

Improving agricultural risk management: proposals for the CAP and the MFF 2028-2034

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Debate around reforming the Common Agricultural Policy (CAP) tends to focus on two questions: how income support is distributed among beneficiaries, and how the environmental architecture is designed. Important as they are, both are the subject of highly polarized negotiations and unlikely to yield significant change. This *Policy Brief* takes a different route, approaching the revision of the European Union (EU)'s multiannual financial framework (MFF)—of which the CAP is a major component—through the lens of risks and crises. Given the growing number, frequency and intensity of the risks that European farming systems now have to contend with, this angle opens up a negotiating space that is potentially less prone to deadlock, and so more conducive to constructive reform.

Among the risks faced by the European agricultural system, this *Policy Brief* pays particular attention to those arising from strategic agricultural dependencies on third countries. These translate into market disruptions affecting the price or availability of agricultural commodities or inputs needed for production within the EU. The focus is justified on two grounds: the extreme vulnerability of the agricultural system to nitrogen imports (in the form of fertilizers and plant proteins), and the growing prominence and unpredictability of these risks in recent years.

It is from this perspective that this *Policy Brief* sets out a series of recommendations for strengthening the risk and crisis management architecture in the MFF and the CAP 2028-2034, with a particular focus on strategic dependencies.

KEY MESSAGES

Two main levers can help reduce European agriculture's strategic dependencies while also strengthening the transformative resilience of farms more broadly: diversifying production at both farm and territorial level, and increasing circularity within agricultural systems.

The MFF and the CAP 2028-2034 are appropriate legislative vehicles for incorporating measures to reduce these dependencies. IDDRI puts forward four recommendations to this end:

1. Require national and regional partnership plans to address vulnerabilities.

2. Improve agricultural risk and crisis management measures by broadening the range of risk management interventions eligible for CAP support, and by conditioning access to crisis aid on prior efforts by the Member State to prevent or mitigate the type of risks it faces.

3. Strengthen the resilience of farms and territories by using income support to promote territorial production diversity, and by explicitly including a goal of reducing input dependence within agri-environmental and climate actions.

4. Support the development of alternatives to imported synthetic fertilizers through the European Competitiveness Fund.

1. A SYSTEMIC AND PREVENTIVE APPROACH TO RISK MANAGEMENT IN AGRICULTURE

1.1. The risks faced by agricultural actors

The European agricultural system is contending with a sharp rise in the frequency and scale of hazards of various kinds: climatic, health-related and market. These hazards constitute a risk where actors are both exposed and vulnerable to them, generating losses of varying magnitude. Such risks primarily affect farmers, but some hazards can pose a direct threat even at state level—for instance, where a country's production capacity is called into question. Managing agricultural risks therefore means *reducing the exposure and/or vulnerability* of these actors to hazards. Risk management can be broken down into three levels.¹

1/ **Risk prevention** applies in situations where: a hazard can be avoided altogether, meaning that actors' exposure to it is prevented (for instance, by regulating production volumes to avoid oversupply)—but intervention at this level is not applicable to all risks, such as extreme weather events; a hazard occurs, but the level of damage is contained, meaning that vulnerability is reduced (for example, through a production diversification strategy—the “not putting all your eggs in one basket” principle).

2/ **Risk mitigation** applies where a hazard occurs and generates losses, but a pooled response is provided by transferring part of the risk to a third party, through insurance schemes or a mutual fund.

3/ Where no prevention or mitigation strategy has been put in place or where the strategy is insufficient, the occurrence of a hazard generates a need for **crisis management**, via partial or full coverage of the hazard's consequences by the public authorities.

1.2. The limits of the current CAP approach

Risk management under the 2023-2027 CAP is primarily delivered through two instruments: insurance schemes and mutual funds, both of which are optional for Member States (MS) and for farmers alike. Beyond their limited uptake (only 14.5% of European farms are covered),² both instruments are mitigation tools rather than preventive ones. The CAP also includes a range of instruments that can be deployed to manage risks (prevention and mitigation), but these are poorly funded and are not explicitly designated as risk management instruments: certain investment aids, parts of the operational programmes, or some agri-environmental and climate measures. Finally, as regards

¹ Mathijs, E. (2017). Managing volatility and risk in the CAP. CAP: Thinking Out of the Box – Further modernisation of the CAP – why, what and how?, Appendix 3.

² Major, B. (2023). General approach and tools for risk management in CAP Strategic Plans: Agricultural insurance schemes. ENESA International Congress, 4-6 October 2023, PowerPoint presentation, 22 p.

crisis management, the EU has a reserve of €450 million per year, which can finance exceptional market measures.³

The European Commission (EC) proposal for 2028-2034⁴ retains the principle of a crisis reserve, which has been renamed the Unity Safety Net and now stands at €900 million per year. MS that do not have a national system fulfilling this function will also be required to support farmers in adopting risk management tools—though the proposal does not specify which instruments may be used for this purpose. Despite a strengthening of crisis management and risk mitigation tools, the EC's proposal for the post-2027 CAP does not do enough to encourage risk prevention. However, under-investing in risk prevention inevitably leads to over-investment in crisis management, which is becoming ever more costly in both political and budgetary terms.

1.3. Towards a systemic and preventive approach to agricultural risk management

European agricultural systems are heavily dependent on imports of nitrogen fertilizers (the EU imports between 45% and 60% of the synthetic fertilizers it consumes),⁵ and of animal feed (an average of 30 million tonnes of soya are imported each year, accounting for 70% of European consumption).⁶ These dependencies weaken the EU's food sovereignty in an increasingly uncertain geopolitical context. The solutions proposed in this *Policy Brief* therefore focus primarily on the preventive management of risks generated by European agriculture's strategic dependencies. They also strengthen the transformative resilience of farms⁷ more broadly (hence their systemic effect), including climate change adaptation.

To reduce the vulnerability of agricultural systems, the literature points to two key levers: greater diversity of production, particularly of crops,⁸ and a higher degree of circularity, particularly in nutrient management.⁹ Among other benefits, diversification spreads risk more effectively across a broader portfolio

³ As defined in Articles 219 to 222 of the common organisation of agricultural products Regulation (1308/2013).

⁴ For an analysis of the EC's proposals, see: Régnier, E., Catalo, A., & Aubert, P.-M. (2025). [European Financial Framework 2028-2034: Key Issues for the Agricultural Sector](#) (Issue Brief No. 5). IDDRI.

⁵ Loi, A. et al. (2024). Research for AGRI Committee – The dependency of the EU's food system on inputs and their sources. European Parliament, Policy Department for Structural and Cohesion Policies.

⁶ https://agriculture.ec.europa.eu/data-and-analysis/markets/overviews/balance-sheets-sector/oilseeds-and-protein-crops_en

⁷ Meuwissen, M.P.M. et al. (2019). A framework to assess the resilience of farming systems. *Agricultural Systems*, 176, 102656.

⁸ Tamburini, G. et al. (2020). Agricultural diversification promotes multiple ecosystem services without compromising yield. *Science Advances*, 6(45), eaba1715. <https://doi.org/10.1126/sciadv.aba1715>; Hertel, T., Louafi, I., Tanti-charoen, M. & Ewert, F. (2023). Diversification for enhanced food systems resilience. *Science and innovations for food systems transformation*, 207-215.

⁹ Leip, A. et al. (2023). Appetite for change: food system options for nitrogen, environment & health. Second European Nitrogen Assessment – Special report on nitrogen & food. Edinburgh, UK Centre for Ecology & Hydrology, 141 p.

of products, and strengthens the EU's autonomy in critical sectors such as plant proteins. Circularity makes it possible to draw more extensively on the various forms of fertilizer available within Europe, thereby reducing reliance on fertilizers imported from third countries.¹⁰

Improving the autonomy of European farms therefore reduces their exposure to market hazards affecting the price or availability of the inputs they now depend on less heavily. However, this autonomy remains contingent on the occurrence of extreme weather events on their own territory. Such events are very difficult to prevent, and mitigation and crisis management arrangements remain indispensable.

In a European system marked by a triple dynamic of concentration, specialization and intensification,¹¹ diversifying and increasing circularity are not particularly attractive economic strategies in the short term: production costs rise as labour becomes more complex, yields may fall, markets remain weakly structured, and so on. Once the system is subjected to so many hazards that the security and predictability of farm income can no longer be assured, however, diversification and circularity become economically relevant risk management strategies. They nonetheless require farmers to take risks and to make sometimes costly investments. Public action is therefore required to provide economic support and to help structure value chains.

On this basis, this *Policy Brief* sets out four recommendations for the risk and crisis management architecture in the MFF and the CAP 2028-2034, primarily through the lens of strategic autonomy. Targeting both Member States and farms, the recommendations build on the legislative proposal put forward by the EC in summer 2025, and complement the tools already in place under the 2023-2027 CAP. They extend the reach of these tools by strengthening the link between crisis management and risk prevention, and by widening the range of practices and approaches eligible for support. These recommendations do not claim to be exhaustive: other CAP instruments could also be drawn on, such as the common organisation of agricultural markets (CMO), investment aids, and operational programmes.

2. RECOMMENDATIONS

Recommendation 1. Require NRPPs to address vulnerability to risk

The EC proposes that the national and regional partnership plans (NRPPs) include a description of the actions planned to improve resilience and risk management at farm level.¹² This idea would benefit from being broadened to agricultural systems as a whole, which could take the following form:

- a **requirement for Member States to include in their NRPPs an assessment of their strategic agricultural dependencies on third countries**, covering in particular nitrogen fertilizers (and the fossil energy imported for their manufacture on European soil) and animal feed (in particular soya, amino acids and vitamins);
- the **systematic inclusion of pathways to reduce the vulnerability of national agricultural systems to risk** in the CAP national recommendations that the EC plans to issue to MS ahead of the drawing-up of their NRPPs.¹³

Recommendation 2. Improve agricultural risk and crisis management measures in the next MFF

Broaden the range of risk management interventions supported under Article 12

Member States have the option, under Article 12 of the proposed CAP regulation, of covering a wide range of risks and a variety of instruments—including those that go beyond what the CAP has traditionally supported. To give this article its full reach, Member States should be encouraged to:

- **include a wider range of options**, such as a "diversification de-risking" lump-sum payment covering, for example, lengthening crop rotations in arable farming, or a mutual fund triggered when input prices rise;
- **link the funding of risk mitigation tools** (such as crop insurance) **to the implementation of preventive measures** by the beneficiary (for example, planting crops suited to the climate conditions of the area concerned, or signing up to an agri-environmental and climate action). This link is all the more important as, without it, crop insurance can produce effects that run counter to resilience gains, such as the "excessive intensification of production".¹⁴

¹⁰ Régnier, E., Noël, V., & Aubert, P.-M. (2025). Agriculture in the next European budget: avoiding the status quo (Issue Brief No. 2). IDDRI.

¹¹ Poux, X., & Aubert, P.-M. (2018). An agroecological Europe in 2050: multi-functional agriculture for healthy eating. IDDRI, pp. 19-26; van Zanten, H.H.E. et al. (2023). Circularity in Europe strengthens the sustainability of the global food system. *Nature Food*, 4 (4), 320-330.

¹² Article 22 (h)(ii) (2025/0240 (COD) – 16/07/2025).

¹³ Article 2, "CAP national recommendations and steering" (2025/0241 (COD) – 16/07/2025).

¹⁴ Cordier, J. et al. (2008). "La gestion des risques en agriculture de la théorie à la mise en œuvre : éléments de réflexion pour l'action publique", *Notes et Études économiques*, p. 53.

Link crisis financial support to *ex ante* risk management efforts through the Unity Safety Net

The governance and effectiveness of crisis-management funding through the Unity Safety Net¹⁵ could be improved by reforming how access to the instrument is triggered. Access should be granted on the basis of an objective assessment of the MS's prior efforts to prevent and/or mitigate the risks in question—direct economic risks and those linked to a health crisis, and potentially climate risks too, if the co-legislators bring these back within the scope of the instrument as part of the ongoing negotiations. A MS could, for example, be required to demonstrate that it has put in place a legume development plan, or that it has diversified its sourcing of critical inputs in favour of reliable trade partners.

Recommendation 3. Use other CAP measures to prevent risks through stronger resilience of farms and territories

Use income support to promote territorial production diversity

The EC proposes to sharpen the targeting of income support by differentiating payments according to farm type or the characteristics of beneficiary farmers, through degressive area-based income support (DABIS).¹⁶ In this spirit, the targeting of income support could be used to support farms that contribute to production diversity at the level of production areas. Such differentiation is well justified on income-support grounds, since non-specialized production in a given area benefits from fewer economies of scale and shared services than dominant production does. **Income support could therefore be increased for farms with minority productions in a given area** (whether declining or emerging)—for example, vegetable farms in an area dominated by livestock farming.

¹⁵ Article 26, "General provision on the implementation of the EU Facility" (2025/0240 (COD) – 16/07/2025).

¹⁶ Article 6, "Degressive area-based income support" (2025/0241 (COD) – 16/07/2025).

Explicitly include a goal of reducing input dependence within agri-environmental and climate actions

The CAP's environmental measures suffer from a lack of popularity with both MS and farmers. It is therefore important to highlight the role that agri-environmental and climate actions can play in farm resilience and in helping farmers maintain income when hazards occur.¹⁷ These measures should therefore serve an **objective of reducing input dependence**, particularly for nitrogen fertilizers and soya. This could translate into payments for the following practices:

- improving feed self-sufficiency on livestock farms (through changes in land use or a reduction in stocking density);
- reducing the use of nitrogen fertilizers;
- producing forage and grain legumes.

Recommendation 4. Mobilize the Competitiveness Fund to reduce the EU's dependence on fertilizer imports

The European Competitiveness Fund (ECF) aims to strengthen the competitiveness and resilience of sectors deemed strategic, including agriculture, through a €22.6 billion chapter dedicated to "Health, Biotech, Agriculture and Bioeconomy".¹⁸ It could be mobilized to **support the development of alternatives to traditional nitrogen fertilizers on European soil**, which could translate into:

- investment aid for various fertilization technologies: decarbonized fertilizers produced from green hydrogen; organic fertilizers derived from the processing of livestock effluent (desiccation or "RENURE" fertilizers), the recovery of human excreta, or sewage sludge; or fertilizers based on nitrogen-fixing bacteria;
- funding for studies assessing the techno-economic feasibility and acceptability (both for society and for farmers) of these different technologies.

¹⁷ Article 10, "Agri-environmental and climate actions" (2025/0241 (COD) – 16/07/2025).

¹⁸ Chapter V, "Support for Health, Biotech, Agriculture and Bioeconomy" (2025/0555 (COD) – 16/07/2025).

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