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Prospects for the European Green Deal in agriculture and food in the 2024-2029 political cycle

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Abstract

The previous EU political cycle 2019-2024 ushered in the European Green Deal on a wave of activism around climate change and environmental challenges. This was also reflected in ambitious targets for a transition to a more sustainable food and agriculture system. The 2024-2029 political cycle starts in a very different political context emphasising food security, competitiveness and farm income concerns against the background of Europe-wide farm protests. This article addresses how this changed political climate can affect the prospects for making further progress in implementing the European Green Deal in agriculture and food. It argues that Green Deal objectives have not been abandoned but foresees that future implementation will emphasise more just transition principles rather than the polluter pays. This implies a need to find additional financing to support the transition to more sustainable farming practices, but there are evident limits on the availability of public resources as well as on securing additional funding through the food supply chain. The solution may require recognising the heterogeneity of the farming sector, applying the polluter pays principle to the large industrial farms that provide most of our food while implementing the just transition principle for the majority of smaller farms.

Keywords: *Agriculture, Green Deal, Farm to Fork, Green transition, Just transition, Multi-annual Financial Framework, EU.*

1. Introduction

The 2019 European Parliament elections marked a significant shift towards the salience of environmental sustainability as voters showed strong support for green policies. Youth activists, inspired by figures like Greta Thunberg, played a crucial role in pushing for urgent climate action across Europe. This momentum led to the introduction of the European Green Deal by the European Commission in December 2019.

The Green Deal aims to make Europe the first climate-neutral continent by 2050, focusing on reducing greenhouse gas emissions, promoting a circular economy, and protecting biodiversity (European Commission, 2019). It led to a flurry of legislative initiatives. The landmark European Climate Law in 2021 set a legal target to achieve net zero greenhouse gas emissions by 2050 and an intermediate target for 2030, and led to a substantial revision of the EU's climate architecture. The REPowerEU plan was introduced to reduce

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dependence on fossil fuels, particularly from Russia, and to enhance energy security through investments in renewable energy and energy efficiency. Several legislative initiatives were approved to enhance environmental and social governance for companies, such as the Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD), requiring companies to disclose information on their environmental and social impacts, ensuring greater transparency and accountability.

The Green Deal also had an agricultural and nature dimension through the Farm to Fork and Biodiversity Strategies. The Farm to Fork Strategy aims to create a fair, healthy, and environmentally-friendly food system, reducing the environmental impact of food production and promoting sustainable farming practices (European Commission, 2020a). It highlighted the need for a fundamental transformation in our food system and, for the first time in an EU context, recognised that the food chain needs to be addressed as a whole, with economic, environmental and societal concerns treated in parallel. The Biodiversity Strategy underlined that biodiversity loss and ecosystem collapse are one of the biggest threats facing humanity in the next decade and set out to restore biodiversity in Europe, protect natural habitats, and promote sustainable land use (European Commission, 2020b). The Farm to Fork and Biodiversity Strategies included a range of ambitious targets intended to put the EU food system on a transformative path to greater sustainability. The 2018 reform of the EU's Common Agricultural Policy (CAP), which was formally adopted in 2021 and introduced from 2023, reflected this concern with environmental sustainability. It increased the ring-fencing of CAP funding for agri-environmental objectives, introduced eco-schemes as a new agri-environmental instrument, and modestly increased the environmental conditions farmers should observe as a condition for eligibility for CAP payments (Röder *et al.*, 2024).

Both Commission Communications were formally approved by the Council and Parliament. However, the implementation of follow-up legislative initiatives faced significant push-back due to volatile agricultural markets. The COVID-19 pandemic and the Russian invasion of Ukraine led to high input costs and disrupted supply chains, exacerbating economic pressures on farmers. These challenges, coupled with farmer protests against low incomes and more stringent environmental regulations, created a contentious environment for adopting new policies. As a result, several ambitious reforms were delayed, blocked or weakened, reflecting the difficulty of balancing environmental goals with economic stability in the agricultural sector (Chapron, 2024).

The second half of 2024 saw a change in the EU's political leadership with a newly elected Parliament, changes in the political composition of the European Council and the Council of Ministers following national elections, and a new Commission. The question this article seeks to address is how this changed political climate will affect the prospects for making further progress in implementing the European Green Deal in agriculture and food. Will we see a further stalling of legislative files designed to achieve its objectives, or even a rolling back of some measures already adopted? Or will the evident impacts of ongoing climate change, the damages caused by water pollution and soil degradation, the ongoing loss of biodiversity, and the increasing costs of ill-health linked to food and diets, force the hand of legislators to introduce more ambitious measures to address these issues. The article is written at a very early stage in the 2024-2029 political cycle (in January 2025) and is inevitably speculative. It first examines the early statements of key players to gauge the political mood. It then examines some policy dilemmas that will influence the potential outcome, before drawing conclusions on the likely direction of travel.

2. Initial policy declarations

A starting point to understand the political orientation of the next Commission are the Political Guidelines 2024-2029 issued by Ursula von der Leyen in July 2024 (Von der Leyen, 2024a). This set out the policy agenda she proposed when seeking and obtaining reconfirmation of her position by the European Parliament as President of the Commission for a second term. The

Commission has the monopoly on the right of initiative in EU law-making, but it is the European Council that defines the general political direction and priorities for the EU. These were set out in its Strategic Agenda 2024-2029 adopted at its June 2024 meeting (European Council, 2024), and formed the basis on which Von der Leyen prepared her Guidelines. Other initiatives that informed the Guidelines were Enrico Letta's report in April 2024 on the future of the EU Single Market (Letta, 2024) and Mario Draghi's report on EU competitiveness published in September 2024 (Draghi, 2024). In turn, the Guidelines set the framework for the Mission Letters given to each individual Commissioner setting out the principal goals and activities for the coming period within each policy domain.

The Letta and Draghi reports were requested by the Commission to address critical challenges facing the European Union. Although neither report included a specific focus on food and agriculture, they focused attention on the need for the EU to strengthen its competitiveness and resilience and the role that the single market can play in facilitating this. These insights significantly influenced the European Council's Strategic Agenda 2024-2029. It incorporated recommendations from the reports, prioritising the deepening of the single market, digital and green transitions, and enhancing economic resilience. With respect to competitiveness, it committed to close the EU's growth, productivity and innovation gaps with international partners and main competitors, recognising that this requires a significant collective investment effort, mobilising both public and private funding. But it also committed to making a success of the green (and digital) transitions, reaffirming the goals of climate neutrality by 2050 and accelerating the energy transition.

We thus see the emergence of twin competing trends that also apply to agriculture and food. The need to boost EU competitiveness and growth (and, we might add, farm income) while staying the course on the European Green Deal and the decarbonisation agenda, and the desire for simplification and a reduction in the regulatory burden on businesses and farms without straying too far into deregulation and rolling back on sustainability goals.

The joint emphasis on competitiveness and sustainability is reflected in the paragraph on agriculture and food. "The European Union will promote a competitive, sustainable and resilient agricultural sector that continues to ensure food security. We will champion vibrant rural communities and strengthen the position of farmers in the food supply chain. We will continue to protect nature and reverse the degradation of ecosystems, including oceans. We will strengthen water resilience across the Union" (European Council, 2024). The commitment to a sustainable agriculture in the previous Strategic Agenda 2019-2024 is repeated, but on this occasion it is linked to a competitive and resilient agricultural sector.

Von der Leyen's Political Guidelines are notable in several additional respects. She underlined the need to stay the course on the goals set out in the European Green Deal but shifted the focus to implementing the existing legal framework. She announced a Clean Industrial Deal in the first 100 days of her mandate to channel investment into the climate and energy transition, as part of the preparations for a 90% emission-reduction target for 2040.

When it came to agriculture, reflecting the farmer protests that had taken place in several European capitals in the previous winter and spring (Finger *et al.*, 2024), she acknowledged that farmers and rural areas are under pressure "from the impact of climate change to unfair global competition, higher energy prices, a lack of younger farmers and difficulties in accessing capital". She made specific commitments intended to "show that Europe will protect its own food sovereignty and those who provide for us all". These include defending an EU income policy for Europe's farmers as "it is vital that farmers have a fair and sufficient income. They should not be forced to systematically sell their products below production costs". She wants to ensure that the common agricultural policy is more targeted, "and finds the right balance between incentives, investments and regulation". She also wants to enable farmers "to work their land without excessive bureaucracy, support family farms, and reward farmers working with nature, preserving our biodiversity and natural ecosystems and helping to decarbonise our economy on the way to net-zero by 2050". She promises to "correct existing imbalances, strengthen farmers' position in the food value chain and further protect them against unfair trading practices", while doing more "to make agriculture better prepared for what climate change will bring". She undertakes to "present a plan for agriculture to cope with the necessary adaptation to climate change, and in parallel a strategy for the sustainable use of the precious resource of water" (Von der Leyen, 2024a).

Her Political Guidelines also proposed to build on the recommendations of the Strategic Dialogue on the Future of Agriculture to "present a Vision for Agriculture and Food in the first 100 days looking at how to ensure the long-term competitiveness and sustainability of our farming sector within the boundaries of our planet". The Strategic Dialogue was first announced by President von der Leyen in her State of the Union address in September 2023 and launched in January 2024 with the goal of depolarising the debates surrounding agriculture and the green transition. It brought together 29 major stakeholders from the European agri-food sectors, civil society, rural communities and academia in their individual capacities to reach a common understanding and vision for the future of EU's farming and food systems. Its wide-ranging consensus report was published in September 2024 (Strohschneider, 2024). It is hard to summarise its conclusions without distorting the balance between its recommendations.

The Strategic Dialogue report supported the maintenance and enforcement of existing EU environmental legislation. It called for farmers to be rewarded and incentivised for the provision of ecosystem services and recommended a substantial increase in financial support for climate and environmental actions including through the creation of new funds. It sought a more targeted CAP, with a clearer distinction between socio-economic support and environmental and sustainability objectives, and where income support would be focused on those farms in need to be based on a more objective measure of income. Farmers' position in the food chain should be strengthened by supporting co-operation, better addressing unfair trading practices, and ensuring that sustainability would be remunerated through the market, including through an EU-wide benchmarking system in agriculture and food systems aiming to harmonise methodologies of on-farm sustainability assessments. Pathways for sustainable animal farming should be created, including support for technological solutions for emissions reduction and the promotion of circular economy approaches. It concluded that in areas with high livestock concentrations, long-term solutions needed to be locally developed and funded with new finance.

President von der Leyen's Mission Letter to the incoming Commissioner for Agriculture and Food, Christophe Hansen, emphasised the importance of following up on the report of the Strategic Dialogue and, building on its recommendations, preparing a Vision for Agriculture and Food within the first 100 days of his mandate (Von der Leyen, 2024b). The focus should be on balancing the long-term competitiveness and sustainability of the EU farming and food sector within the boundaries of our planet. This Vision Paper, expected in mid-February 2025, will play a similar role to the Commission White Paper 'The future of food and agriculture' published in 2017 and which flagged some of the key elements later included in the Commission's legislative proposal in 2018 (European Commission, 2017). In January 2025, the Commission President announced that she had initiated 14 project groups within the Commission to ensure preparation and political steer of key cross-cutting political priorities including one to progress the Vision on Agriculture and Food (Von der Leyen, 2025). The Commission should put forward a proposal for the next Multi-annual Financial Framework covering the years 2028-2034 by July 2025 and this would normally be accompanied by a legislative package covering the main spending areas including agriculture. The Vision Paper will allow the Commission to gauge reaction to any novel proposals it might wish to make in its legislative proposal later in the year.

The elements in the Mission Letter to Commissioner Hansen relevant to the Green Deal echo points raised in the earlier documents. It mandates a more targeted approach to the CAP, with financial support more targeted to farmers who need it most, notably small-scale farmers, while promoting positive environmental and social outcomes through rewards and incentives. The Commissioner is reminded that the implementation of the policy should be simpler, more targeted, and with the right balance between incentives, investments, and regulation. He is required to design and deploy a new approach to delivering on sustainability to support farmers in decarbonisation and preserving biodiversity. This should include the EU-wide benchmarking system proposed by the Strategic Dialogue for the agri-food sector. The Commissioner should also contribute to developing appropriate instruments for climate risk preparedness and crisis management and to the development of the European Water Resilience Strategy.

Also relevant are the Mission Letters to the Commissioners for Environment, Water Resilience and a Competitive Circular Economy, Jessika Roswall, and for Health and Animal Welfare, Olivér Várhelyi, respectively. In addition to leading the work on the European Water Resilience Strategy, the Environment Commissioner is charged with staying the course on the goals set out in the European Green Deal. Specifically on biodiversity, she is required to ensure that the EU meets its international biodiversity commitments in the Kunming Montreal Agreement as well as implementing the Nature Restoration Law. She is asked to prioritise the design of incentives for nature positive actions and private investment, leading work on nature credits (Von der Leyen, 2024c). Commissioner Várhelyi is asked to modernise the rules on animal welfare, to propose actions to prevent and reduce food waste, and to improve the sustainability, safety and affordability of food production and consumption across the food chain. He is responsible for the enforcement of food safety standards and will work to increase controls on imported products (Von der Leyen, 2024d).

What these general guidelines might mean in terms of legislative initiatives is usually revealed in the annual Commission Work Programme following the State of the Union Address in September. This then becomes the basis for a Joint Declaration with the Council and the Parliament on the EU legislative priorities for the coming year. Because of the change-over to a new political cycle in 2024, publication of the Commission Work Programme for 2025 has been delayed until mid-February 2025. This will give a clearer view of the intentions of the new Commission at the beginning of this political cycle.

One promised piece of legislation with indirect implications for food and agriculture is the proposed Omnibus Simplification Regulation due to be published on 26 February 2025. This arose following a meeting of the European Council in Budapest in November 2024 to discuss the Draghi report on competitiveness. Following that meeting, Von der Leyen announced a proposal to reduce the bureaucratic burden on firms of meeting the requirements of the three laws on environmental and social governance, the Taxonomy Regulation, the CSRD and the CSDDD. Even if the Commission proposals simply aim to limit disclosure requirements without altering the core content of the regulations, the fact that the co-legislature must agree to the changes opens up the possibility of wider amendments to the legislation. This will be a first opportunity to assess how new political majorities will be established and how they will use their voting strength on Green Deal issues.

3. Challenges for the green transition in agriculture and food

This section examines in greater detail how these tensions between competitiveness/farm income and sustainability objectives and between simplification and deregulation approaches are likely to play out in the agriculture and food policy domain. We focus on two policy areas as examples: who should pay for the transition to more sustainable agricultural practices, and the targeting of CAP expenditure. Trade-offs between objectives can be minimised and overcome if there is sufficient money to compensate the losers or those asked to bear the costs of transition. It is therefore also useful to look at the prospects for the EU long-term budget and the funding of the CAP within it. Trade-offs between objectives can also be minimised through research and innovation. The EU and Member States must continue to invest in identifying and diffusing new technologies and practices that can help to reconcile different objectives. Despite its importance, the role of research and innovation is not explicitly further considered in the context of this article.

3.1. *Who should pay for the green transition?*

The debate on who should bear the costs of the green transition in agriculture in the EU revolves around two main principles: the polluter pays principle and the just transition principle. The polluter pays principle argues that those responsible for pollution should bear the costs of managing it to prevent damage to human health or the environment. In the context of agriculture, this means that farmers, particularly those engaged in industrial farming, should internalize the external costs associated with their practices. These costs include water pollution, high water abstraction, soil degradation, loss of biodiversity, ammonia emissions, and greenhouse gas emissions. Internalisation of external costs means that farmers would be required to take account of the broader costs to society of their farm management practices. This could be done either using market-based signals, such as taxes or quota-based trading schemes, or through regulation. For example, nitrate pollution of waterways can be tackled through a system of tradable nitrogen emission rights as implemented in the Netherlands, or through direct regulation of the amount of nitrogen that can be spread on fields as under the EU Nitrates Directive. Including agricultural emissions within an EU-wide emissions trading scheme is another example of a market-based system to limit the negative impacts of agricultural production on the environment (Trinomics, 2023).

However, while this principle is widely supported when applied to large, impersonal companies, there is resistance to applying it to farmers. In 2023 and 2024, farmer protests across Europe significantly pushed back against environmental measures based on the polluter pays principle. These protests were driven in part by concerns over the economic impact of strict environmental regulations and the complexity of their implementation. Many argue that imposing these costs on farmers, especially those with low incomes, without substantial financial support could put them out of business. In response to these widespread protests, the EU Commission and legislature made several concessions, weakening or removing some of the conditionality requirements that had been introduced in the 2021 CAP reform that farmers should meet to qualify for direct payments. One of the more significant changes introduced as part of the CAP Simplification Regulation (EU) 2024/1468 was the removal of the requirement that arable farmers should set aside a minimum of 4% of their arable area for non-productive features to protect biodiversity, instead requiring Member States to introduce a voluntary eco-scheme that would pay farmers to do this as part of their CAP Strategic Plans.

This is an example of implementing the alternative just transition principle to finance the green transition. The just transition principle emphasises that the shift to a sustainable food system should not disproportionately burden individual farmers. Instead, it advocates for support mechanisms to ensure that no one is left behind in the transition. Farmers should be compensated for adopting sustainable practices, with funding coming either from taxpayers or from consumers who should pay higher prices for sustainably-produced food. This goes beyond the widely-accepted 'public payments for public goods' principle where farmers are compensated for the provision of ecosystem services that have positive benefits for society (positive externalities). The just transition principle goes further to also recommend support to reduce polluting activities.

The distinction between positive external benefits that should be paid for by society (recognised as the provider gets principle) and negative external costs (where the polluter should pay) depends on how property rights in the environment are allocated in society. These are not objective scientific concepts but rather depend on the established legal framework. In one scenario, society claims that it has the right to enjoy fresh and unpolluted water, to experience a flourishing biodiversity, to expect that farmers will maintain healthy soils, to be able to enjoy clean air, and to enjoy the benefits of a stable climate. In this scenario, practices that damage or reduce any of these rights would be penalised and those responsible would be asked to cease those practices. In an alternative scenario, farmers are assigned the right to use the environment as they see fit. If certain practices cause a deterioration in environmental quality, then it would be up to society to pay farmers sufficiently to make it worth their while to desist. The just transition principle in essence accepts that property rights in the environment are assigned to farmers as in the second scenario. Farmers should be paid to adopt more sustainable farming practices that do not damage the environment in the ways that can happen using conventional farming techniques.

An example of applying the just transition principle can be found in the recently-adopted Nature Restoration Law Regulation (EU) 2024/1991. Article 11 requires Member States to put in place restoration measures to enhance biodiversity in agricultural eco-systems. It requires an increasing trend at national level in at least two out of three indicators for agricultural ecosystems until satisfactory levels of biodiversity are achieved: (a) the grassland butterfly index; (b) stock of organic carbon in cropland mineral soils; (c) share of agricultural land with high-diversity landscape features. Specified improvements in the farmland bird index are also required. Member States must further put in place measures that aim to restore organic soils in agricultural use constituting drained peatlands with specified targets for the areas of such soils to be covered in 2030, in 2040 and in 2050. It is explicitly provided that the obligation for Member States to meet these rewetting targets does not imply an obligation for farmers and private landowners to rewet their land, for whom rewetting on agricultural land remains voluntary, without prejudice to obligations stemming from national law. Member States instead are expected to incentivise rewetting to make it an attractive option for farmers and private landowners.

Further evidence of the importance of the just transition principle in this political cycle are the Council Conclusions on a farmer-focused post 2027 Common Agricultural Policy adopted by the AGRIFISH Council under the Hungarian Presidency in December 2024 (Council of the European Union, 2024). The section on the green transition is headlined 'Further incentivising farmers towards green transition for a more sustainable agricultural sector'. It states that "the green transition can be achieved only in partnership with farmers, therefore EMPHASISES that they have to be adequately incentivised and made interested in applying ecologically-responsible agricultural production practices by remunerating them beyond the costs and income foregone for their ecosystem services." There is no explicit recognition by the agricultural ministers of the need to reverse the damages being done by agricultural production practices to agricultural ecosystems or the environment more generally. Instead, any move towards more sustainable practices is deemed equivalent to the provision of ecosystem services and therefore deserving of financial support.

In practice, property rights in the environment in EU law are not assigned exclusively either to society or to private actors. Important EU legislation imposes regulatory constraints on farming practices and inputs likely to damage biodiversity (the Birds and Habitats Directive and regulations on plant protection products), water quality (the Nitrates Directive), air quality (the Industrial and Livestock Rearing Emissions Directive), and other issues. The report of the Strategic Dialogue committed to the maintenance and enforcement of existing EU legislation and to finding actionable leverages to improve its implementation. However, it refrained from recommending further regulatory interventions to improve the sustainability of agricultural production and clearly favoured the application of the just transition principle. This immediately raises the question of where the funding to effectively advance the green transition under this principle can be found.

3.2. *Making better use of CAP resources*

Farmers already receive significant transfers through the EU's CAP as well as from national budgets. DG AGRI estimates that, on average across the EU, direct payments contribute around 23% to agricultural factor income (33% if CAP payments under Pillar 2 schemes are included).[1] In addition, particularly since the COVID-19 pandemic and the Russian invasion of Ukraine, farmers have also benefited from a significant increase in national State aid.[2] An obvious question for the next political cycle is whether these funds are well targeted, and whether some of this funding might not be repurposed to better support the green transition.

CAP funding is distributed under two Pillars. Pillar 1 finances direct payments and market support expenditure, while Pillar 2 funds rural development expenditure including payments to farmers in areas of natural disadvantage and payments for agri-environment-climate management practices. In principle, under the CAP Strategic Plans Regulation (EU) 2021/2115 and the new delivery model that it introduced, Member States have very great discretion in how they can programme their allocated CAP funds. Funds can be shifted between Pillars up to specified limits. There are minimum spending limits (ring-fencing) on agri-environment-climate measures in both Pillar 1 (a minimum of 25%) and Pillar 2 (a minimum of 35%) but Member States are free to allocate higher percentages if they wish. Payments to farmers under the CAP are subject to enhanced conditionality which requires farmers to observe Statutory Management Requirements as well as a series of nationally-defined Good Agricultural and Environmental Conditions set out in the Regulation. At the same time, actions under the CAP are expected to contribute 40% of the CAP EU funds to the achievement of the climate-related objectives, to be calculated according to the established methodology. The distribution of CAP spending across nine specific objectives and one cross-cutting objective should be informed by an analysis of each country's specific situation in terms of strengths, weaknesses, threats and opportunities (SWOT analysis) and the identification of the needs that should be addressed. By addressing their specific needs, national CAP Strategic Plans (CSPs) are expected to be consistent with and contribute to the Union's environmental and climate legislation and commitments and, in particular, to the Union targets for 2030 set out in the Farm to Fork Strategy and the EU Biodiversity Strategy (European Commission, 2023c).

Nonetheless, 47% of total public spending under the CAP (including national contributions) under the CSPs is still allocated to direct payments for income support (excluding eco-schemes) (European Commission, 2023b). The bulk of these payments continue to be based on area and thus benefit larger farms with less need for income support. The 2021 CAP reform left the capping of payments voluntary, but required Member States to introduce a redistributive payments to top up payments on smaller farms. This now represents 10.7% of direct payments with an additional EUR 20 billion for direct payments targeting smaller farms. Further capping payments to larger farms could release additional funding to support the green transition.

3.3. *Prospects for the next MFF*

Negotiating the EU's long-term budget, the Multi-annual Financial Framework (MFF), is always a hard-fought and long-drawn out affair. The package includes both the MFF Regulation which defines how much the EU can spend, and the Own Resources Decision which lays down where EU revenue comes from. Both require unanimous agreement among the Member States in the Council, the MFF Regulation requires the consent of the Parliament while the Own Resources Decision must be ratified by every Member State according to its constitutional procedures. The current MFF, covering 2021-2027, sets the total amount of own resources allocated to the EU at 1.40% of the EU's Gross National Income (GNI) (up from 1.23 % in 2014-2020 to take account of the impact of the UK exit from the Union). The own resources ceiling has been increased by a further 0.6 percentage points to

[1] European Commission, 'CAP expenditure', https://agriculture.ec.europa.eu/data-and-analysis/financing/cap-expenditure_en.

[2] Farm Europe, 'State aid to agriculture: more than €18 Bn since 2021', https://www.farm-europe.eu/news/state-aid-to-agriculture-more-than-e18-bn-since-2021/.

2% of EU GNI on an exceptional and temporary basis (until 2058) to allow the EU to borrow on the markets to finance the Next Generation EU (NGEU) recovery instrument. In practice, there is a considerable margin under these ceilings. Following the Mid-Term Review of the MFF in 2024, the overall MFF ceiling for commitment appropriations in 2025 is estimated at 1.05% of EU GNI and the overall MFF ceiling for payment appropriations stands at 0.95% of GNI. The resulting margin for 2025 between the MFF ceiling for payment appropriations and the own resources ceiling for payment appropriations is thus 1.05% of GNI (European Commission, 2024).

The next MFF will need to address several competing priorities. The ongoing war in Ukraine has underscored the need for increased defence spending, while continued financial and humanitarian support for Ukraine remains a priority. The mid-term review of the current MFF included a €50 billion Ukraine Facility, highlighting the scale of commitment needed. To address competitiveness challenges, the EU must invest in innovation, digital transformation, and green technologies. The Strategic Technologies for Europe Platform (STEP) received €1.5 billion in the mid-term review, but more funding will be necessary. The EU must also address issues related to migration and border security, with more money needed for third countries to keep migrants in or to take them back. More money must also be found for instruments such as the solidarity and emergency aid reserve to address the growing frequency and increasing scale of crises and natural disasters. At the same time, payments to repay the borrowing undertaken to fund the NGEU recovery instrument will begin in 2028 and continue until 2058.

The scale of the EU budget relative to the size of the EU economy is still extremely small. Nonetheless, there has been great reluctance among Member States to provide the EU with additional own resources. The Commission presented proposals to introduce new own resources in 2018, based on the EU Emissions Trading System (ETS), a new common consolidated corporate tax base, and plastic packaging waste (European Commission, 2018), but only the plastic-based own resource has so far been introduced as of 1 January 2021. Following agreement with the Council, Parliament and Commission on a roadmap to introduce new resources during the 2021-2026 period in part to prepare for the repayment of NGEU borrowing, the Commission proposed in 2021 three new sources of revenue, including revenue generated by the Carbon Border Adjustment Mechanism (CBAM) on certain imports, revenue from a revised ETS, and revenue based on the reallocated profits of very large multinational companies (European Commission, 2021). This proposal was updated in 2023 to include the introduction of a new temporary statistical own resource on company profits as well as the technical adjustments needed for the collection of ETS and CBAM as new own resources but remains under discussion in the Council (European Commission, 2023a).

In the absence of new own resources, the MFF can only be increased through additional contributions from Member States (provided through the GNI own resource) or through additional borrowing. Many Member States are already struggling to meet their national fiscal targets, and their public debt to GDP ratios are already at very high levels. The EU could also raise funds by issuing EU bonds on financial markets as was done to finance the NGEU recovery instrument. This was the first time that the EU engaged in large-scale joint borrowing. The initiative was a response to the unprecedented economic impact of the COVID-19 pandemic. Agreement to undertake this borrowing was contingent on it being a one-time measure, with several Member States expressing reservations about making such borrowing a regular practice.

This budgetary context for the 2028-2034 MFF makes it very difficult to envisage an increase in the CAP budget, and even maintaining it in the face of competing spending priorities may be challenging. The CAP budget in the 2021-2027 MFF was maintained in nominal terms, but with high inflation in 2022-2023 its real value for farmers has diminished. Further enlargement of the Union to include the countries of the Western Balkans and the Eastern Partnership, particularly Ukraine, will also require additional CAP expenditure if accessions take place before the end of 2034. The political priorities of the new Commission as well as the co-legislature reviewed previously emphasise the need to provide additional support for farm incomes including to support the green transition. If this is not forthcoming through the EU budget, then it will be left to those national governments that have the fiscal headroom to provide this support from national funds. Various mechanisms could be envisaged, including the introduction of co-financing for CAP Pillar 1 direct payments (Matthews, 2018) or increased State aid making use of the derogations under the Agricultural Block Exemption Regulation (EU) 2022/2472 or the Agricultural De Minimis Regulation (EU) 2024/3118 (which raised the ceiling of *de minimis* aid that a single holding may receive per Member State over any period of 3 years to EUR 50,000).

4. Conclusions – what prospects for the EGD in agriculture and food?

The previous EU political cycle 2019-2024 ushered in the European Green Deal on a wave of activism around climate change and other environmental concerns. With respect to fossil fuel decarbonisation in the energy and industrial sectors, significant legislative initiatives were taken including the passage of the European Climate Law in 2021 which significantly raised the 2030 targets for emissions reduction as well as enshrining the objective of a net zero emissions economy by 2050 into law. The impact of the Russian invasion of Ukraine on energy prices, and the subsequent efforts to reduce EU dependence on Russian gas supplies, also underlined the need for investment in alternative renewable sources of energy. However, the same high energy prices and resulting market price volatility for agricultural commodities had a negative impact on the farm sector (even if income from farming reached record levels in 2022 and 2023 reflecting higher commodity prices despite higher input costs). This was compounded by the increasing environmental demands being made of farmers at a time when the real value of CAP payments was decreasing due to higher inflation. Political opinion within the EU co-legislatures, which initially had approved of the Green Deal objectives in the agricultural sector, turned against making further demands on farmers with key pieces of legislation either being watered down or withdrawn. The outbreak of farmer protests and demonstrations between November 2023 and March 2024, often sparked by grassroots activists and social media rather than the traditional farmer unions, further influenced the political climate prior to the European Parliament elections in June 2024. These elections demonstrated a considerable loss of influence for green parties and a swing towards parties of the right whose agenda focused more on protecting incomes in agriculture.

This article assesses how this new political context will likely influence the future direction of agricultural policy in the coming political cycle 2024-2029. Our review of key political declarations from the Council and Commission confirms the greater focus on economic issues such as competitiveness and farm incomes, but also underlined the continued awareness of the need to address the climate and environmental issues that are central to the Green Deal. We hypothesised that the way in which these twin objectives can be reconciled is by putting less emphasis on the polluter pays principle (where farmers are expected to bear the costs to society of the damage caused by farming practices) and more emphasis on the just transition principle, which envisages that farmers should be compensated and rewarded for the transition to more sustainable farming practices either by taxpayers (through increased public support) or by consumers paying more for more sustainably-produced food.

The jury is still out on whether and how the supply chain can be organised to adequately remunerate more sustainable practices. Consumers in surveys often respond that they are prepared to pay more for higher-quality products, but actual shopping habits reveal that price continues to be the dominant choice criterion. This cost-consciousness has been reinforced during the recent bout of extraordinarily high food price inflation in European countries. The forthcoming proposal for an EU-wide sustainability benchmarking system may lead to a harmonised and consistent measurement system among public, private and sectoral initiatives, but will need to be complemented by other initiatives designed to improve value sharing along the food supply chain.

In the short run, additional public resources to support the green transition, as called for by the report of the Strategic Dialogue, may seem to be a more feasible alternative. One option is to further repurpose existing EU spending on the CAP to provide additional support for the green transition. This may be a desirable option in itself, but it does not transfer additional resources. If drawing down these resources requires investment and additional costs for participating farmers, they would even perceive this as a further decrease in the value of public transfers that they receive. There is scope to shift some income-related funding by targeting spending on smaller farms, but the resources that might be released in this way for the green transition are relatively small, and even smaller when the demand to spread CAP resources over new accession countries is factored in.

Ultimately, a just transition approach can only work if additional resources are made available for farmers. There is significant debate over whether in the long run sustainable agriculture can be as profitable for farmers as conventional agriculture, but even those who claim that this is the case recognise that there will be immediate transition costs (Moret-Bailly and Muro, 2024). Higher CAP expenditure within the EU long-term budget would require a significant increase in the overall size of the MFF in relation to EU GNI. Our analysis above suggested that this will be hard to achieve. The alternative is for Member States to dig into their own resources and provide additional State aid to their own farmers, but fiscal limits can make that impractical even if the political will is there.

Charting a future course through these competing priorities will require continued investment in identifying and diffusing new technologies and practices that can help to reconcile these different objectives. We do not explicitly address this issue in this article. It will also require greater recognition of the heterogeneity of the EU farm sector.[3] Instead of treating farmers as a homogenous group, it would make sense to distinguish more clearly between the minority of large-scale, industrial farming units that produce most of our food and where the polluter pays principle could well be applied, and the majority of small-scale farming units whose continued survival plays an important role in many rural areas, and where applying the just transition principle can be more appropriate. Only in this way will it be possible to ensure that both farm income and competitiveness objectives can both be met.

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