare the sector for the European Green deal – provided it is well designed.