

AGRICULTURE, A STRATEGIC ISSUE FOR THE EU

**PAOLO DI STEFANO
IPIFF, NOVEMBER 21, 2024**



European Commission 2024-2029

Agri-food priorities & governance interdependencies



Key:

- Cooperation explicitly mentioned in the mission letters
- ⋯ Issue of common interest
- Hierarchical relationship



CAP: CONSTRAINED NEGOTIATIONS

Accession negotiations with Ukraine - 2025 - 203?

Common markets organisation and unfair trading practices.
Strengthening producer organisations and regulating cross-border buying groups

Vision for agriculture and food: by the end of March 2025, the Commission's roadmap

of CAP regulations 2023-2027

2024

2025

2026

2027

2028

2029

Multiannual financial framework: mid-2025, budget allocations for the CAP and possible structural changes

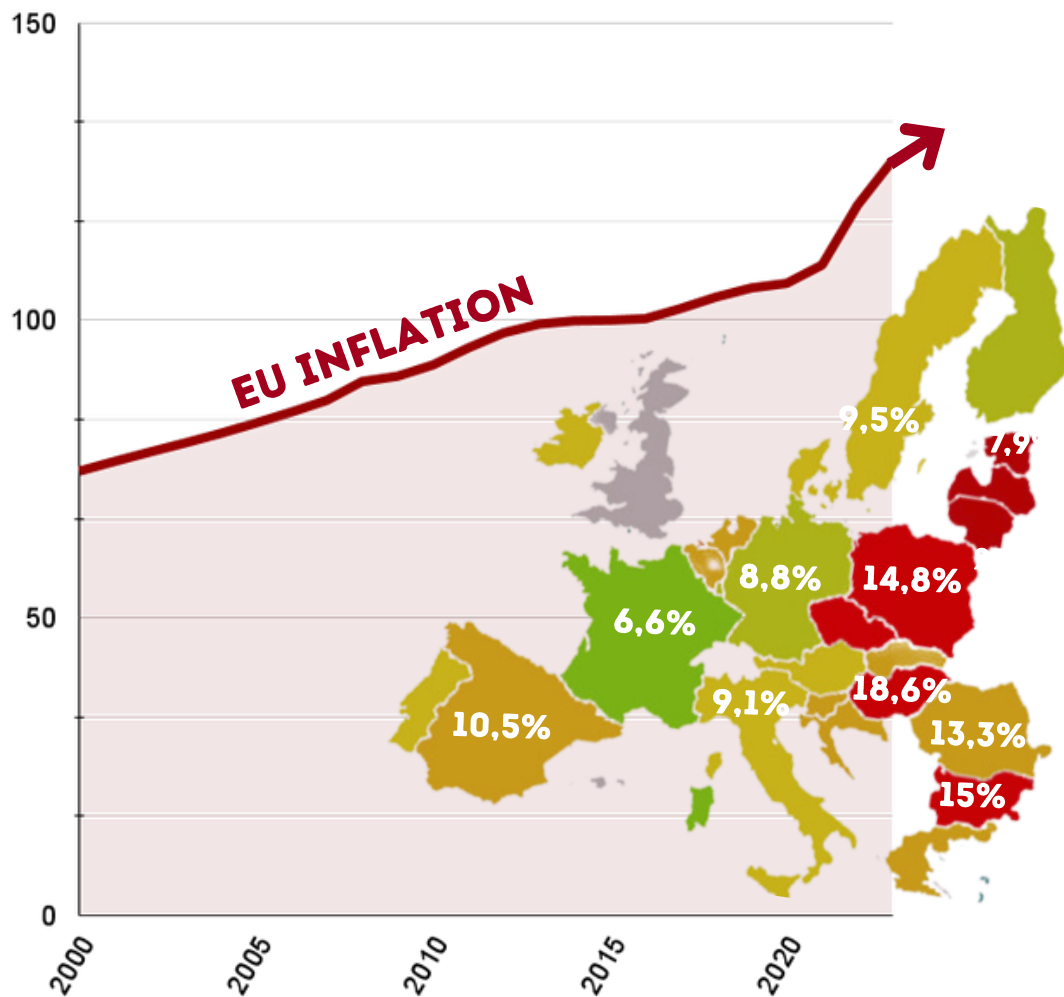
Proposals for CAP reform 2028 - 2034



CAP BUDGET

With its Green Deal and Farm to Fork proposals, the European Commission has regularly suggested that the CAP could offset any negative impact on farm incomes. The "CAP will pay for everything" approach is irresponsible in the face of the decision not to index the CAP budget to inflation.

Average inflation in the EU is close to 10%, far from the 2% forecast in the 2019 negotiations. Some European countries are well above this average. This return to high inflation has reduced the real value of the support provided, which has been slashed by 30% over 20 years and 18% over the 2021-27 period alone.



Graph - Consumer price index (EU HICP). Source: Eurostats.

Map - Annual inflation (EU August 2022). Source: Eurostats.



THE BLIND ALLEY OF AN INFLATION-DRIVEN BUDGET AND A "CAP WILL PAY FOR EVERYTHING" APPROACH

CAP BUDGET
2014-2020
415 billion

PAC BUDGET
2021-2027
387 Billion

85 BILLION € SHORTFALL

to maintain the 2020 value of the CAP

For 371 million today to have the same value as they would have had in 2020, they would have to be increased to 431 million.

INFLATION-ADJUSTED BUDGET
Bn € per year

Corresponds to what the CAP budget should have been each year if it had kept pace with inflation since 2020.

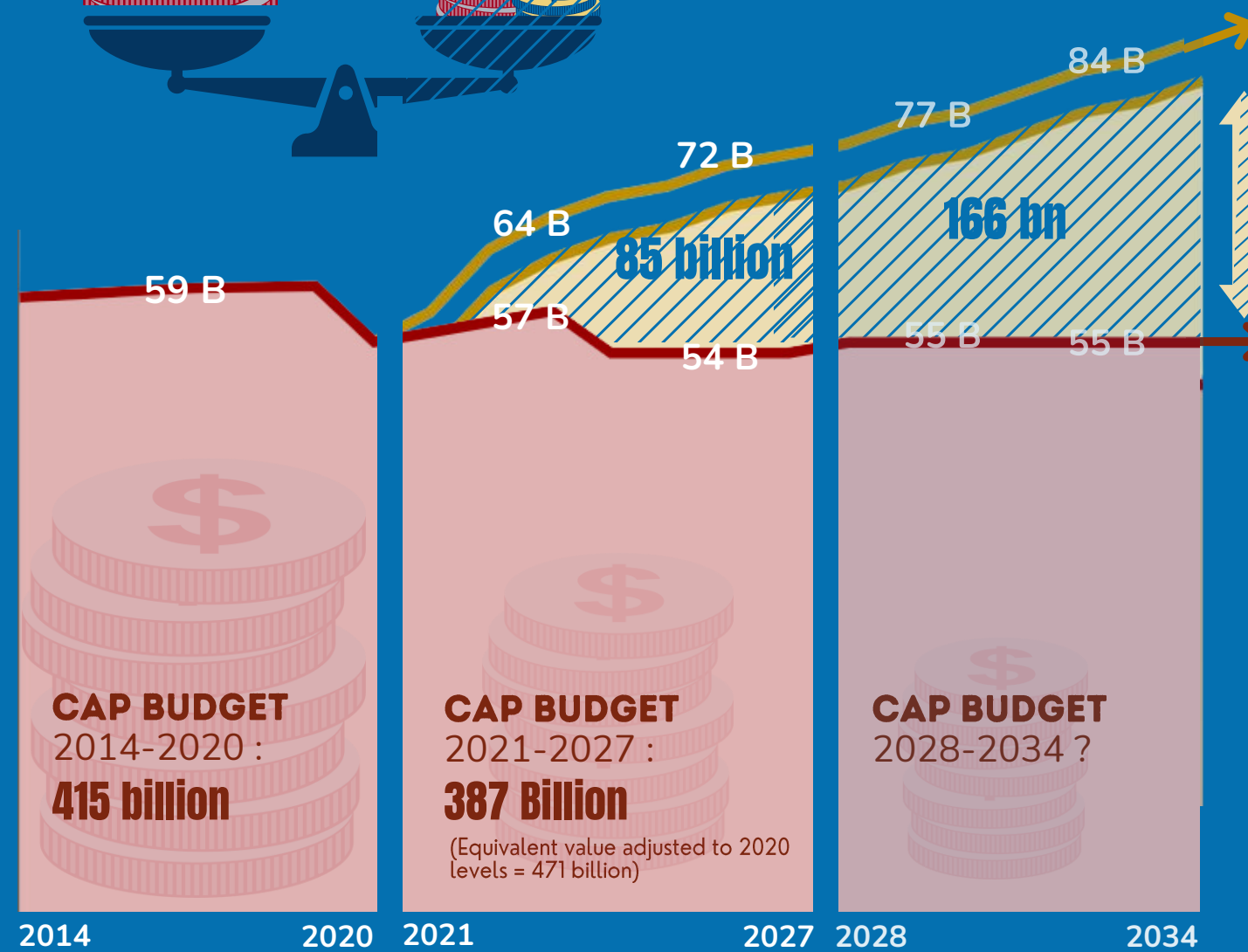
"FUNDING" DEFICIT

The gap between the two curves corresponds to the theoretical amount that would need to be added to the CAP budget to compensate for the erosion of value due to inflation. This funding "gap" represents a loss of value in real terms.

CAP BUDGET
Bn € per year

Corresponds to the amount of CAP allocated each year.

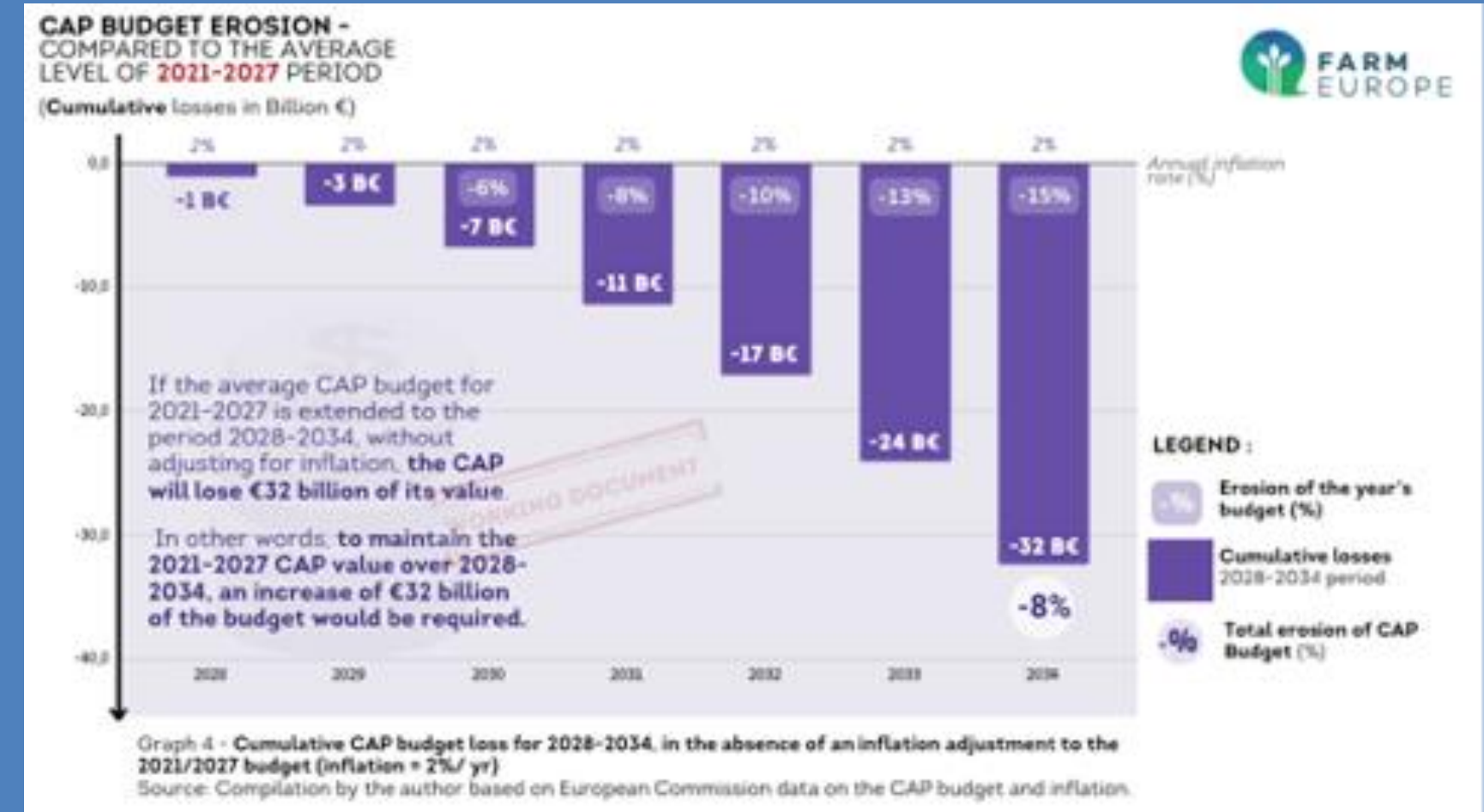
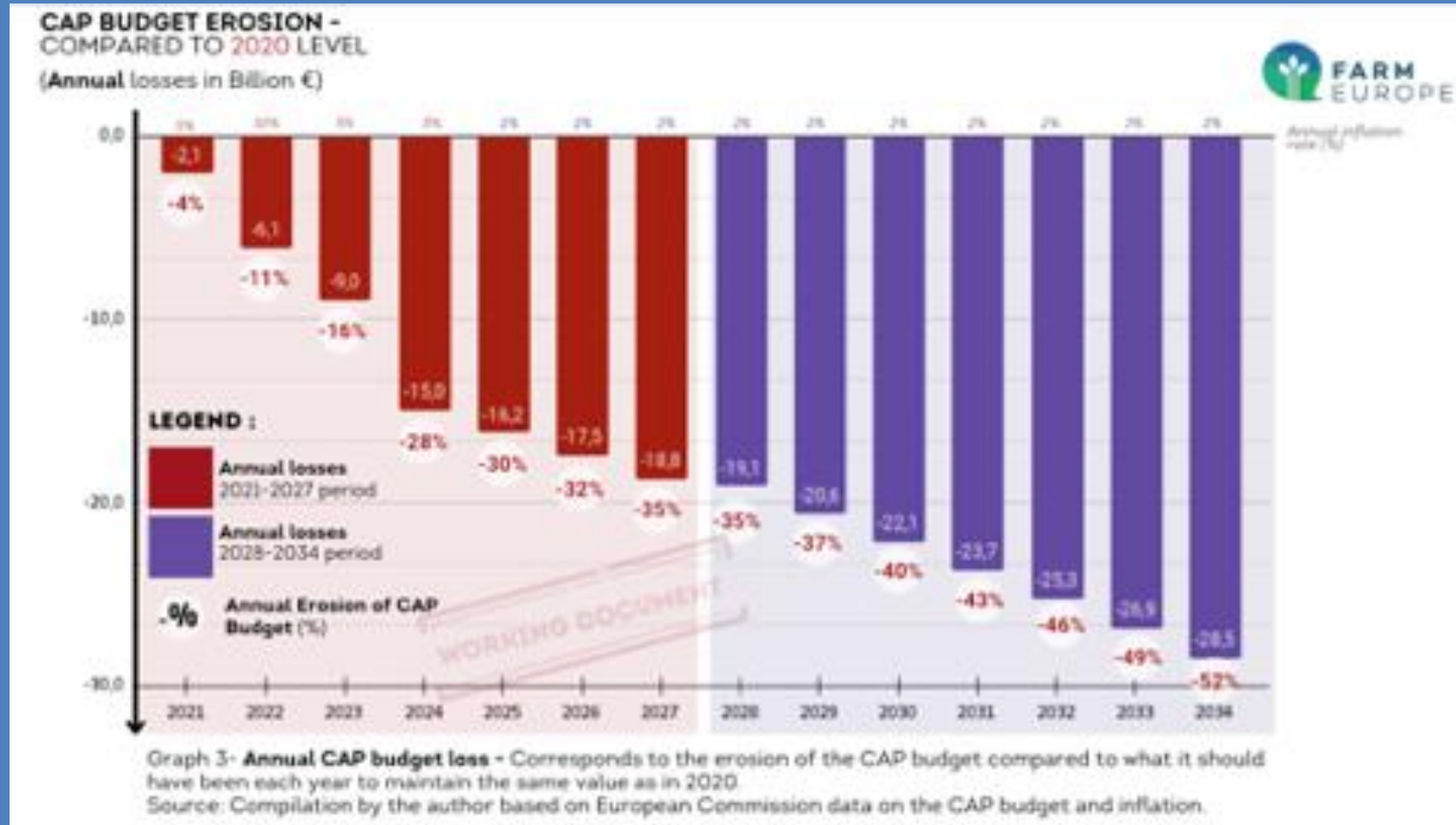
To avoid CAP funding losing value year after year, it is necessary at the very least to re-evaluate the budget each year by adjusting it to inflation. Otherwise, the ambition of a more sovereign European Union that succeeds in its transition will at best be a chimera, and at worst a path of economic, environmental and social regression, as the Draghi report forcefully underlines.



Graph - Trends in the erosion of the real value of the CAP budget. Source: Author's elaboration based on European Commission data on CAP budget and inflation

HOW TO FINANCE EU AGRICULTURE?

2028-34 CAP BUDGET



NON CAP RESSOURCES?

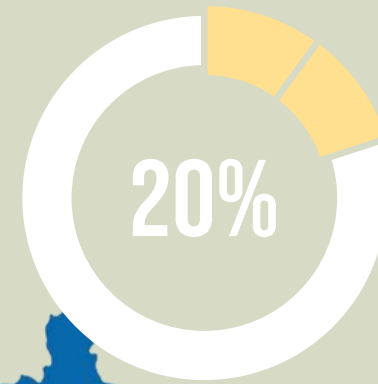
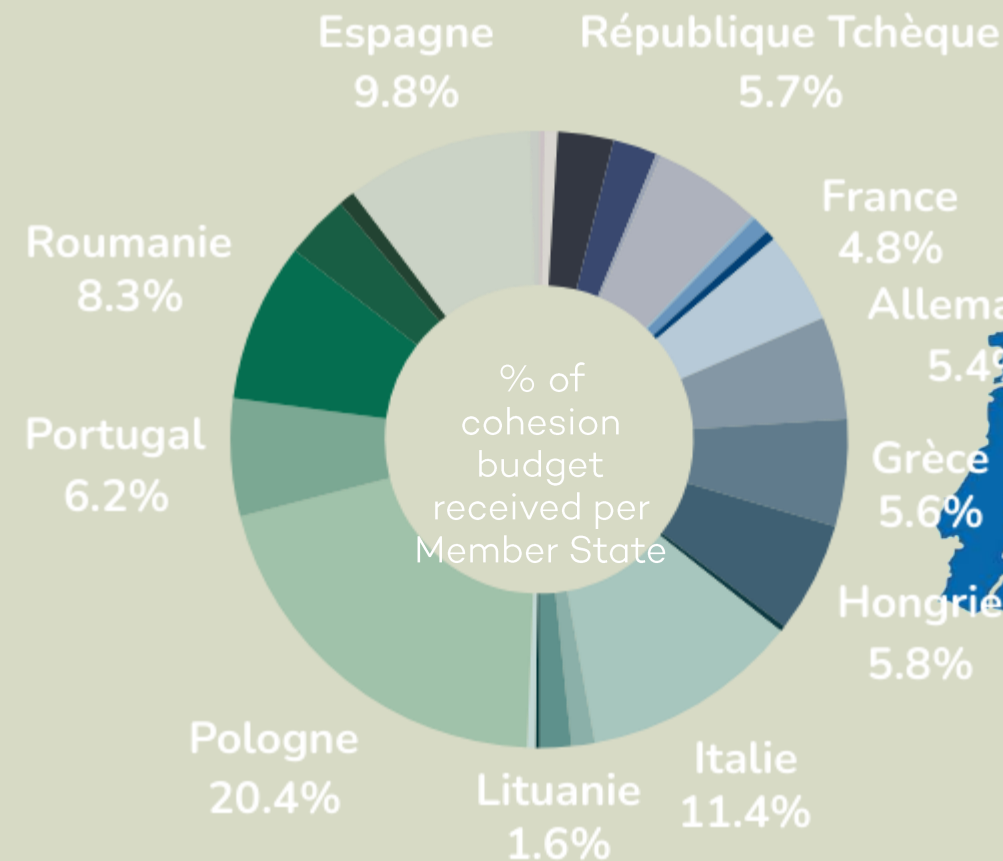
Creating New Values Carbon Credits, Nature Bank financing, de-risking...

ENLARGEMENT 2028-2034

Behind the discussions on the European financial framework 2028-2034, the prospect of Ukraine's accession to the European Union, its cost and financing, will loom large in everyone's mind.

COHESION BUDGET 2023

Ukraine could claim a substantial share of the budget allocated to cohesion policy (for the record, Poland currently receives just over 20%).



PAC

Given the size of its UAA, Ukraine could claim 20% of the CAP budget.

Competitiveness of Ukrainian agriculture: preparing European agricultural sectors for the challenge of accession.

Ukraine benefits from a number of advantages that make it attractive in terms of production costs, which are lower than in the EU: cheaper labor, lower use of fertilizers and plant protection products. The structuring of agro-holdings also enables economies of scale.



Ukrainian soils are particularly fertile: the average nutrient intake (NPK) is 1.5 times lower than in the EU.



While pesticide consumption for all crops combined is half that of the European Union (1.5 v.s 3.2 kg/ha), Ukraine remains less demanding when it comes to pesticide authorization.

AGRICULTURAL COMPETITIVENESS

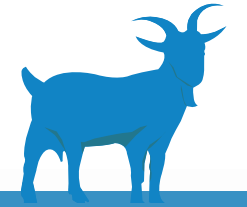
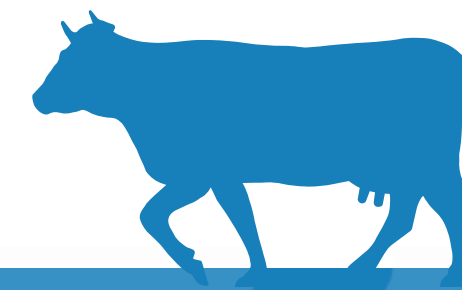
Structural advantage of between 18% and 39% over European sectors, depending on the sector



EU Sovereignty → Need + 25% agricultural biomass

THE TIME HAS
COME FOR AN
AMBITIOUS
FARM DEAL
EUROPEAN

- Combining profitability and sustainability: returning to growth in **productivity**
- Anticipating **enlargement** to include Ukraine
- More targeted support for farm **incomes**
- Competitiveness, installation, transition: breaking through a **wall of investment** in farms / **€66 billion**
- **Managing** increasingly severe **hazards and crises**: climatic, health and market-related



THANK YOU

IPIFF
NOVEMBER 21, 2024

