CAP and European budget negotiations: how might the French position change in response to major shocks?

Elsa Régnier, Aurélie Catallo, Pierre-Marie Aubert, Nathalie Bolduc (IDDRI)

The Common Agricultural Policy (CAP) has been a major factor in the development of French and European agriculture. The transformation of our agricultural system, which is inescapable if we are to better account for both socio-economic and environmental issues, implies changes to the CAP itself. However, some of the CAP’s main guidelines are decided during the Multiannual Financial Framework (MFF) negotiations, which are mainly conducted by the Member States within the European Council.

This Study analyses the French position on the agricultural elements included in the MFF to understand the conditions under which this position could change. Through a thorough examination of the internal political dynamics that influence decision-making on this issue, this study examines the obstacles and opportunities for an ambitious reform of the next MFF to make it a key lever for food system transformation.

In MFF negotiations, France defends the maintenance of a high CAP budget, particularly for the first pillar, which provides direct funds to farmers. This position has been stable for the last 20 years (2003 being the date when the current CAP structure entered into force) due to a convergence of interests between three key actors in the development of the French position on the MFF:

• the French Presidency and the Ministry of Agriculture, who see it as a way of maintaining good relations with the main trade unions and the farming community in general;
• and the Ministry of the Economy and Finance (Bercy), which is in favour of the budget for the CAP’s first pillar because of its favorable return rate.

Unless there is a major shock, France is likely to continue to support the CAP’s first pillar which, as it stands, does not encourage the adoption of virtuous agricultural practices. This Study therefore analyses two shocks (EU enlargement and the increasing number of environmental and animal health crises affecting the farming world and the food system in general) which could have a structural effect on future budget negotiations and could alter the French position in the MFF, and therefore its position during the negotiations.

These events could open a window of opportunity to reform the CAP, via the MFF. This could involve new allocation criteria for the first pillar budget, as well as greater pooling of the funding allocated to risk management. These two options are discussed in this Study for illustrative purposes; there is no guarantee, however, that if they were to lead to major changes, that this change would create positive environmental outcomes. Further work is required in this area.
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1. INTRODUCTION

The transition to sustainable food systems—for the benefit of the environment, farmers, and society in general—requires a transformation of the public support currently provided to the sector. However, agricultural policies are characterized by a series of institutional, economic, and political obstacles that limit the scope for reform. This Study analyses the deadlocks that structure the negotiations on the Multiannual Financial Framework (MFF) and explores the opportunities that France could seize during the negotiations on the next MFF to support the greening of the CAP budget.

The first section of this Study reviews the importance of the MFF negotiations for transforming the agricultural system and presents the context for negotiating the next MFF, which will begin in 2025. The second section analyses the main determinants of the French position on the MFF to identify the existing deadlocks. These barriers, both political and budgetary, show that in the absence of a major shock, France is likely to continue to defend the CAP’s first pillar, despite it being socially unfair (Chatellier & Guyomard, 2020) and not particularly favourable to ecological practices (Haut Conseil pour le climat, 2024). The final section explores two major shocks that could alter the French position on the MFF, opening a window of opportunity for considering how to transform the CAP to improve its chances of advancing a more sustainable agricultural model.

2. CAP ARCHITECTURE IS DETERMINED DURING THE MFF NEGOTIATIONS

2.1. A necessary transformation of the CAP

The Common Agricultural Policy (CAP), which now accounts for almost a third of the European budget, has had a structural role in the development of European agricultural systems (Détang-Dessendre & Guyomard, 2020). On average, CAP direct payments account for 88% of pre-tax income for French farmers, and 63% at the European level (Chatellier & Guyomard, 2020).

The CAP is structured around two pillars. The first pillar concentrates the bulk of CAP support (73% in France, 65% at the European level in 2022; European Commission, 2023c) and is financed entirely by the European budget via the European Agricultural Guarantee Fund (EAGF). It is based on direct funding to support farmers’ income each year. The second pillar, co-financed by the European Agricultural Fund for Rural Development (EAFRD) and national budgets, brings together territorial and environmental measures. The CAP also includes the Common Market Organisation (CMO), which accounted for 7% of the EAGF budget in 2022 (Commission européenne, 2023b).

Today, three mechanisms are helping to make the CAP greener: cross-compliance, eco-schemes and agri-environment-climate measures (AECMs). Cross-compliance ensures that respecting certain European texts and “good agricultural
and environmental conditions” (GAEC) is compulsory to be eligible for CAP area-based payments – cross-compliance covers 90% of Europe’s utilized agricultural area (UAA). Eco-schemes, which account for 25% of the first pillar, are optional: they enable farmers to obtain additional payments of varying amounts if they adhere to a set of specifications drawn up by Member States as part of their national strategic plan (NSP). Finally, AECMs, which are part of the second pillar, support farmers who adopt virtuous practices by granting additional funding, based on multi-annual contracts, to compensate for any additional costs and loss of income caused by such practices. AECMs covered 13% of European agricultural land in 2019.

However, these measures have failed to address the many environmental challenges facing farmers today (Fosse, 2019; Midler et al., 2023; Haut Conseil pour le climat, 2024). Moreover, cross-compliance is unpopular with the farming community: environmental standards are disliked for restricting production—and therefore threatening farmer income – while farmers also feel that such measures add too many layers of complexity, necessitating excessive amounts of administrative tasks (Aubert & Catallo, 2024).

While the need to change the CAP has been widely expressed, there is much less consensus on the reasons underlying this change and the nature of the changes to be made. Whatever model is promoted, the general CAP architecture is determined at the time of the multi-annual financial framework negotiations.

2.2. The MFF negotiations: a pivotal moment for the CAP

The MFF defines the expenditure ceilings for various European programmes, including the CAP, for at least five years (seven years in practice). It is adopted unanimously by the EU Council after approval by the European Parliament. However, due to the political sensitivity of the MFF, which defines the EU’s broad political guidelines through the allocation of the European budget, the negotiations on the text happen mainly at the European Council level, which brings together the heads of state and government. The decisions they take, set out in the conclusions of the European Council, are then incorporated as they stand into the negotiating mandates of the Council of the EU (Crowe, 2016). The Council’s position then tends to prevail in trialogues with the Parliament and the Commission. This explains the European Council’s structural role in the MFF, and also in the CAP (Figure 1).

Indeed, to reach a consensus on the EU’s multiannual budget, the heads of state and government define the broad guidelines for the policies to be financed. In terms of the CAP, these include its two-pillar structure, the co-financing rate for the various EAFRD measures, the compulsory or non-compulsory nature of the ceiling on direct aid, and any other guidelines that Member States may wish to include. In addition, the CAP budget is pre-allocated: during MFF negotiations, the European Council defines the budget received by each State under the two pillars. This has two major consequences. First, it encourages Member States to ensure that the payment of this fund is almost automatic and expected: Member States therefore try to minimize the conditionality and payment mechanisms based on performance and results (Matthews, 2018); second, actors seeking CAP reform cannot use the budget argument as a negotiating lever. According to Alan Matthews, the failure to green the CAP during the 2013 reform can be partly explained by the absence of a threat to the CAP budget once the MFF had been adopted: “Farm groups and status quo-minded member states and MEPs could work to weaken the ambition of the greening
proposals without having to worry that this could lead to a further reduction in the CAP budget” (Matthews, 2015: 178).

Taking action to green the CAP at the time of MFF negotiations is not only necessary to increase the environmental ambition of European agricultural policies, but also has several other advantages. It enables a break with agricultural exceptionalism, which characterizes CAP negotiations (Skogstad, 1998; Régnier & Aubert, 2023), and therefore potentially facilitates a drive towards a more progressive agenda. Moreover, enshrining such environmental ambitions within the budget’s architecture makes it possible to perpetuate and consolidate the promotion of virtuous agricultural practices; otherwise, the CAP’s green measures are frequently subject to exemptions and derogations (Dupuy, 2024).

2.3. Greening the CAP with a constant budget: constraints of the next MFF

The European Commission is required to publish a proposal for the regulation of the 2028-2034 MFF by 1 July 2025 at the latest. Discussions are now beginning between the Commission and Member States, with the latter communicating their priorities and red lines for the next MFF.

The mid-term review of the 2021-2027 MFF, completed in February 2024 after several months of negotiations, highlighted the reluctance of Member States to contribute more to the European budget despite the many challenges facing the EU: the war in Ukraine, the energy and digital transition, industrial competition with the United States and China, migratory pressure, and rising interest rates. In addition, during this review it was decided that €11 billion from the CAP and cohesion funds would be redeployed to other programmes (European Council, 2024). Although it was specified that no national budget will be affected—because Member States decided to cut the operating costs of the CAP at the Commission level—this decision reflects a clear political choice in an inflationary context which implies a reduction in the real value of funding received by farmers.

Indeed, while the CAP remains a central policy in the European architecture, its importance is declining: the proportion of the European budget devoted to the CAP has fallen from almost 60% in 1988 to 30% today (European Commission, 2021). This trend could become even more pronounced in the next MFF. EU spending is multiplying and the priorities of heads of state and government are changing at the expense of the so-called traditional policies (agriculture and cohesion). Furthermore, interest repayments on the post-Covid 19 recovery plan, expected to represent between €14 and €15 billion each year or 7% of the European budget (Begg, 2023), are putting additional pressure on the European budget. The new own resources intended to reimburse these sums are slow to be adopted, and calls for a new joint loan have so far been firmly rejected by several countries. Against this backdrop it is likely that the CAP budget will decrease over the next programming period, or at best remain unchanged in terms of current euros—which in an inflationary context amounts to a reduction in the real amounts received by farmers.

The budgetary and political context therefore seems to indicate that, at best, the CAP budget could be maintained, but that a cut is more likely. However, as in most other sectors, the vast majority of actors agree that the transition will not be possible without additional funding. This raises three sets of questions:

(i) What are the most important/urgent changes? What investment do they require?

(ii) How much are these various costs, and over what period can they be spread?

(iii) How could these investments be funded? What impact would this have on production costs and/or the final cost to the consumer?

While in some sectors, consensus has been reached around points one and even two, enabling the consideration of issues that fall into the third category, there has been no such agreement for agriculture. In the absence of such political compromise, it is difficult to adopt a position on the role of the CAP in financing the transition. However, the purpose of this Study is not to address the question of financing the agricultural transition, but (i) to analyse the determinants of the French position on the budget dedicated to agricultural policy (see next section), which enables (ii) the exploration of scenarios that could change this position with the aim of placing greater emphasis on environmental issues—without, at this stage, trying to ascertain the amounts involved or the exact arrangements for their deployment (section 4). The objective is thus to examine the conditions under which the CAP could be transformed, with the aim of supporting the transition of farming systems towards sustainable production modes. While this analysis cannot be transposed to other European countries, given the institutional, cultural, and economic differences between the 27 EU countries, it does however highlight the structural nature of the adopted positions.

3. ECONOMIC AND POLITICAL DYNAMICS THAT FAVOUR THE CAP’S FIRST PILLAR IN FRANCE

3.1. The French Presidency, Bercy, and the Ministry of Agriculture and Food Sovereignty: converging interests towards defending the EAGF

The MFF agreement is regarded as one of the most important European-level negotiations. France mobilizes multiple resources over a period of at least two years to engage in this negotiation, at both national and community level. Five actors
Programmes with pre-allocated financial envelopes

<table>
<thead>
<tr>
<th>MFF Headings 2021-2027</th>
<th>Programmes with pre-allocated financial envelopes</th>
<th>French budget for the period 2021-2027 (in €bn)</th>
<th>Expected return rate over the period 2021-2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural resources – CAP</td>
<td>European Agricultural Guarantee Fund (EAGF)</td>
<td>54.8</td>
<td>19 %</td>
</tr>
<tr>
<td></td>
<td>European Agricultural Fund for Rural Development (EAFRD)</td>
<td>10.53</td>
<td>11 %</td>
</tr>
<tr>
<td></td>
<td>European Maritime, Fisheries and Aquaculture Fund (EMFAF)</td>
<td>0.56</td>
<td>11 %</td>
</tr>
<tr>
<td>Cohesion, resilience, values</td>
<td>European Regional Development Fund (ERDF)</td>
<td>9.07</td>
<td>4 %</td>
</tr>
<tr>
<td></td>
<td>European Social Fund (+ ESF +)</td>
<td>6.675</td>
<td>7 %</td>
</tr>
<tr>
<td></td>
<td>Just Transition Fund (JTF)</td>
<td>0.84</td>
<td>4 %</td>
</tr>
<tr>
<td></td>
<td>Cohesion Fund (CF)</td>
<td>-</td>
<td>0 %</td>
</tr>
<tr>
<td>Migration and borders</td>
<td>Internal Security Fund (ISF)</td>
<td>0.098</td>
<td>7 %</td>
</tr>
<tr>
<td></td>
<td>Asylum, Migration and Integration Fund (AMIF)</td>
<td>0.84</td>
<td>13 %</td>
</tr>
<tr>
<td></td>
<td>Instrument for financial support for Border Management and Visa Policy</td>
<td>0.204</td>
<td>6 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>83.6</td>
<td>11 %</td>
</tr>
</tbody>
</table>

* The management of these funds is shared between the EU and Member States; they represent around 70% of the MFF programmes and are pre-allocated to the Member States during MFF negotiations. There are two other ways of managing EU funds: direct management by the European Commission, where funds are allocated based on calls for projects, and indirect management by partner organizations or other authorities, which mainly concerns the budget allocated to humanitarian aid and international development. Although governments can estimate the return rate they can expect from these funds, which are not pre-allocated, this information is not made public. For more information, see: https://commission.europa.eu/visas/

Source: authors, based on Cour des Comptes data (2023a)
The CAP budget, particularly the EAGF, is therefore defended by the MASA, Bercy, and the French Presidency. The convergence of the interests of these three actors and their structural nature underlies the French stance on the CAP and explains its longevity during MFF negotiations, despite political changes. The process of adopting the MFF also reinforces the stability of the overall structure of the European budget: each negotiation takes the pre-existing framework as its starting point and must result in a compromise between the 27 Member States. This makes it easier to maintain previous gains than to push for the adoption of new programmes (Stenbæk & Jensen, 2015; Kaiser, 2019).

3.2. France’s position is not conducive to greening the CAP

As mentioned in section 2, the upcoming MFF negotiations are likely to be extremely tense, increasing the chances of cuts to the CAP budget, despite strong opposition from some Member States, including France.

If the French government is unable to prevent an overall reduction of the CAP budget, the political configuration described above is likely to lead to France defending the maintenance of the EAGF, to the detriment of the EAFRD. There is a high probability that such a position would be contested, particularly by the main beneficiaries of the second pillar and especially the compensatory allowance for permanent natural handicaps (ICHN), i.e. representatives of certain regions (such as Auvergne-Rhône-Alpes or Occitanie) and the beef industry. The Ministry of the Environment also supports the CAP’s second pillar due to the funds it provides for environmental measures. Nevertheless, Bercy’s budgetary reasoning tends to prevail during inter-ministerial negotiations on the MFF.

However, a greater reduction in the EAFRD in favour of the EAGF could result in reduced funding to the most environmentally-friendly farming practices, which are mainly financed by the CAP’s second pillar. Funding via the second pillar, particularly the AECMs, targets more specific objectives (Fosse, 2019) and is more effective at rewarding virtuous agricultural practices, even though it receives less funding than support provided under the first pillar (Kroll et al., 2017). Indeed, the introduction of measures intended to green the EAGF, such as the green payment during the 2014-2022 programming period did not induce “significant benefits for the environment and climate” (European Court of Auditors, 2017). The eco-schemes, introduced during the last CAP reform, are likely to be similarly inefficient, because 99.6% of farms in mainland France would probably have access to at least the first level of support under the eco-scheme, without changing their practices (Lassalas et al., 2023).

In summary, if the CAP budget is reduced, French interests (structure of returns, political importance of the farming world represented by the FNSEA) are likely to lead France to advocate for a greater reduction in the funds allocated to the EAFRD to maintain the EAGF budget, leading to a weakening of the CAP’s environmental ambitions. In a baseline scenario, France is therefore likely to support a European budget at the upcoming MFF negotiations that is even more unfavourable to the agroecological transition than the current situation. Maintaining the CAP budget would at best enable the safeguarding of the CAP’s green measures, the limitations of which were outlined in the first section.

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FIGURE 2. Distribution of the European budget received by France for the period 2014 to 2021

Source: authors, based on Cour des Comptes data (2023a).

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6 ICHN accounts for almost half of the EAFRD envelope in France.

7 While a transfer from Pillar II to Pillar I would be detrimental to the environment for all the reasons mentioned, this does not mean that maintaining the EAFRD would be sufficient to speed up the transition.
4. POSSIBILITY OF A MAJOR RESHUFFLE

Thus, only an event capable of structurally modifying the interests of the main actors in the MFF negotiations (for example by modifying the structure of French returns or the needs of farmers in terms of public support) could lead to France adopting a different position on the CAP budget. One that is potentially more favourable to the agroecological transition, and which could enable an exit from the economic, institutional, and political deadlock that characterizes these negotiations.

This final section examines two major and potentially structural events (which are not mutually exclusive) that would impact future budget negotiations and would probably lead to the adjustment of French interests in the MFF: the process of European Union enlargement, and the growing number of environmental and animal health crises affecting the agricultural world. Strictly speaking, this is not a prospective study, which would have required considerable empirical and methodological research. Instead, this is a thought exercise that we feel is useful for examining the type of measures that could be supported by France to green the European Community’s agricultural budget. The exploration of these two major events is intended to be illustrative, rather than exhaustive.

These events were chosen for two reasons: firstly, their impact is likely to be sufficient to change the position of the actors involved in the MFF negotiations; secondly, the probability of their occurrence is high - as evidenced by their frequent mention in our interviews. Other shocks are also possible within the near future, which could be the subject of similar reasoning.

4.1. The EU enlargement process: an opportunity to make the CAP a lever for agroecological transition

Russia’s attack on Ukraine on 24 February 2022 has put the issue of EU enlargement, which has been on hold since 2013, back on the agenda. There are currently nine candidate countries for joining the EU. Accession negotiations are at different stages for each of these countries, and the timeframes have yet to be defined—it is therefore impossible to specify a date for the accession of these countries at this stage. However, the prospect of EU enlargement to include new countries, such as Ukraine—which is notable for the size of its population and agricultural area—already raises questions about the CAP budget and the operation of the MFF. It must be remembered that the MFF and the post-2027 CAP, on which discussions are now beginning, will cover the period 2028-2034. While there is no guarantee that any of the candidate countries will be EU members by then—despite the call from the President of the European Council to be ready for enlargement by 2030—this possibility cannot be ruled out. Furthermore, enlargement raises several issues that cannot be resolved within a single term of office (Costa & Schwarzer, 2023): these two regulations should therefore, at the very least, lay the groundwork for making enlargement possible.

Several countries, including France and Germany, have stated that the EU cannot continue to operate with the same rules with 35 Member States, and are calling for institutional reforms. For example, France and Germany are supporting the idea of extending qualified majority voting to all areas within the Council. This position is backed by an expert group set up by these two countries, which also proposes extending co-decision with the European Parliament to all legislative procedures, including the MFF (Costa & Schwarzer, 2023). We must not forget that the MFF is adopted unanimously by the Council, after approval by the Parliament. By changing the rules of the game, these reforms would alter the dynamics of negotiations, the balance of power, and therefore the demands of Member States. It would also strengthen the influence of European institutions, particularly the Parliament. The French position, which would no longer require negotiation according to the same rules, and nor would it have the same impact, could be altered as a result.

In addition to the need for institutional reform, EU enlargement raises major budgetary issues, particularly for the CAP. It is currently impossible to say how much money the candidate countries would receive if they joined the EU: the allocated amounts, which are correlated with objective factors such as gross domestic product (GDP) per capita or utilized agricultural area (UAA), depend largely on the negotiations conducted during the accession process. Nonetheless, estimates are made at the national level to support decisions on the position to adopt. Prior to each MFF, Member States test different reform scenarios and observe the impact on their return rate. These assessments then help define their positions. With a view to the next MFF, scenarios incorporating the accession of new Member States, including Ukraine, are currently being drawn up under the current legislative framework.

While we do not have access to this data, several think tanks have published their own estimates. An ICDS report estimates that under the 2021-2027 MFF rules, Ukraine would receive €20.3 billion each year, including €10.4 billion from the CAP (Emerson, 2023). These figures are in line with those of the Bruegel Institute, according to which Ukraine would receive €17.7 billion a year, including €12.1 billion via the CAP (Darvas et al., 2024). This represents almost a fifth of the CAP budget in 2022, and would make Ukraine the biggest beneficiary of this policy, ahead of France.

The Commission and some European states could attempt to adopt some of the measures implemented in the 2000s to minimize the CAP budget for new Member States (for example, negotiating a 10-year phasing-in of agricultural payments, having lower average amounts per hectare compared to

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8 Albania, Bosnia-Herzegovina, Georgia, Northern Macedonia, Moldova, Montenegro, Ukraine, Serbia and Turkey. Kosovo applied for membership in 2022, but has not yet obtained candidate status.

9 Although, as we show below, membership under the current legislative framework is not considered a plausible option today.
long-standing Member States, providing larger allocations via regional and cohesion policies) (Bazin, 2007). However, it seems unlikely that this will be enough to solve the CAP budgetary equation with a constant budget—let alone a decreasing one.

On the one hand, countries joining the EU could be reluctant to adopt some of these measures: promises made to Eastern European countries to harmonize the financial support granted per hectare have still not been kept. During the last two MFF negotiations (2013 and 2020), this was a major issue (Matthews, 2020). While reluctance could also come from some Member States, who may not be keen to reinstate schemes that have caused considerable political upheaval.

Moreover, whatever measures are implemented to minimize Ukraine’s CAP envelope, the size of the allocation it would receive is above all linked to its UAA. Today, UAA is the main basis for distributing funding under the CAP’s first pillar: the more agricultural land a country has, the more direct aid it receives. Prior to the outbreak of war, Ukraine had a UAA of 41 million hectares. By way of comparison, France, the EU’s leading agricultural producer, has 26.8 million hectares, while the five Western Balkan countries applying to join the EU have 8.5 million hectares combined. 10

In a scenario where the costs of Ukraine’s accession are borne by all Member States, without any increase in the European budget, the funds received by France under the CAP could fall by 18.4%, or by an average of €1.7 billion annually according to ICDS estimates (Emerson, 2023). The EAGF’s return rate would then become negative for France. Thus, without a rule change for the CAP budget allocation, France could lose its status as the main beneficiary of this policy and become a net contributor to the EAGF. This would weaken Bercy’s support for the CAP budget during inter-ministerial MFF negotiations. Furthermore, a reduction in the EAGF would imply a reduction in direct funding to farms, which would be likely to further antagonize farmers, who in recent months have demonstrated their ability to mobilize and take obstructive action.

It therefore seems unlikely that enlargement can take place without substantial CAP reform, or at the very least the reform of the EAGF allocation criteria. A change in how the CAP budget is distributed could provide an opportunity to rethink the system for allocating CAP area-based support. Indeed, funding under the first pillar—and some under the second—is calculated based on the size of the agricultural area of the farm that receives the aid—which justifies the allocation criteria currently in place. However, this method of allocation favours large farms, which tend to be less virtuous than small farms from an environmental perspective (Lécôle & Thoyer, 2022)—although this is not always the case. In addition, this system encourages the concentration and specialization of farms (Ansaloni & Smith, 2021; Bazin, 2007), the effects of which on landscape structures and in turn on biodiversity are well documented (Fahrig et al., 2011; Hass et al., 2018).

The accession of new countries could lead to new allocation criteria for CAP funding among Member States, and to a review of the allocation of funds between farms by incorporating new indicators. This could provide an opportunity to introduce agro-ecological transition indicators into the CAP budget architecture. The formulation of proposals on which indicators should be considered in the development of this new allocation criteria should be the subject of further consideration.

Thus, enlargement of the EU to include new countries could change the way the MFF is negotiated—and therefore the balance of power—as well as the interests of the main French stakeholders involved in MFF negotiations, making it possible for France to defend a budget that favours sustainable agriculture. This could take the form of new allocation criteria for the CAP budget based on social and environmental factors.

4.2. Rethinking agricultural crisis management in the context of climate change

Climate change is increasing the intensity and frequency of climatic hazards, such as droughts and floods, as well as epizootic diseases, leading to a sharp rise in the number of crises affecting the agricultural world (OECD, 2023). Crop losses due to droughts and heat waves have tripled in Europe over the past five decades (OECD, 2023), and there have also been losses due to late frosts, floods, and storms (Haut Conseil pour le climat, 2024). According to IPCC scenarios (2023), these phenomena are set to increase over the next few years.

The government has implemented measures of several different types to help farmers cope with these crises. Firstly, there are risk management tools that in France can be divided into four categories: (i) risk prevention and monitoring measures, which in France mainly concern health risks; 11 (ii) mechanisms for stabilizing farm operating profit, via income support (first CAP pillar) and the deductions for precautionary savings (part of a farm’s profit is tax-exempt and can be used in the event of cash-flow difficulties during crises); (iii) insurance mechanisms (the state covers part of the premiums and contributions for insurance contracts) and mutual funds, which enable costs to be shared in the event of a crisis; and (iv) adaptation measures to make farms more resilient to hazards. Secondly, there are several tools that are implemented when crises occur, which mainly consist of compensation expenses and reductions in charges (Bonvillain et al., 2024).

While the European Union participates in the financing of agricultural risk management (the available tools are listed below), spending on compensation in the event of crises is mainly the responsibility of Member States. The EU does have a crisis reserve, but it was activated for the first and only time in 2022, and is relatively underfunded: since 2023, its annual

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10 European Commission. “Agriculture in the enlargement countries”, consulted on 28/02/2024: https://agriculture.ec.europa.eu/international/international-cooperation/enlargement/candidates_en

11 For details of the funded measures, see programme 206, “Food safety and quality”, of the “Agriculture, Food, Forestry and Rural Affairs” (AAFAR) mission.)
budget has been €450 million. As a comparison, in France in 2022, spending on compensation and crisis management exceeded €2 billion—not including personnel costs—which equates to almost 40% of the Ministry of Agriculture’s forecast budget for that year (Bonvillain et al., 2024). Indeed, in recent years the increase in public spending on agricultural crises has mainly been borne by the French national budget: spending on crisis aid within the “Agriculture, Food, Forestry and Rural Affairs” mission increased by 105% between 2019 and 2020, and by 312% between 2020 and 2021 (Cour des Comptes, 2023b).

Due to climate change, the agricultural sector is entering a new era in terms of the frequency and scale of risks, for which current compensation schemes seem no longer adequate. The reform of crop insurance, adopted in 2022, illustrates the government’s desire to review the budgetary mechanisms implemented in response to agricultural crises. The aim is to extend the coverage of crop insurance and thus share the cost of crises affecting the agricultural sector between the state, farmers, and insurers. However, this change is not enough to improve the agricultural crisis management section of the national budget: in the event of exceptional hazards, the state undertakes to compensate 90% of losses suffered by insured farmers and 45% for uninsured farmers. Given the increase in climatic and health risks, the matter of the financial sustainability of insurance mechanisms arises not only for the state, but also for insurers and farmers (Devot et al., 2023).

Moreover, not only does crop insurance lack coverage for all crops, but it also fails to help improve the resilience of the French food system, and therefore to lessen the negative effects of future crises. At best, therefore, it is only a partial response to the two main challenges facing governments: controlling crisis management and compensation expenditure, and reducing the vulnerability of the agricultural sector—these two aspects being closely linked.

Many actors consider the European scale to be the most appropriate for this purpose: several countries have already called for risk management and adaptation to climate change to be given a more prominent place in the CAP (Council of the European Union, 2023), a position defended by the Commission (Commission européenne 2023a). The European Commissioner for Agriculture, Janusz Wojciechowski, has said that the EU needs a new instrument and a bigger budget to manage crises; he even speaks of a third pillar of the CAP (Foote, 2023).

As mentioned above, both the budgetary issues and CAP structure are determined during MFF negotiations. The increase in spending on managing agricultural crises in France and other countries, and the fact that the Commission has put these issues onto the agenda, could make them a central issue in the next MFF negotiations. However, if the CAP budget remains constant, or even decreases, the greater financial responsibility for agricultural crises at the European level will have repercussions on the remainder of the CAP budget. This could lead to changes in the positions adopted by actors involved in the MFF negotiations—they could for example establish a compulsory ceiling—or even a change in its general structure, possibly via the introduction of a third pillar.

In addition to these aspects of the budgetary allocation of CAP funds, the pooling of funding dedicated to the management of agricultural risks and crises would require the introduction of numerous safeguards, particularly in terms of adaptation, to make the disbursement of common funds acceptable in the event of a crisis in a country. Indeed, heads of state and government could be reluctant to help a country that has not financed risk management measures, including adaptation measures aimed at improving the resilience of farms, which would have reduced the need for compensation in the event of a crisis.

However, adaptation measures are not currently included in the EU’s “Risk Management” toolbox. This toolbox, co-financed by the EAFRD, provides two types of support: funding for crop insurance and for mutual funds in the event of health hazards and environmental incidents (to which may be added sectoral interventions financed by the EAGF) (European Commission, 2023). This does not mean that the EU does not participate in financing adaptation measures; this is the case for example for everything that contributes to the adoption of agroecological practices, such as AECMs, agroecology being a key element of adaptation (Haut Conseil pour le climat, 2024; Cour des Comptes, 2024).

However, the agroecological measures financed by the EU have limited effects and do not currently enable the improvement of farm resilience on a large scale: they are either too undemanding (eco-schemes) or too under-resourced (AECMs) (Haut Conseil pour le Climat, 2024). Pooling risk management at the European level could encourage Member States to increase the resources allocated to adaptation measures; indeed, without adaptation, the budget allocated to compensation for agricultural crises could continue to increase exponentially, at the national or the European level.

In summary, the budgetary consequences of agricultural crises are currently borne mainly by national public authorities, via compensation measures. The increase and intensification of climatic and health hazards is calling the sustainability of this system into question. The recent sharp increase of the Ministry of Agriculture’s budget allocated to crisis compensation could prompt France, and Bercy in particular, to raise this issue at the next MFF—other Member States and the Commission have also come out in favour of giving greater prominence to risk management within the CAP. This would have budgetary implications, since at constant budget levels, more

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13 In the 2023-2027 CAP, the capping of direct payments is optional: only nine Member States apply this measure. France has chosen not to include it in its national strategic plan, see: Chartier, O, Folkson Lilia, C., & Kruger, T. (dir.) (2023). “Mapping and Analysis of CAP Strategic Plans. Assessment of joint efforts for 2023-2027”. Brussels, European Commission.
resources allocated to the crisis reserve or other risk management mechanisms would lead to a reduction in other expenditure—and therefore potentially to the introduction of measures that make marginal changes, if not more structural ones, to the way in which the CAP budget is allocated. Furthermore, compensation expenditure cannot be considered in isolation from adaptation issues. In addition to compensation funds and insurance mechanisms, it would be in the interests of Member States to strengthen the resilience of farms through the introduction of agroecological practices. Thus, the increase in the number of climatic and health hazards could lead the French government to advocate for a budget focused on adaptation issues to reduce its costs.

5. CONCLUSION

While an ambitious reform of the CAP requires an overhaul of the MFF upstream, this implies a change of position on the part of the main actors negotiating the MFF, namely Member States. Focusing on France, this Study has highlighted the factors underlying the durability of national positions in the MFF negotiations.

In the absence of a major shock, France is likely to continue to defend the CAP budget, particularly the EAGF, at the expense of the EAFRD, which finances territorial and environmental measures. However, geopolitical, and climatic developments could change the framework of the negotiations, opening a window of opportunity for in-depth CAP reform and the anchoring of financing for virtuous agricultural systems into its budgetary architecture.

Indeed, EU enlargement to include nine new countries, including Ukraine, could change French interests, moving the country from net EAGF beneficiary to net contributor, thereby altering the political balance that has favoured this fund until now. The three key players identified in this Study—the French Presidency, Bercy and MASA—as well as farmers, represented mainly by the FNSEA, could therefore agree to consider new allocation criteria for the CAP budget that is no longer based on hectares. The development of indicators for these new criteria, taking environmental and social factors into account, is an avenue for future research.

The multiplication and intensification of climatic and health hazards affecting the agricultural sector could also lead several Member States, including France, to review the allocation of CAP funds to give greater importance to risk management tools and compensatory measures. To be sustainable from a budgetary perspective, these measures will have to be accompanied by adaptation measures, particularly agroecology-based measures.

In conclusion, it should be noted that while these two hypotheses have been considered separately to facilitate the analysis, EU enlargement and the multiplication of crises affecting the agricultural sector will have to be managed simultaneously by the heads of state and government, which will make it even more necessary to transform the CAP at the next MFF negotiations. In addition, other shocks that have not been explored in this Study could also contribute to the adjustment of the interests of stakeholders involved in MFF negotiations, such as the Commission’s desire to push for a carbon pricing mechanism for the agricultural sector (Bognar, McDonald et al., 2023) or the interruption of trade flows with third countries on which certain European sectors depend (Loi et al., 2024).

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14 Measures adopted to deal with climate change may in some cases present a risk of maladaptation in the long term. This is why this section focuses mainly on adaptation measures based on agroecology, see: IPCC. (2022). “Chapter 5: Food, Fibre and Other Ecosystem Products. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change”. In Climate Change 2022: Impacts, Adaptation, and Vulnerability. Cambridge, Cambridge University Press.
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