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Agriculture in the next European budget: avoiding the status quo

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The publication of the *Road to the next Multiannual Financial Framework* (MFF) by the European Commission on 11 February 2025 marks the official beginning of negotiations on the next EU long-term budget, which will start in 2028 and span at least five years. The Commission is set to present a proposal in the second half of 2025, with Member States expected to reach an agreement by the end of 2027.

The Commission's document confirms its intention to undertake a profound reform of the European budget, with potentially significant implications for the policies it finances. This shift is driven by both political and budgetary dynamics within the EU, as well as increasing geopolitical instability and economic competition. Although the Common Agricultural Policy (CAP) accounts for a third of the EU budget, it is not explicitly addressed in the new framework outlined by the Commission. Similarly, the EU's Vision for Agriculture & Food, published on 19 February, provides little detail on how the EU budget would support the proposed objectives. Given the situation, this *Issue Brief* analyses the opportunities and risks that the upcoming MFF negotiations present for the agrifood sector, in terms of both funding availability, instrument types, governance mechanisms, and overall objectives for the sector.

KEY MESSAGES

Given the number of issues EU leaders aim to address in the next MFF, the CAP budget may remain stable in real terms, though a decrease appears more probable;

In this context, the current negotiating positions of EU agricultural political leaders favour maintaining a highly stable CAP, both in terms of structure and policy instruments. This approach has two main implications:

- The CAP may well remain "outside" of the European Commission's broader push for a more investment-based and performance-based budget;
- Existing trends would likely continue, including greater flexibility for Member States in allocating the CAP budget and a reduced level of environmental ambition.

The CAP structure that would result from such negotiations may be insufficient to address the triple challenge of competitiveness, resilience and sustainability in the EU agrifood sector, even though these are stated objectives of the Commission, Parliament and Council. All three objectives however require careful consideration, as the long-term viability of the sector is at stake.

This *Issue Brief* suggests that strengthening the EU food system's strategic autonomy–given its critical dependence on fertilizers and feed–could provide a path out of the status quo in the next CAP budget negotiations. This would also align with the EU's strong focus on resilience in its Vision for Agriculture and Food:

- In the medium term, the potential opportunities and benefits could outweigh the short-term costs.
- This *Issue Brief* further explores two critical changes in that direction and their budgetary implications: crop diversification and increased circularity in agricultural systems.

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BOX 1. METHODOLOGY

This *Issue Brief* draws on two main sources:

First, a series of semi-structured interviews conducted between September 2024 and February 2025 with various stakeholders. Around 15 interviews were held with European officials (DG Agri, DG Budg, General Secretariat, European Parliament) and national government representatives from different Member States (Permanent Representation to the EU, Ministry of Agriculture, Cabinet of the Prime Minister and Ministry of Finance). These interviews were supplemented by discussions with experts on European budget negotiations and a small number of agrifood stakeholders.

Second, exchanges with think tanks working on agriculture and food issues in Brussels (Institute for European Environmental Policy) and in various Member States, which shared their understanding of national perspectives. These included Agora Agriculture (Germany), Concito (Denmark), the Green Economy Institute (Poland), Alinnea (Spain), the Institute for International and European Affairs (Ireland) and the Clingendael Institute (Netherlands).

1 AN AGRICULTURAL BUDGET SET TO DECLINE AMID A MAJOR MFF REFORM

1.1. New demands on the European budget

The escalation and expansion of Russia's war in Ukraine since February 2022 have placed military and defence issues at the forefront of European priorities. These concerns have intensified following Donald Trump's re-election as President of the United States and the recent suspension of US military aid to Ukraine. As a result, defence spending will be a central aspect of the next MFF. At the same time, Ukraine already requires significant support for reconstruction.

In addition, potential EU enlargement could introduce new financial pressures. Beyond the additional costs associated with integrating Ukraine, Moldova, and the Western Balkans into the European budget, the accession process also requires significant pre-accession expenditures. Even if these countries do not join the EU until after 2034, a date beyond the next MFF, a portion of the European budget will still need to be earmarked for this process.

Another key factor shaping the current context is the industrial competition between China and the United States, and more recently between the US and numerous other regions, including Mexico, Canada, Europe, etc. Under the Biden presidency, both the US and China made massive investments to support domestic industrial production, as seen with the US Inflation Reduction Act (IRA), adopted in August 2022. This policy has not been fundamentally changed by Donald Trump. In this context, strengthening Europe's industrial competitiveness and autonomy has become a priority for the current Commission. As emphasized by the Draghi report (2024), achieving this will require substantial funding from the EU budget.

Finally, starting in 2028, the EU will begin repaying the common loan it took out in June 2021 to finance the post-COVID recovery plan, NextGenerationEU (NGEU).

TABLE 1. Potential new budgetary needs for the upcoming MFF

	EXPENDITURE UNDER CURRENT FRAMEWORK		ESTIMATED ADDITIONAL NEEDS–FULLY OR PARTLY COVERED UNDER THE NEXT MFF
	MFF 2021-2027 (€1,198 bn in 2024 prices)	Off-budget mechanisms	
Defence	European Defence Fund (EDF): €7.3 bn	European Peace Facility (EPF): €11 bn	€500 bn over the next decade (von der Leyen, 2024)*
Enlargement	Instrument for Pre-accession Assistance (IPA): €14 bn	Ukraine Facility: €50 bn (€33 bn in loans and €17 bn in grants) Reform and Growth Facility for the Western Balkans: €6bn (€4bn in loans and €2bn in grants)	€19 bn/year in additional spending for enlargement, assuming the current framework remains in place (Lindner *et al.*, 2023)
Support for Ukraine's reconstruction and recovery		Ukraine Facility: €50 bn (€33 bn in loans and €17 bn in grants) Macro-financial assistance loan: €18.1 bn (Kowald & Pari, 2025)	US$486 bn over the next decade (World Bank, 2024)*
Competitiveness	Several funds support the EU's competitiveness, including Horizon Europe, InvestEU, Digital Europe and the European Regional Development Fund.		€150–€160 bn in additional annual public investment (Draghi, 2024; Kowald & Pari, 2025)*
Repayment of EU borrowing for NextGenerationEU (NGEU)			€25–€30 bn/year ≈ 20% of the current annual EU budget (E.C., 2025c)

* These amounts are not intended to be fully covered by the EU budget

1.2. A mini revolution in the EU budget?

As budgetary demands increase, the prospects for increasing the EU's own resources remain limited (see Box 2). At the same time, the need for greater responsiveness is growing, given the increasingly unstable geopolitical context. Against this backdrop, the European Commission is laying the groundwork for a mini revolution of the EU budget, aiming for a simpler and more efficient framework, primarily focused on investments and competitiveness. It outlines the foundations of the next MFF in a communication published on 11 February 2025 (E.C., 2025c).

The current MFF sets expenditure ceilings across seven sectoral headings, which are further divided into around 50 programmes. The Commission aims to simplify this model, replacing it with four main pillars:

— The first pillar would encompass shared management funds, including the Cohesion Policy, and take the form of a single plan for each Member State. While the CAP is generally assumed to be included in this plan, the Commission's communication does not explicitly state this, and the idea already faces opposition from most EU agricultural Ministries and farm unions;
— A European competitiveness fund to provide investment capacity for strategic sectors and technologies;
— A fund for external action;
— A fund for EU administrations.

Moreover, the Commission aims to extend the governance model used for the Recovery and Resilience Facility (RRF)—a central instrument of the post-COVID recovery plan—to the first pillar, including the Cohesion Policy and potentially the CAP. This model is based on two key elements: a performance-based approach and subsidiarity. Under the RRF, Member States design a national plan, which must be submitted to and approved by the Commission. The disbursement of funds is then contingent on achieving milestones and targets relating to the implementation of reform and investment measures outlined in the national plan (Sapala, 2024).

While this reform could have significant structural effects on several sectors and EU policies if adopted, its impacts on the CAP may be more limited. The 2021 CAP reform already established a new delivery model (NDM) based on greater subsidiarity (via national strategic plans) and a stronger performance-based approach (despite the subsistence of the old compliance-based system, see Guyomard *et al.*, 2024). To a certain extent, the NDM could therefore be seen as compatible with the new structure envisioned by the Commission for the next MFF.

EU agricultural ministries and interviewees, however, highlighted two aspects that would require adjustments to the NDM. First, the "Single Plan"–the first pillar of the Commission's proposed MFF structure–is designed to rely on the implementation of structural reforms and investment support, similarly to the RRF delivery mode. In contrast, the CAP budget is primarily allocated to income support, with only a limited role in supporting investments. Second, while the Commission envisions some flexibility within this single fund to better respond to unforeseen needs, long-term stability and predictable income support are said to be essential for farmers to manage their farms effectively (see also: E.P., 2025, p. 5).

BOX 2. THE CHALLENGE OF INCREASING THE EUROPEAN BUDGET IN THE NEXT MFF

Establishment of new own resources: The EU can increase its revenue by introducing new own resources. However, despite proposals from the European Commission in December 2021, later adjusted in 2023, none have yet been approved by the Council. Any new own resource requires unanimous approval from the Council and ratification by all national parliaments. Since the introduction of the financial perspectives (the previous term for the MFF) in 1988, only one new own resource has been implemented: a tax on non-recycled plastic packaging, which accounted for 3% of the EU budget in 2023.

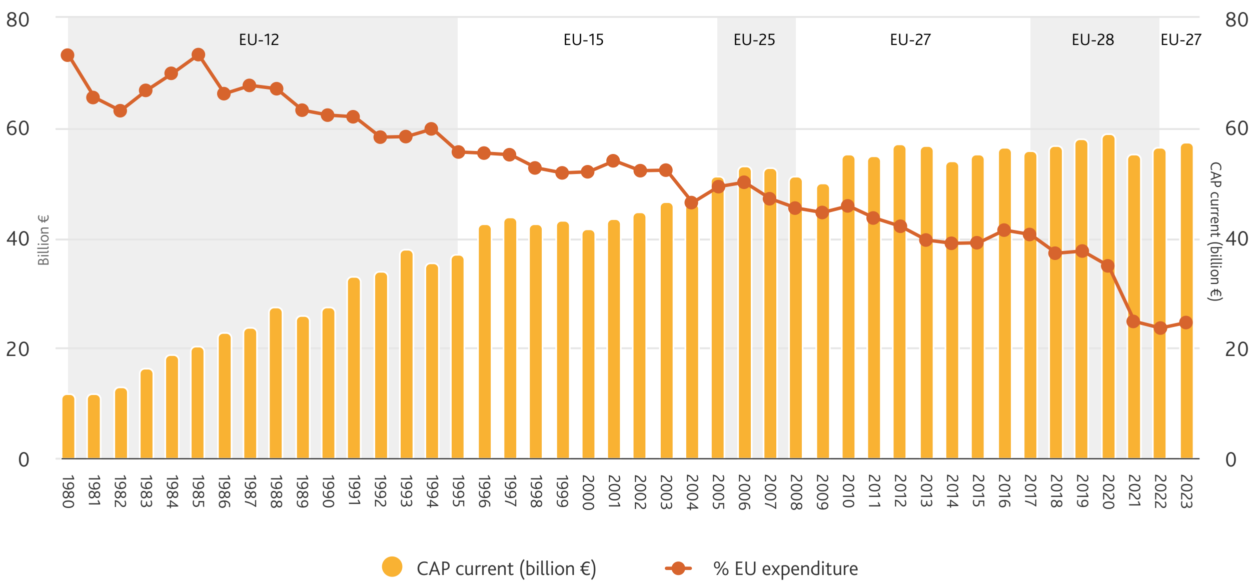
Joint borrowing: Another solution, first employed by the EU in 2020 to address the economic consequences of the COVID-19 pandemic, is joint borrowing—a controversial issue among Member States. Recently, the position of some traditionally "frugal" States, which have been most resistant to this approach, appears to be shifting. Denmark and Finland may accept limited financing of European needs through common debt. However, this would likely be limited and tightly regulated, probably through financial instruments outside the MFF. Current discussions primarily focus on the potential establishment of an intergovernmental defence fund.

Increasing Member States' contributions: The largest source of EU revenue remains contributions from Member States based on their Gross National Income (GNI). The percentage of GNI requested from States is a central issue in MFF negotiations. "Frugal" countries typically resist contributions exceeding 1% of GNI, whereas the "Friends of Cohesion", the Commission, and the European Parliament advocate for a higher figure. Given ongoing austerity policies and growing Euroscepticism in many Member States, a significant increase in national contributions to the EU budget remains unlikely.

1.3. A likely reduction of the budget allocated to the agricultural sector

As demands from other sectors grow and geopolitical and economic instability intensifies, the focus on the agricultural sector, while still important, appears to be diminishing. Agriculture receives only a brief mention in the EU Strategic Agenda for 2024-2029, which outlines the EU's political priorities for the

FIGURE 1. CAP expenditure in total EU expenditure (current prices)



Source: https://agriculture.ec.europa.eu/data-and-analysis/financing/cap-expenditure_en

next five years, and in the Draghi Report. This reduced emphasis on agriculture is part of a broader, long-term trend, particularly evident in budgetary allocations: in 1980, the CAP accounted for 73% of the European budget, whereas by 2023, its share had declined to just 24% (including funding from the NGEU recovery plan)–see Figure 1.

While the share of the CAP budget in the overall EU budget has continued to decline, the CAP budget has remained stable in nominal terms over the past 15 years (see Figure 1). However, the analysis above shows that the next MFF could bring a significant reduction in CAP funding.

Resistance from agricultural stakeholders may prevent such drastic cuts. This opposition has been expressed, for example by the *Committee on Agriculture and Rural Development* of the European Parliament, which:

> *"Strongly opposes any proposals to reduce the level of pre-allocated funds from the CAP in the future budget; points out that those funds should be increased by at least the equivalent of cumulative inflation since the start of the current budget period in order to avoid hidden reductions in CAP funding; stresses that farmers need the continuity and predictability of the CAP and that emerging new priorities cannot lead to cuts to the CAP budget" (E.P., 2025, p. 4).*[1]

Many interviewees, however, believe that a budget freeze in nominal terms is the most likely outcome. In real terms, this would mean a reduction in funding for farmers and local communities due to inflation. Despite the declining centrality of agriculture in the broader EU structure, expectations for this sector remain high, as do the challenges it faces: improving farmers' incomes, maintaining a strong trade balance, ensuring year-round food supply for Europeans, reducing GHG emissions, and enhancing climate adaptation, among others. However, prioritizing these objectives in budgetary terms remains a point of contention–both among stakeholders and between Member States. In a constrained budgetary environment, this could limit any significant shift from current and past dynamics.

2 A MAJOR RESHUFFLE OF THE MFF WITH LIMITED EFFECTS ON THE CAP

In the past, MFF negotiations played a key role in shaping the CAP's architecture and key objectives (Régnier *et al.*, 2024). If this trend holds true in the upcoming negotiations, the absence of clear guidelines in the European Council conclusions on the MFF regarding how the CAP budget should be allocated would limit the prospects for major changes to the CAP.[2] This section examines how: (1) the current political landscape is likely to favour a "conservative" approach to the CAP within the MFF; (2) this could lead to two implications for the next CAP: a reduction in its overall environmental ambition; a greater level of subsidiarity granted to Member States.

[1] See also the positions expressed by most agricultural ministries during the AGRIFISH Council meeting on 24 February 2025.

[2] Though the French Ministry of Agriculture is now calling for the CAP to be negotiated outside of the MFF negotiation.

2.1. The current political configuration could favor the status quo

The European Commission is expected to publish a legislative proposal for the next MFF in the second half of 2025. This text will then be negotiated by Member States in the General Affairs Council, and by the European Council, which brings together Heads of State or government. Given the political sensitivity of the MFF, decisions are primarily made at this level. Although the European Parliament has veto power over the final proposal, it cannot introduce amendments and is therefore less involved in the process than the Commission and Member States (Régnier *et al.*, 2024).

Regarding the CAP specifically, the Commission, Member States and the European Parliament generally align on the three key objectives set by EC President Ursula von der Leyen for the agrifood sector: increasing competitiveness, resilience and sustainability simultaneously. However, how these objectives translate into specific visions for the CAP appears to vary between co-legislator–at least at this stage.

The Commission's proposal to reform the MFF builds on the principles of the current CAP (performance and increased subsidiarity), while primarily focusing on competitiveness. In the absence of more sector-specific proposals from the budgetary services (the CAP is not even mentioned in the new architecture presented by the Commission, see E.C., 2025c, p. 12-13), this new framework does not, in itself, call for a structural transformation of agricultural funding. However, alongside its work on the next MFF, the Commission is also devoting considerable effort to a revised approach to the agricultural sector, as reflected by the publication of its Vision for Agriculture and Food (E.C., 2025a). This document builds on the conclusions of the Strategic Dialogue on Agriculture (2024). While the Strategic Dialogue emphasized the need for change ("The time for change is now"), the Vision is less ambitious. For instance, it makes no mention of the potential creation of new funds to support a fair transition for the sector or nature restoration, proposals put forward by members of the Strategic Dialogue. This omission may reflect the Commission's aim to simplify the budget, which is not easily compatible with creating new funds. More generally, the Vision does not provide specific references to the future budgetary or financial framework for the agricultural sector. It lists a series of new priorities that require funding but does not specify how these would be financed–for example, whether through cuts in other areas, an increased budget, greater private sector contributions, expanded state aid, or other means.

While the Commission may seek changes to the CAP, it also recognizes the sensitivity of the issue, especially considering the significant protests during winter 2023-2024 (Finger *et al.*, 2024). The Commission typically avoids putting forward proposals that lack at least some support from Member States (Bocquillon & Dobbels, 2014). In the case of the CAP, the Council has recently taken a clear and unanimous position in favour of maintaining the current CAP structure. The December 2024 Council conclusions state:

> *"[the Council] NOTES that the CAP is fit for the policy-based distribution of agricultural funds, therefore URGES to maintain a separate and independent CAP containing two pillars with enhanced coherence; CALLS for strong first pillar measures, where direct payments, coupled income support and sectoral interventions support farmers' income stability; […] STRESSES the need to continue with strong second pillar measures dedicated to rural development by supporting the viability of rural areas through instruments covering agricultural and non-agricultural activities" (Council of the European Union, 2024, capital original).*

Without strong leadership from certain Member States, this conservative stance is unlikely to change in the coming months. In the past, France and Germany have played a key role in securing ambitious EU agreements.[3] However, both countries are now facing an unprecedented economic and political crisis. This is occurring in a context marked by a significant rise in Eurosceptic far-right movements, which are often associated with a strongly conservative approach to agricultural policy—a phenomenon that extends beyond France and Germany (Matthews, 2025).

Overall, the current policy and political dynamics seem to favour a minimal agreement, maintaining the existing CAP structure (a separate fund with two pillars) along with its policy instruments and a total budget in nominal terms. Two key trends warrant particular attention: a likely reduction in environmental ambitions; and a reinforcement of subsidiarity.

2.2. A risk of marginalizing environmental issues

The CAP's green architecture currently relies on three layers, which differ in both effectiveness and funding. The first two layers are composed of (1) conditionality, which includes statutory management requirements (SMRs) and good agricultural and environmental conditions (GAECs),[4] and (2) eco-schemes. Conditionality is mandatory, unlike eco-schemes, which are voluntary for farmers. So far, these policies have had limited impact on climate and environmental objectives (Midler *et al.*, 2023; HCC, 2024). The third layer, co-financed by the European Agricultural Fund for Rural Development (EAFRD) and Member States, includes a range of optional climate and environmental measures. These include agro-environmental and climate measures (AECMs), green investments, and support for organic farming. While considered more effective than conditionality and eco-schemes in supporting the sector's sustainability, particularly for biodiversity (Fosse, 2019; Bradley & Pagnon, 2023), their impact remains limited due to significantly lower

[3] See for instance De la Porte (2021) for the adoption of the NGEU recovery plan.

[4] SMRs are derived from existing legislation and therefore apply to all farmers, regardless of whether they receive CAP support. GAEC standards, which build upon the SMRs and EU legislation, are more ambitious and apply only to farmers receiving CAP support.

funding. They are also criticized for their complexity and administrative burden, raising doubts about their cost-effectiveness (Bonvillain *et al.*, 2020).

In its Vision for Agriculture and Food, the Commission has clearly expressed its intent to simplify the current system of conditionality (SMRs and GAECs) and shift the future CAP towards a stronger incentive-based approach (E.C., 2025a, p. 8). This shift had already begun in response to the farmers' protests during winter 2023-2024. For example, the Simplification Regulation,[5] adopted in May 2024, removed the obligation to allocate a minimum share of arable land to non-productive areas or features, which was previously part of GAEC 8. Instead, Member States are now required to incorporate this measure into their eco-schemes.

The success of such an incentive-based approach would depend on two factors: the level of ambition and the budget. Measures must be ambitious enough and adequately funded to drive real changes in farmers' practices. If the ambition is too low, a majority of farmers could receive public subsidies without making meaningful changes to their practices. This was the case in France, where in 2023, 95% of farmers receiving CAP support had access to eco-schemes. Conversely, if ambition is too high compared to the available budget, farmers may be reluctant to participate. This was seen in Denmark, where in 2023, only 60% of the budget allocated to eco-schemes was distributed due to low uptake by farmers (Højte *et al.*, 2024).

At the same time, setting a high level of ambition in optional CAP measures would likely result in some farmers being excluded from support. In the context of potential CAP budget cuts, such exclusions would be difficult to offset through other public funding. This raises political and social concerns, particularly in sectors and countries where the CAP represents an important share of farmers' incomes. For instance, in France, CAP direct payments account for 84% of farmers' incomes on average. More generally, at the EU level, CAP subsidies exceed 110% of farm income for those growing cereals, oilseeds and protein crops (Chatellier & Guyomard, 2023). Given the ongoing tensions between farmer organizations and governments in these Member States (Finger *et al.*, 2024), the willingness of Heads of State or governments to reduce income support is likely to be very limited–to say the least.

Thus, while the Commission's intention to shift from obligation to incentives in the next CAP could, in principle, support more sustainable farming, this approach may be difficult to reconcile with budgetary cuts given the political landscape. Moreover, the increased flexibility for Member States could further undermine the CAP's environmental ambition–a risk explored in the next section.

[5] Regulation (EU) 2024/1468 of the European Parliament and of the Council of 14 May 2024 amending Regulations (EU) 2021/2115 and (EU) 2021/2116 as regards good agricultural and environmental condition standards, schemes for climate, environment and animal welfare, amendment of the CAP Strategic Plans, review of the CAP Strategic Plans and exemptions from controls and penalties.

2.3. More subsidiarity: less environmental ambition in the absence of a strong common framework?

The Commission appears committed to continuing the shift towards a "à la carte" agricultural policy. This trend is not new; as early as the 1990s, Member States were granted some flexibility, particularly in managing rural development policies (Bernard-Mongin & Martin, 2020). The 2021 reform expanded this approach through the new delivery model: Member States were given responsibility for designing and programming interventions for both pillars through the creation of National Strategic Plans (NSPs).

While greater subsidiarity aims to create better-adapted measures for the diverse farming contexts across the EU, it has sparked concerns about an uneven playing field within the single market. In the absence of a strong and binding common framework, Member States tend to diverge in their priorities, leading to perceptions of unfair competition among farmers. Two examples illustrate this trend. The first pertains to how Member States have used the flexibility between pillars granted after the 2013 CAP reform. Poland, for example, transferred the maximum possible amount from Pillar II to Pillar I (15% annually), as did Croatia and Slovakia. In contrast, France, Germany or the Netherlands did the opposite, transferring money from Pillar I to Pillar II to support, amongst other things, Agri-environmental measures, crop insurance and areas with natural constraints. The second example is eco-schemes. Introduced in the 2023-2027 CAP, these schemes allow farmers to receive additional support for adopting environmentally friendly practices. National authorities are responsible for choosing and designing eco-schemes, within the EU-defined framework, which grants them significant flexibility. As noted earlier, some Member States–such as France–have deliberately designed eco-schemes to be accessible to most, if not all, farmers, with little connection to environmental ambition (Bradley & Pagnon, 2023).

Against that backdrop, if the common framework is not strengthened, greater subsidiarity would likely further weaken environmental ambition and intensify competition among Member States in the implementation of the next CAP.

3 FINDING WAYS TO MOVE BEYOND THE STATUS QUO

In the current context, a combination of political constraints (e.g. political pressure from farmers in most Member States) and budgetary constraints (e.g. growing demands for policies beyond the CAP) tend to "close" CAP budget negotiations, turning them into a zero-sum, or even a negative-sum, game. Most agricultural stakeholders advocate for a strong, dedicated CAP budget to support "food security" and "competitiveness", while environmental objectives are expected to be covered by other funds–which do not currently exist (e.g. E.P., 2025, p. 3).[6]

In this context, the triple objective set for the sector by President von der Leyen–increasing simultaneously its competitiveness, resilience and sustainability–appears difficult to achieve. Ultimately, this could lead to a situation where the lack of resilience and sustainability in the agrifood sector undermines its competitiveness, and results in economic losses. As the French saying goes, "the worst is never certain". With this in mind, this final section explores alternative entry points to the CAP budget negotiation to avoid the likely status quo described above. This requires, among other things, that the potential benefits of an alternative budget structure are perceived as outweighing the costs of changing the current system (Fisher *et al.*, 2011 [1981]).

We suggest that focusing on a greater strategic autonomy of the EU food system, in response to its various dependencies and the multiple shocks it faces, could offer such an entry point. After briefly outlining why EU food systems currently lack resilience and why this poses a problem, we identify two key changes widely seen as essential for enhancing their ability to withstand shocks. Finally, we explore potential budgetary options to support these changes.

3.1. A lack of resilience in the face of increasingly frequent shocks

In recent years and decades, EU farmers have faced major crises linked to climate shocks, rising input prices, input shortages, and epizootic diseases, among others. These shocks have often had major economic consequences for farmers, agribusinesses and consumers alike. For instance, feed supply in many Member States was severely disrupted by Russia's aggression against Ukraine, triggering a range of responses, including the early slaughter of pigs, increased storage of frozen meat, and temporary derogations allowing feed imports from countries that do not comply with the EU's maximum pesticide residue regulations.

In the future, such shocks are expected to become more frequent, whether due to climate shocks resulting from global warming (EEA, 2024), or supply disruptions and price increases affecting feed, fertilizers and energy, due to growing geopolitical instability. For example, by 2030, it is projected that 45% of fruit production in France faces extreme or very high risk of supply disruption, regardless of the climate scenario (Vroege *et al.*, 2023). Yet, EU food systems and value chains remain poorly equipped to cope with such shocks. Box 3 illustrates this vulnerability by examining the EU food system's dependence on fertilizer and feed imports. As seen in 2022, this dependency made it difficult for most EU farmers–both arable and livestock producers–to adapt quickly to supply disruptions, leading to significant economic consequences for value chain actors.

[6] This excludes a few Member States, such as Denmark, which has called for ambitious climate action in the land-use sector (e.g. Danish Ministry of Climate, 2023). However, the country has found little support for this effort so far.

Mechanisms to address such shocks already exist at two levels. At the EU level, a crisis reserve has been established to support Member State spending, but it remains underfunded: its annual budget has been €450 million since 2023. As a comparison, in France, spending on compensation and crisis management exceeded €2 billion in 2022–not including personnel costs (Bonvillain *et al.*, 2024). The CAP's risk management toolbox, included in the second pillar, also supports crop insurance and mutual funds in the event of health hazards and environmental incidents. However, most costs incurred by such shocks are covered by specific Member State mechanisms. This leads to major distortions across the EU, as not all Member States have the same approach to crisis support, nor the same financial capacity to assist their farmers. Since 2021, Member States have allocated over €18 billion in state aid to the agricultural sector, representing 11% of total aid under the first pillar of the CAP (Farm Europe, 2024).

A common denominator across the various mechanisms implemented at both EU and Member State levels is that they primarily focus on crisis management from an ex-post perspective. There are few mechanisms aimed at supporting farmers in enhancing their ability to anticipate shocks through adaptation measures. This issue has also been acknowledged by both the AGRIFISH Council and the EU Parliament. While the former *"EMPHASIZES the need to […] improve climate adaptation, and to further promote risk prevention measures and climate preparedness among farmers, and to adopt appropriate risk-management tools and strategies"* (Council of the European Union, 2024, p. 8), the latter *"stresses the need to fund preventive mitigation and adaptation measures that enhance the resilience, including climate resilience, of rural areas and food production systems"* (E.P., 2025, p. 4). Finally, the recently published Vision for Agriculture and Food also provides clear guidance in this direction: *"[by 2040], the resilience of the sector [is increased] to be able not only to withstand and recover from shocks but also to adapt and transform"* (E.C., 2025a, p. 5).

3.2. Improving food system resilience through diversification and circularity

The literature on food system resilience highlights two key factors (among others) that enhance a food system's ability to adapt and positively react to a range of shocks: increased diversity, particularly *crop diversity* (Tamburini *et al.*, 2020; Hertel *et al.*, 2023); and a greater degree of circularity in nutrient management (Leip *et al.*, 2023).

Increasing diversification would support, among other things: (a) enhanced ability for farmers to cope with climate or market shocks through a more diverse portfolio of production; (b) greater EU autonomy in critical sectors, such as vegetal protein and oilseed crops, which are key to re-diversifying cropping systems; (c) a reduction in pesticide use without negatively impacting yields, as diversification helps balance the "yield gap" between conventional and low-input cropping systems; and (d) carbon removal in agricultural soils through the reconnection of crop and livestock systems and the development

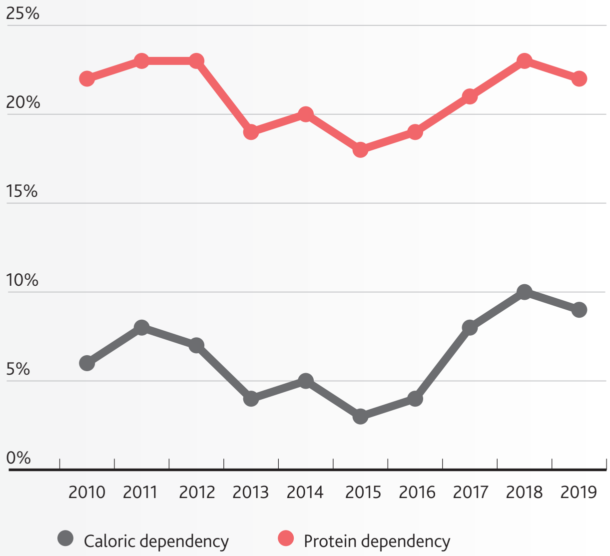
BOX 3. THE DEPENDENCY OF THE EU FOOD SYSTEM ON FEED AND FERTILIZER IMPORTS, ITS IMPACTS AND POTENTIAL WAYS FORWARD

The functioning of EU agricultural systems depends heavily on two major factors: fertilizers and animal feed.[1] The dependency on fertilizer imports became particularly evident with the outbreak of the war in Ukraine. EU farmers use an average of 10 to 12 Mt of synthetic fertilizers per year, of which 5 Mt are imported. A significant portion of this used to be sourced from Russia and Belarus, either directly in the form of synthetic nitrogen (N) or indirectly via natural gas, which is used as a feedstock for fertilizer production. This reliance on N-import has led to supply and price instability, which has severely impacted farmers since 2022.

The dependency on animal feed, particularly protein-rich feed, is also well documented (Loi *et al.*, 2024). Over the past decade, the EU has imported an average of 30 Mt of soybean cakes per year, mostly from Latin and North America, along with increasing volumes of protein-rich cakes (mainly sunflower cakes) from Ukraine. This dependency has two implications for EU farmers and the EU food system. On one hand, it creates supply instability, which had significant consequences for pig farmers in 2022, as feed became either too expensive or unavailable, forcing farmers to send sows or non-mature piglets to slaughterhouses. This also led to the need for the EU to support the development of additional meat storage capacity. On the other hand, this feed dependency contributes to the EU's *net protein dependency*, which in turn drives the EU's *caloric* dependency. In other words, contrary to popular belief, the EU imports more calories (and proteins) than it exports. Over the last 10 years, the EU has imported 21% of the protein it consumed annually, and nearly 7 % of all the calories it consumed (see Figure 1)– with some peaks at around 10% of total consumption.

Most of the imported feed also ends up being applied at the field level in the form of nitrogen-rich manure, which contributes to significant nitrogen losses, especially in areas with high concentrations of livestock (2024, p. 13). Both nitrogen fertilizers and feed dependency are related to the very limited efficiency with which nitrogen is used in the EU food system, and to the fact that nitrogen reuse remains insufficiently circular. Indeed, 60 to 65% of all nitrogen applied on EU farms, whether through mineral fertilizers or manure, is lost to the environment.

FIGURE 2. **The EU's caloric and protein dependency**



Note: dependency = $\frac{\text{(import-export)}}{\text{(total domestic use)}}$

In this context, supporting increased circularity within the EU food system would require three key actions: (i) improving nitrogen uptake by plants through better application techniques (e.g. through dose split, precision agriculture, etc., see de Vries & Schulte-Uebbing, 2020); (ii) increasing the recycling and reuse of nutrients across different compartments of the EU food system (in particular improving transfers between animal and vegetal production, see van Selm *et al.*, 2022); and (iii) increasing the share of nitrogen-fixing plants in crop rotations (Billen *et al.*, 2021).

Together, these actions would: improve the EU's strategic autonomy; improve farmers' incomes by reducing their input costs; decrease energy consumption associated to fertilizer production, which accounts for approximately 5% of total energy-related emissions (70 Mt $CO_{2\ eql}$); and lastly, restore water quality and biodiversity across EU landscapes by reducing fertilizer surpluses on agricultural lands.

[1] Two additional types of dependencies can be highlighted: reliance on machinery and tractors, most of which are imported from the US; and of course a dependence on energy, as much of the energy consumed at the farm level comes from imported fuel.

of year-round cover cropping. Higher diversity would also contribute to a more circular economy, notably by increasing the share of nitrogen-fixing crops in rotations.

Regarding circularity, it has become a central aspect of all EU policies, including the recently published "Clean Industrial Deal" which specifically addresses fertilizers: "The example of fertilizers […] showcases circularity agenda as a security agenda. The domestic production of fertilisers, including of low-carbon fertilisers and fertilisers from recycled nutrients, reduces dependencies on fertiliser imports and emissions, promotes circular business models, and should reduce input prices for farmers." (E.C., 2025b, p. 16). Box 3 also proposes a broader and more detailed presentation of the issues related to circularity.

What measures could be discussed in the CAP budget negotiations that would both create sufficient opportunities for stakeholders to move away from the status quo, while also contributing to the two objectives?

3.3. From adaptation strategies to budgetary options: outlining some ideas

Crop diversification and food system circularity are not new concepts and are widely valued by most–if not all–agrifood stakeholders. However, over the past few decades, it has often been more economically advantageous to transform agricultural and food systems in ways that have reduced diversity and circularity, rather than the opposite (see e.g. Poux & Aubert, 2018, p. 19-26; van Zanten *et al.*, 2023). How can these objectives be made appealing enough to secure a significant role in the agricultural budget negotiations? Part of the answer may lie in adopting a value chain approach to both crop diversification and nitrogen management, spanning from input production to consumption, as suggested by the literature (Meynard *et al.*, 2017; Meynard *et al.*, 2018) and supported by various historical examples (see Box 4 for an illustration in France).

Taking a value chain perspective, it is clear that crop diversification and improved nitrogen management would require new investments at both the farm level and beyond the farm gate–upstream and downstream–with clear budgetary implications. Some key examples include:

- At the farm level: de-risking diversification or improving extension services to support new technical itineraries;
- Upstream: supporting breeding for new crop varieties that are currently regarded as "secondary crops"–including less water-demanding crops (e.g. sorghum, sunflower) or the production of low-carbon fertilizers based on green ammonia;
- Downstream: supporting the emergence of new facilities to process a greater diversity of crops, including for non-food uses within a bioeconomy framework; etc.

However, there is no single way to "translate" these perspectives into budgetary options that would help shift negotiations away from the status quo. Several aspects could be combined, including: increasing the share of the CAP budget dedicated to investment; enhancing synergies between the CAP budget and the Cohesion Fund to support investment in upstream and downstream industries in rural areas; developing new financing mechanisms that combine CAP funding with resources from the European Investment Bank (EIB); increasing the scope of operational programmes to support value chain coordination through Pillar II; and giving clear guidance in the European Council conclusions on the MFF regarding possible diversification objectives at the territorial level in Pillar II or Pillar I measures, etc.

In conclusion, these policy and budgetary options will need to be further refined, provided that parties involved in the negotiation–primarily Member States through their agricultural ministries and Heads of State or governments–consider that moving beyond the status quo offers sufficiently promising opportunities. This *Issue Brief* is a contribution to that perspective.

BOX 4. THE DEVELOPMENT OF RAPESEED PRODUCTION IN FRANCE AS A RESULT OF VALUE CHAIN STRUCTURATION

The development of rapeseed production in France is a clear example of the relevance and effectiveness of a value chain approach. Between 1992 and 2009, three factors contributed to the rapid expansion of rapeseed in French arable cropping systems: (1) the 1992 CAP reform and the "industrial fallow" measure; (2) the gradual adoption of a complex array of laws and directives (at both national and European levels) between 2003 and 2009 to support the development of biofuel production; and (3) the structuring of an inter-branch organization in the oilseed and protein crops sector back in the 1980s. While the first factor opened up the possibility for farmers to be remunerated for cultivating rapeseed—considered an industrial crop—the other two allowed for the development of an industrial chain capable of processing rapeseed grains into both biodiesel and animal feed. The combination of these three factors provided industrial actors with access to cheap raw materials and an advantageous fiscal regime during the first years of development, enabling them to quickly consolidate their position in the sector. The result today is a strong national industrial sector for both biodiesel and animal feed, which stimulates demand for rapeseed and provides farmers with a secure market (Thomas *et al.*, 2013).

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