

POLICY STATEMENT

Enhancing budgetary performance: The future of agricultural spending in a streamlined EU budget

Policy statement based on the Agora Agriculture submission to the European consultation on the EU's next long-term budget – 20 May 2025

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Introduction

The next EU budget needs to improve its performance to respond to multiple pressing priorities such as industrial competitiveness, climate action and defence. Substantial potential to increase performance lies in agricultural spending. Agriculture, as part of the food system and bioeconomy, can play an important role in the EU's transition towards a climate-neutral, competitive economy and in helping to achieve other societal objectives, such as strategic autonomy, long-term food security and biodiversity protection (Agora Agriculture 2024).

A more performance-driven EU budget could leverage this potential of the land use sectors to deliver such EU added value. This can be achieved by, first, consistently focusing the common agricultural policy (CAP) on rewarding the provision of public goods, second, directing investments towards future-oriented food and bioeconomy value chains, and third, improving the accounting and performance assessment of EU spending.

A place for the CAP in a streamlined EU budget

For the next Multiannual Financial Framework (MFF) the European Commission proposes a simpler, more focused and impactful budget with fewer funding programmes than today (European Commission 2025a). Each member state would draw up an integrated implementation plan in partnership with regions outlining investment priorities and policy reforms.

Such an approach could be in line with long-standing recommendations for a more performance-oriented CAP. A key step to improve CAP performance under any governance model is phasing out basic and coupled income support. These first pillar payments currently account for almost half of the policy's budget and are considered inefficient for meeting policy objectives (Chatellier & Guyomard 2023). Instead, a more targeted use of funds would be to focus spending on paying farmers for the provision of public goods, including biodiversity and climate protection (Agora Agriculture 2024).

While the Commission is yet to clarify the CAP's position within a revised MFF, several options can be imagined (Matthews 2025). Under either option it would be essential, and possible, to target CAP funding on the provision of public goods.

- **CAP merged into a single fund:** Integrating the CAP, cohesion policy and several other current programmes into a single fund would end the CAP's standalone status. Agricultural funds would directly compete with other policy priorities at national level which would likely lead to increasing differences in agricultural and agri-environmental budget sizes across member states. This may endanger achieving overarching EU objectives related to the land use sectors.
- **Special regime for the CAP:** Alternatively, the CAP could continue existing as a special regime within the MFF with a dedicated budget. This could mean a status quo two-pillar structure with a high share of income support payments, an option favoured by agricultural ministers (Council of the EU 2024) and the European Parliament (European Parliament 2025). It could also mean a reformed CAP, partially or fully maintained as a special regime. For example, regarding the pillar structure, the topics addressed (e.g., rural development) and the instruments used (e.g., direct payments).

A one-pillar CAP as a landing zone?

Although a “status quo” is a distinct possibility (Régnier & Aubert 2025), it is questionable whether a fully intact two-pillar CAP, which accounts for around a third of the entire EU budget, is likely to survive the logic of an overall streamlined MFF, especially in light of other political priorities.

A possible landing zone in final negotiations could be to maintain a dedicated agricultural budget within a one-pillar CAP. This could simplify administration, as it would, for example, remove procedures to reallocate funds between the pillars and enable more consistent programming of agri-environmental payments (Agora Agriculture 2024).

A one-pillar CAP could also secure a dedicated budget for payments for public goods. These payments, such as for introducing and maintaining semi-natural landscape features, require predictability so that farmers can build viable business models around the delivery of societal services, that markets fail to incentivise. Unlike most investment-based MFF instruments, public goods payments remunerate ongoing service delivery and thus require a long-term commitment.

Increasing the CAP’s budgetary performance

To legitimise a dedicated CAP budget, it would have to improve its performance in delivering societal added value in line with the overall “philosophy” of the new MFF. Several budgetary mechanisms can be considered:

- Commit to **phasing out basic and coupled income support** as part of a policy reform. These payments are currently linked to standards on Good Agricultural and Environmental Conditions (GAECs) including social standards. A phase out would require deciding which standards can be imposed without financial compensation, and which should be included in funding programmes.
- **Redirect funds towards public good payments.** For this it is essential that multiannual payments for the provision of public goods and cooperative planning remain possible and are expanded. A mechanism to support this redirection could be adjusted co-financing rates for CAP funds, with higher EU co-financing rates for ambitious measures and lower rates for others.
- **Support the resilience of the agricultural sector against climatic and (international) market shocks**, with a focus on the sectors’ ability to adapt and transform (Régnier & Aubert 2025). Associated changes in production practices could be covered by transition funding instruments (Baldock & Bradley 2023).

Scaling food and bioeconomy value chains for a climate-neutral economy

Future-oriented food and bioeconomy value chains will be essential for reaching climate neutrality. They also hold significant potential for creating income opportunities in rural areas and strengthening the EU's competitiveness in a growing global bioeconomy.

Examples of future-oriented value chains include paludiculture, with crops grown on rewetted peatlands used for building materials; agroforestry systems supplying biomass to replace fossil feedstocks; and innovative food value chains based on fruits, vegetables, leguminous crops and precision fermentation (Agora Agriculture 2024).

Unlocking this potential requires a coordinated approach across different stages of value chain development, from research, to market deployment, to creating demand. Connecting key actors across the public and private sectors will be essential to succeed at the required scale. Although funding streams already exist today, a more comprehensive strategy is needed. This is especially important in the absence of an EU-wide carbon pricing mechanism for the land use sectors, resulting in a lack of market signals.

It is therefore worth considering a budgetary mechanism in the next MFF beyond the CAP that would establish a process to help prioritise strategic investments in future-oriented food and bioeconomy value chains and create synergies between European, national and private funding.¹ This can, among others, support the implementation of the revised EU Bioeconomy Strategy and intersect with the need to design national food strategies and action plans (Agora Agriculture & IDDRI 2025).

Improving the accounting and performance assessment of EU spending

The debate on the next MFF suggests the possibility of a significant budgetary overhaul in the name of enhanced performance. Substantiating this aim will require credible methods for assessing the effectiveness of EU spending. Current methods for tracking climate and environmental expenditures, largely based on "Rio Markers", have repeatedly shown to have shortcomings (ECA, 2024, 2022, 2021). Recommendations to improve the use of Rio Markers for tracking both climate and biodiversity expenditure have been put forward (ECA 2024, Darvas & Sekut 2025, Nesbit et al. 2021, Nesbit et al. 2022).

Assessing the effectiveness of CAP expenditures can readily go beyond Rio Markers, even if their use is refined. The CAP's current performance monitoring and evaluation framework based on output, result and impact indicators already allows for a more detailed perspective. However, this indicator system tracks CAP expenditures in relation to the number of farms, agricultural land or animals covered by specific measures, without estimating actual impact on societal objectives.

Ex-ante and ex-post assessment of CAP expenditures can be improved by weighing funding allocations for measures that promote specific farming practices with their estimated environmental and climate impacts based on scientific evidence. The iMAP project could be a starting point for this (European Commission, JRC 2023).

¹ The Competitiveness Coordination Tool, announced in 2025 (European Commission 2025b), and the Strategic Technologies for Europe Platform (STEP), adopted in 2024 (Regulation (EU) 2024/795), are both mechanisms with a similar aim of facilitating and streamlining investments into strategic priorities.

While improving the existing assessment methods is necessary, new and potentially alternative approaches can be considered both at landscape and farm level.

- **Landscape level:** For ex-post assessment, the development and introduction of a “Biodiversity Index” for agriculture could be considered (Agora Agriculture 2024, Beyr et al. 2023). This index would express the link between agriculture and biodiversity by assessing habitat heterogeneity in agricultural landscapes.
- **At farm level:** A robust monitoring, reporting, and verification (MRV) system is needed to account for both the public goods provided by farmers as well as the negative externalities of farming. The introduction of an EU-wide “benchmarking” system for sustainability could contribute to the harmonisation of metrics and indicators.

The EU budget negotiations offer a real opportunity to reorient agricultural spending toward societal impact. By linking payments to public goods, the EU can make the farm sector part of the solution to challenges of our time. Effectively targeting investments under the MFF, including from the Competitiveness Fund, towards sustainable food and bioeconomy value chains would support a climate-neutral economy and provide additional income opportunities for farmers. If the EU succeeds in improving assessment tools and ensuring political commitment, agricultural policy can gain legitimacy and boost societal value.

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Imprint

About Agora Agriculture

Agora Agriculture develops science-based and politically feasible approaches for a sustainable food, agriculture and forestry sector. As part of the Agora Think Tanks, the organisation works independently of economic and partisan interests and aims to contribute to achieving democratically negotiated sustainability goals such as climate neutrality and biodiversity protection.

Agora Agriculture

Agora Think Tanks gGmbH
Anna-Louisa-Karsch-Straße 2
10178 Berlin | Germany
P +49 (0) 30 7001435-000

www.agora-agriculture.org
info@agora-agrar.de

Contact

Cora Petrick | cora.petrick@agora-agrar.de
Nikolai Pushkarev | nikolai.pushkarev@agora-agrar.de

Authors

Cora Petrick, Nikolai Pushkarev, Christine Chemnitz,
Harald Grethe, Nils Ole Plambeck

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