

# Shaping the Future of Europe

Hungary's Vision for the 2024 Presidency



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# CREATING A FARMER-FRIENDLY AGRICULTURE POLICY

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The Common Agricultural Policy (CAP) of the European Union is one of the fundamental common policies and has continuously helped to achieve common goals throughout the development of integration. This is why matters relating to agricultural policy regulation also play a decisive role in relation to the Hungarian EU presidency. The sector is facing a number of challenges and undergoing an ongoing process of adaptation and change. In addition to extreme weather events caused by climate change, international political and economic logistical challenges, many new plant and animal diseases also pose difficulties in production and marketing. In addition, the requirements and conditions as well as the administrative burden for agricultural operators are increasing. European farmers, on the other hand, provide essential public goods to all EU citizens, and ensuring food sovereignty and food security must be part of the EU's strategic autonomy efforts.

## IMPORTANCE OF THE AGRICULTURE SECTOR

The question arises as to why priority should be given to agriculture. Today, agriculture plays an important role at the EU level. According to the latest Eurostat data, almost 40 percent of the EU's total area is farmland (Eurostat, 2024a). Agriculture contributed 1.3 percent of EU GDP in 2023, representing €219.5 billion (Eurostat, 2024b).

EU agriculture output amounted to €537.1 billion in 2023. Slightly more than half (51.3 percent) of this related to crop production, almost two-fifths (39.8 percent) of total output came from livestock production and the remaining 8.9 percent came from agricultural services. More than



half of total outputs, 57.7 percent, come from four countries: France (€96.0 billion), Germany (€76.6 billion), Italy (€71.9 billion) and Spain (€65.5 billion). The next three leading EU countries were Poland (€39.5 billion), the Netherlands (€36.7 billion) and Romania (€25.6 billion). Three quarters (76.6 percent) of the EU's total agricultural value in 2023 came from these seven EU countries (Eurostat, 2024b).

The sector plays a crucial role in employment, although fewer and fewer people work in agriculture every year. As a result, EU agricultural labor input amounted to 7.6 million full-time workers in 2023, a decrease of 1.3 percent compared to the previous year. Agricultural income, defined as real factor income per annual work unit, decreased by 5.4 percent in the EU in 2023 (Eurostat, 2024a).

European agricultural production is expected to ensure food security. Many products have a high degree of self-sufficiency—for example, poultry, pigs and beef, cheese and cereals have a degree of self-sufficiency of more than 100 percent, while 90 percent of sheep meat or milk, 82 percent of maize and 60 percent of oilseeds are self-produced (Eurostat, 2024b).

The agricultural trade balance affecting the external trade of agricultural products remained positive in 2023, with almost €70 billion more in exports to markets outside the EU than imports. Looking at the international comparison, it is worth mentioning that, based on the latest Food and Agriculture Organization of the United Nations (FAO) data for the calendar year 2022, the importance of the EU on a global scale is decisive for some classic European products. EU producers supply 85 percent of the world's flax, 79 percent of triticale, 63 percent of hemp, 70 percent of rye, 47 percent of olives and 40 percent of sugar beet (Food and Agricultural Organization, 2024). In addition, the EU produces 57 percent of wine, 20 percent of cow's milk, 42 percent of cheese made from cow's milk and 38 percent of butter. Moreover, EU producers are responsible for 33 percent of world barley production, while 22 percent of rapeseed, 17 percent of sunflower and 16 percent of wheat are produced by EU farmers. By contrast, for many of the products that dominate EU consumption, the EU's share of international production is very low. The EU accounts for just 0.3 percent of world rice production, 0.5 percent of soybeans and 2 percent of lentil, spinach and green peas production.

The current system of agricultural policy is heavily influenced by the history of its development and current realities. In view of this, it is necessary to review the previous reforms to fully understand the current

system. It is also necessary to systematize the challenges and tasks facing the field so that sectoral interventions can continue to serve CAP and EU objectives.

## HISTORY OF THE COMMON AGRICULTURAL POLICY

In 1958, the Treaty of Rome introduced a common policy governing agriculture as one of the defining points of the activity of the European Economic Community. Under the main objective, a number of other goals were formulated: increase agricultural productivity, ensure a fair standard of living for farmers, secure the supply of agricultural products, stabilize markets and contribute to maintaining an affordable supply chain. These objectives remain unchanged, although several elements have since been added. In order to establish the conditions for technical implementation, in the first days of 1962, the ministers of the six founding countries of the European Communities concluded an agreement which gave legal effect to the first Common Agricultural Policy (Halmai, 2020a).

After complicated negotiations, the first legislative acts made the CAP operational and established Common Market Organisations (CMOs) for cereals, pigmeat, poultry, wine, fruits and vegetables, as well as the European Agricultural Guidance and Guarantee Fund. In order to ensure the sale of agricultural products, a guarantee system based on support for producer prices was also been put in place (Halmai, 2020a). With regard to the common organization of the markets, market unity, the implementation and operation of Community preference and financial solidarity created a genuine common policy across Member States. The CAP is still an essential part of European integration today, albeit with a changing focus adapted to current circumstances.

Despite the reforms implemented since the original agreement, the achievement of the original objectives is crucial, as the European population must be provided with safe food at affordable prices. At the same time, it is necessary to ensure a fair standard of living for farmers and to maintain the stability of certain commodity markets. The complex and sometimes very costly intervention processes characteristic of the first decades yielded results. Today, agriculture in the European Union is efficient and competitive in many areas, while consumers are also



satisfied. The first major reform phase in 1992, the MacSharry reform—named after Ray MacSharry, Irish Commissioner for Agriculture at the European Commission from 1989 to 1992—introduced a new approach to support farmers (Jámbor & Mizik, 2014). Thus, in addition to reducing the CAP budget, it became possible to reduce overproduction and meet the obligations arising from international trade agreements like the Blair House Agreement and later the World Trade Organization (WTO) agreements. Unlimited guaranteed prices and market support gradually transitioned to income support based on production area or number of animals, in the context of compensation for the reduction of institutional prices that determine market conditions. In addition, a number of accompanying measures were developed, including support for environmental protection, afforestation of agricultural land and generational renewal. The first substantial reform was followed by several more, including the 2003 reform and the 1999 Agenda 2000, which strengthened the role of rural development. At that time, decoupled payments were introduced as an innovation in response to the policy challenges that existed at the time and were expected to emerge as a result of the EU's Eastern enlargement. A single agricultural payment replaced farmers' incomes, and the link between payments and volume of production was removed for a large part of CAP support (Halmai, 2020b). This payment scheme forms the basis for the Single Area Payment Scheme (SPS) and the Simplified Area Payment Scheme (SAPS) for the Member States that joined the EU after 2004, albeit with some changes.

The reform phases, in addition to introducing new elements in the framework of the applied support measures, decisively changed the overall approach. In addition to sectoral objectives and ambitions, the CAP regulation planned for 2014–2020, which entered into force between 2015 and 2022 due to the transitional periods, also aimed to meet new societal demands on agriculture more effectively than in the past. In addition to the original objectives of the CAP, new expectations were set (Baksa et al., 2018). The reform aimed to reflect challenges in areas such as climate change, the sustainable use of natural resources, animal welfare and food safety. The need to green CAP payments and encourage a fairer distribution of funds, e.g. by supporting young farmers or applying the principle of redistribution between farmers, as well as increase spending on rural development measures had intensified (Regulation 2021/2115).

## THE LATEST TRANSFORMATION

The reform stages and the changes they brought clearly demonstrate how competitiveness and then sustainability became increasingly important alongside productivity. The stages also explored how, beyond sectoral objectives and interests, agricultural activity could be understood in an even broader context, enabling the implementation of strategies based on overarching EU objectives.

In addition to the 2018 adoption of legislative proposals for the post-2020 CAP by the European Commission, the Commission published a long-term concept called the Green Deal in 2019, which clarified the EU's commitment to tackling climate and environment-related challenges (European Commission, 2019). In line with the Green Deal Roadmap, the Farm to Fork and Biodiversity Strategies were presented (European Commission, 2020a, 2020b). Together, they set quantified targets for EU agriculture and rural areas and additional expectations for the CAP, which were reflected in the CAP rules for 2023–2027. The new CAP envisaged a fairer distribution of resources, higher green ambitions and a more results-oriented approach. In this context, the aid scheme was subject to a number of changes, which took place in the context of a completely new instrument, the so-called CAP Strategic Plans, which were drawn up by individual nations and adopted by the Commission. The plans allow Member States to determine how to manage the operational frameworks and expected impacts of agricultural and rural development—i.e. Pillar I support for agricultural production and markets and Pillar II support for rural development—and address local needs in order to achieve measurable results in line with the common objectives.

The main changes were made in the framework of direct aid, which affects the widest range of producers. The former basic payment scheme was transformed, enabling the launch of a basic income support for sustainability. The new agro-ecological program was introduced, replacing the previous greening scheme and going well beyond its environmental commitments, to encourage farmers to make the most of environmental and climate protection efforts. The toolbox for redistributing support between farmers was expanded further, as all Member States now have to redistribute support to small and medium-sized farms on a larger scale than in the past. In order to promote generational renewal, the existing

scheme was revamped, taking into account the changing conditions. The same is true for coupled support, which remains available (Regulation 2021/2115).

The new measures already provide a strong indication of the need to adapt agricultural production to the changed environmental conditions. An important tool for this is the use of environmentally and climate-conscious farming practices that improve landscape mosaics and biodiversity, enhance the state and water balance of soils, and promote more sustainable pesticide use (Regulation 2021/2115).

The changes and new measures introduced continue to set objectives for the common agricultural policy, such as developing a sustainable agricultural model across Europe, ensuring food security and other services provided by agriculture to European citizens, and maintaining the availability of public goods produced by multifunctional agriculture. At the same time, these require a policy that is both economically viable and socially sustainable, while simultaneously adopting a green and market-oriented approach, in a simple operational environment, despite the diversity of European countries and regions.

## FURTHER CHALLENGES

The COVID-19 pandemic has clearly shown how essential and decisive a robust and resilient food system is—one able to function in all circumstances and provide consumers with sufficient quantities of food at affordable prices. As a result, the maintenance of production standards is a social expectation. The 2022 CAP opinion survey (Eurobarometer) confirmed that almost half of Europeans believe that ensuring a stable food supply in the EU should always be one of the main objectives of the Common Agricultural Policy (European Commission, 2022). More than half of respondents believe that the CAP should also contribute to ensuring acceptable food prices for consumers. More than two-thirds of respondents believe that the CAP contributes effectively to achieving a stable food supply and reasonable prices. The survey showed that almost all respondents are aware that extreme weather events, such as increasingly severe floods and droughts, can have an impact on food supply and food security. Most believe that agriculture has already made



a significant contribution to the fight against climate change, but two-thirds (67 percent) believe that EU farmers could do more by changing their way of working, even if this means that EU agriculture will be less competitive globally.

## 2024 PRESIDENCY PRIORITIES

Before the presidency, the government defined the program of the Hungarian presidency of the European Union and its seven main priorities, one of which is related to agriculture: implementing a farmer-centered agricultural policy that provides farmers with a decent standard of living and the ability to guarantee food sovereignty and security (“Programme of the Hungarian Presidency,” 2024).

Competitiveness, one of the horizontal priorities of the Hungarian presidency, will also be a central topic at the Agriculture and Fisheries Council meetings. In this context, the Hungarian Presidency will pay particular attention to the competitiveness of European farmers and the food industry, as well as to the security of the EU food system. It is crucial to examine the system of direct payments and rural development support under the future CAP on the basis of the results of the Strategic Dialogue on the Future of European Agriculture. The aim is to reach a Council conclusion on how best to contribute to the competitiveness of farmers and the food system. In addition, important topics include responses to encourage generational renewal and preserve the traditional European rural way of life, which are important elements for maintaining agricultural production and preserving livable rural areas.

Agriculture plays a key role in responding to changes in climatic conditions. Sustainable agriculture and forestry can effectively mitigate the negative effects of climate change and help conserve biodiversity and protect nature. The green architecture of the current CAP contributes to achieving these goals. Negotiations on the legislative proposals on plant and forest reproductive material, forest monitoring, animal protection during transport, new genomic techniques and the welfare of dogs and cats should continue under the Hungarian presidency. When conserving natural resources, the condition of soils is also given special attention. In addition to this, progress can be made in reducing food waste. The presidency will host



an international conference on food waste reduction in Budapest in October 2024. An important EU objective is to simplify the implementation of the CAP as much as possible. To this end, it is necessary to create a farmer-friendly EU regulatory environment by reviewing the implementation of the CAP Strategic Plans and rethinking the framework for the new delivery model after 2027. Moreover, there is a need to review the implementation experience of the Animal Health Framework Law and prepare for the implementation of the legislation on deforestation-free supply chains. It is also necessary to discuss a proposal amending the Single CMO Regulation and a regulation laying down rules on the cross-border enforcement of unfair commercial practices. Sustainable and competitive agriculture cannot exist without knowledge-based and innovative elements. Therefore, the process of knowledge transfer and the creation of local added value should also be strengthened. And within the framework of the Central and Eastern European Initiative for Knowledge-based Agriculture, Forestry and Aquaculture in the Bioeconomy (BIOEAST) initiative, Hungary will strive to create a pan-European research and innovation partnership focusing on Eastern Europe.

During the presidency, there will be five meetings of the Council of Ministers, twelve meetings of the Special Committee on Agriculture (SCA) and almost one hundred meetings of twenty-three different working party configurations in the field of agriculture.

During the presidency, Hungarian experts will work to ensure that the Agriculture and Fisheries Council gives political direction to the new European Commission to shape the post-2027 EU agricultural policy in order to create a competitive, crisis-proof and farmer-friendly European agricultural sector. Promoting the sustainability of the agricultural sector is a key priority for achieving the strategic objectives of the European Green Deal, stabilizing agricultural markets and ensuring a fair standard of living for the agricultural community.

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