



By: **Ferry Biedermann**

# The EU's shifting budget demands spell increased farmers' protests



In a demonstration of power that is as familiar as it is depressing, Europe's farmers this week **headed** for Brussels to give a warning shot to the European Commission to protest plans to cut and reform the bloc's flagship Common Agricultural Policy, or CAP.

Yet, European policy makers know they have to address this system of subsidies that is long past its sell-by date if they're to meet a raft of other, by now more urgent, challenges.

European farmers have over the years affected national and EU policy decisions to what can arguably be seen as a distorted level. More than any other sector, agriculture interests have succeeded in mounting disruptive demonstrations along with effective political lobbying.

In the last few weeks alone, France **passed** a law, the Loi Duplomb, that lifts some environmental, water, and other restrictions on agriculture. This comes after farmers' protests and blockades last year already led the government to drop plans to reduce agricultural diesel subsidies.

Also, the EU is considering offering farmers more safeguards to soften the impact of the vaunted EU-Mercosur trade **deal**, to such a degree that Latin American countries are warning that it could mean breaking open the hard-fought agreement.

Elsewhere, for example in Poland and the Netherlands, farmer demonstrations, including blocking major motorways, have **led** to concessions on Ukrainian grain imports and paralysis on a slew of environmental issues.

The farmers' protests also feed into the stubborn right-wing anti-EU movement that is undermining European unity in many member states.

## Seizing the moment

The European Union will be shaped by crises, one of its founding fathers, Jean Monnet, once famously predicted. Now, facing several of

these at once, involving at the very least defence, geopolitics, competitiveness, and finances, the bloc will have to show in its upcoming post-2027 budget that it is not the sclerotic bureaucratic

Moloch that its critics make it out to be but that it can seize the moment and make the necessary changes.

Few of these changes are more important than how the EU deals with what continues to be the central pillar of its budget, the **CAP**. The much criticised yet vehemently defended mechanism to support Europe's farmers still takes up more than one-third of the EU budget.

This is at a time when it must step in to shore up the common defence industry, has to invest in competitiveness, and faces payments on COVID-era debt, to name but a few of the mounting number of urgent issues that fall under Brussels' remit.

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The Commission on Wednesday **presented** its opening proposals for the EU's 2028-2034 budget with all this in mind, the so-called Multiannual Financial Framework, or MFF.

It is faced with making its relatively tiny budget stretch to cover all these competing priorities or finding additional sources of income. Both courses of action face die-hard opposition from a number of vested interests and member countries.

To put the Commission's financial constraints into context, the EU, vast though it is, has its budget, the MFF, capped at just over one percent of the aggregated Gross National Income of the member states.

This includes members' contributions and income from declining customs and VAT receipts and several other levies, such as those on plastic, digital services, and green taxes.

Excluding the hefty Covid recovery package and additional defence spending to the tune of some €25 billion annually until 2030, this translates in the 2021-2027 period to some €170 billion/year, which is comparable to the budget of Sweden.

To make matters worse, the budget limit is not adjusted for inflation, meaning that over the recent period, the EU's budget has actually shrunk, while the demand on its resources has soared. The Commission now proposes a significant rise to some €260 billion/year for the next period.

## Is the CAP still justified?

The Common Agricultural Policy was devised in the 1960s, counterintuitively at the time when European cooperation was primarily focused on coal and steel and industrial output.

It was the product of Europe's need to feed itself but also reflected the political reality of a continent where more than 20 percent of the population was still employed in agriculture. Now this has fallen to around four percent.

The CAP initially represented some 70 percent of the, at the time, European Economic Community budget. And although this has been halved by now, it has become even more disproportionate if compared to the declining number of farmers or the hugely decreased percentage of GDP generated by agriculture.

**One quarter of the entire CAP budget now goes to just one percent of farms, that sit on some 28 percent of the farmland**

Also, rural areas receive a disproportionate share of some other EU funding, particularly the cohesion policy funds. One of the ideas of the Commission is putting forward but much-opposed by farmers, some member states, and the European Parliament, is to merge the CAP payments with other subsidies, such as the

cohesion and regional development funds, with more national discretion as to where these are spent.

The CAP subsidies have also become skewed over the years, since they are tied to acreage. One quarter of the entire CAP budget now goes to just one percent of farms, that sit on some 28 percent of the farmland.

These very large agribusinesses often don't need that much support, as they generally enjoy double-digit margins.

Yet, the Commission's plans to limit CAP subsidies for large agricultural businesses and **redirect** them to more sustainable, smaller farms to both reduce the overall budget and create more fairness are often opposed for a variety of reasons by farmers' unions.

## Not in perfect balance

Many just don't like European and state meddling in how they run their business, think environmental rules are unrealistic, or argue that economies of scale are needed for efficient and cheap production.

On the other hand, large agri-businesses often have outsized influence in many farmers' organisations.



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Farmers have traditionally been a powerful lobby in many European countries and at the

EU level. They often form decisive voter blocs on the centre-right of the political spectrum and have in some countries now drifted on occasion further right.

They gain sympathy and support far beyond their own sector with narratives of not only being crucial to food production but also of representing a more authentic, national-heritage-linked way of life. And while often in conflict with environmental regulation, many also claim to be guardians of the land who know best how to be sustainable.

Such faint 'Blut und Boden' echoes also offer a lure to the far-right, which in some cases compensates for the loss of support for older, more centrist pro-farmer parties.

That is not to dismiss all the farmers' concerns, yet threats to farmers' way of life tend to get more attention and sympathy than other sectors that are under pressure from modern-day technological, economic, political, and societal encroachments.

Since still some 40 percent of all the EU's land is owned by farmers, there are some arguments to be made for maintaining financial support in order not to see these holdings deteriorate.

On the other hand, in countries such as the Netherlands, where there's a desperate housing shortage, it seems that the balance between agricultural and the broader societal interest is completely off-kilter.

In any case, however unfair farmers might regard the various pressures on them, the EU will have to redirect money both inside the CAP and away from it to its other priorities. On past form, Europe can look forward to years of disruptive farmers' protests while this is being negotiated and the changes play out.