

The Role of Common Agricultural Policy for Enhancing the Resilience of Rural Areas under the Current Global Challenges

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Abstract: Currently the new Common Agricultural Policy (CAP) for the period 2023-2027 proposes a series of development objectives that allow Member States to design their CAP Strategic Plans for enhancing the resilience of rural areas through targeted actions to increase agricultural production and food security, while supporting climate and environmental objectives. This paper aims to identify the concrete ways in which funding granted through the CAP can contribute to increasing the resilience of rural areas under the global current challenges brought by the COVID-19 crisis and by the war that Russia started in Ukraine, by analysing some key factors: CAP's role for boosting the competitiveness of European agriculture, supporting the growth and employment in rural areas, supporting farm income, financing the environmental objectives and, last but not least, finding solutions to increase food security. For this purpose, the latest statistics on CAP allocations for the two pillars (Pillar I – agriculture and markets and Pillar II – rural development) will be presented, as well as the evolutions of trade in agricultural products and agricultural production at EU-27 level in order to highlight how can CAP respond to the challenges brought by the pandemic, the war in Ukraine and the climate change, while financing the sustainable development of EU's rural areas and supporting a competitive agriculture in the Member States.

Key-Words: Common Agricultural Policy, rural areas resilience, COVID-19 crisis, Russo-Ukrainian war, EU Member States

JEL Classification: Q01, Q15, Q2, Q28

1 Introduction – the New Common Agriculture Policy key objectives for 2021-2027

The Common Agricultural Policy (CAP) represents not only one of the oldest common policies of the EU¹, but also the subject of many debates at the level of the European institutions, and in its six decades of existence, it has experienced a series of reforms that have transformed it from a market-oriented policy and direct production support into a true promoter of sustainable rural development and environmentally friendly agriculture (Brown et al., 2021; Czyżewski et al., 2021).

Some studies (Erjavek, 2021; Țenea, 2021; Nègre, 2021) show that the successive reforms of the CAP contributed not only to the adaptability of this policy, offering adequate financing tools to farmers and to the European agricultural system according to the challenges they faced, but also to a more environmentally friendly approach of the agriculture in all the Member States.

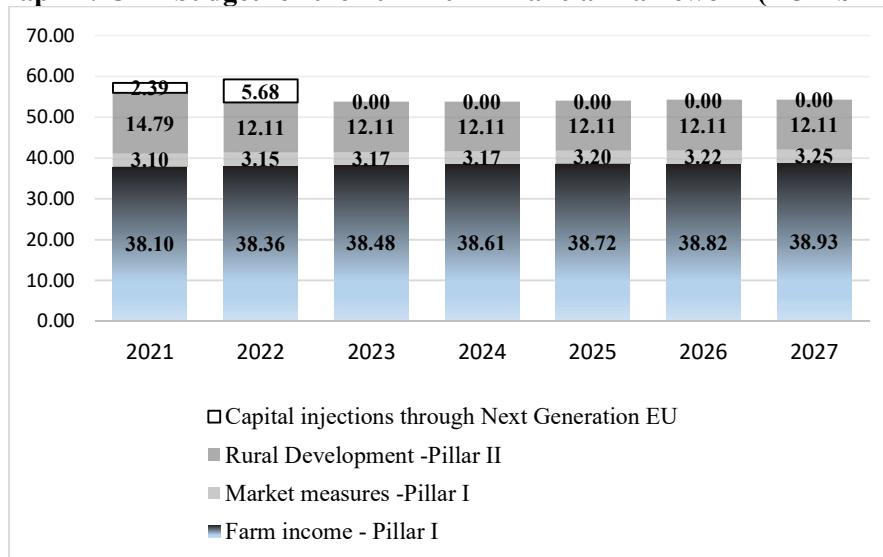
Given that EU agriculture generates more than 40 million jobs and is responsible for the food security of 500 million consumers, the CAP has the mission, in the post-pandemic period, to find the much-needed balance between avoiding a food security crisis and continuing its “greening” process for supporting the sustainable rural development. Regarding this goal, in the Communication of the European Commission on the future of the food and agriculture sector (European Commission, 2017) it is shown that the exposure to the various external shocks of the agricultural markets and the climate changes with the frequency and severity of the natural disasters caused by them can generate very high risks related to the resilience of the agricultural sector in particular with regard to the volatility of agricultural prices and the incomes of European farmers. As a result of these realities, although

¹ The Common Agricultural Policy was launched in 1962 and has the largest funding in the EU budget compared to all other common policies.

farmers are the ones who bear the final responsibility for drawing up their own development strategies for the farms they own, but also for improving their resilience, the European authorities have established, for the period 2023-2027, that they should create a unitary regulatory framework to guarantee adequate risk management, and this framework is represented by the CAP Strategic Plans, the latest funding instrument of the CAP that allows greater flexibility between the two pillars so that Member States can find solutions adequate and fast to the possible future crises that the agricultural sector and the European rural area will face.

Currently the CAP aims to guide the Member States in financing a modern, market-oriented agricultural sector that offers safe, affordable, high-quality and sustainably produced food while respecting consumer standards (environment, animal welfare, food safety, etc.). Also a main goal of CAP is to finance a series of measures and programs intended to support investments for the development of the sustainable rural economy. The total CAP budget for the period 2021-2027 amounts to EUR 386.7 billion, and the largest funds (EUR 291.1 billion) are allocated to Pillar I through the European Agricultural Guarantee Fund (EAGF) while for Pillar II EUR 95.5 billion are allocated through the European Agricultural Fund for Rural Development (EAFRD). If we analyse the evolution of CAP financing for the period 2021-2027 (see Graph 1), it can be seen that, although the financing for Pillar I remains the most significant, an important part of the funding is also allocated to Pillar II and this fact reflects the constant concern of the EU authorities for boosting the growth in rural areas and especially the sustainable growth (through climate and environmental actions financed within the rural development programs (RDPs) of the Member States).

Graph 1: CAP budget for the 2021-2027 financial framework (EUR billion)



Source: Author based on DG Agriculture & Rural Development data (2022).

As highlighted in Graph 1, the capital injections that were expected to be granted through the Next Generation EU instrument, in the context of the crisis generated by the COVID-19 pandemic, will not be granted after 2022.

It is important to specify that, in the multi-annual financial framework for the period 2021-2027, the element of novelty in the financing within the CAP is the Strategic Plan that each Member State will have to submit for approval to the European Commission, having, subsequently, the obligation to adjust it depending on the observations and recommendations received after the evaluation of the EU authorities. So far, starting with December 2021, a number of 13 Member States (see Table 3) have already submitted these plans, most of which have been approved with minor amendments. Funding from the CAP Strategic Plan is carried out from both pillars through the EAGF and EAFRD and must follow the principles of sustainability, but can also be directed towards specific objectives and challenges existing in the diverse rural areas of the Member States.

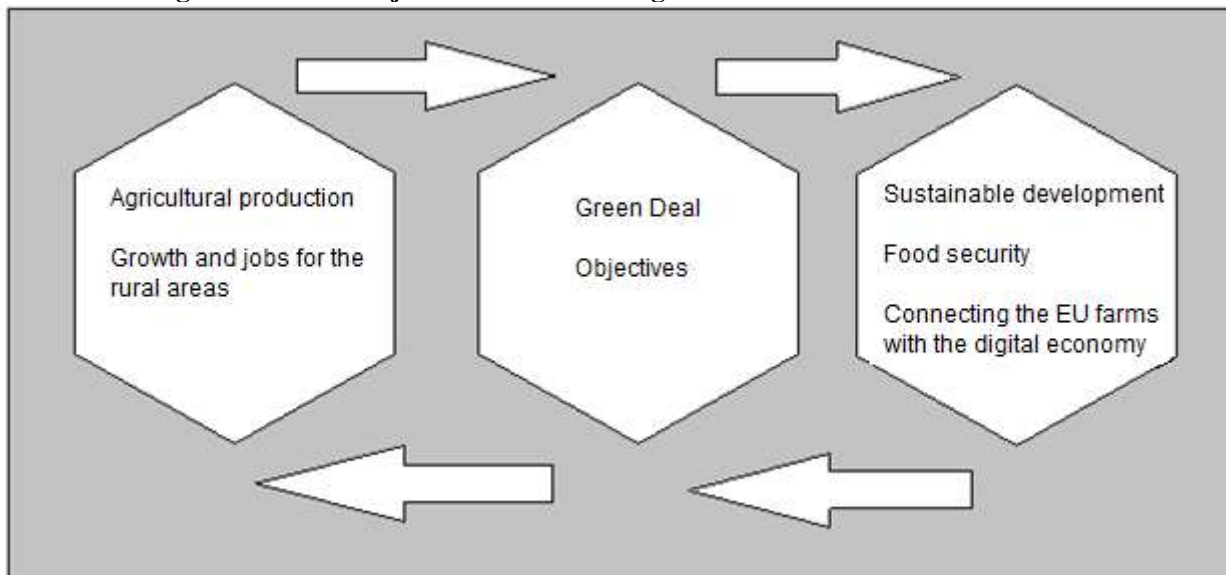
CAP Strategic Plans are almost unanimously considered in the recent literature (Matthews, 2019; Kremmydas & Tsiboukas, 2022; Azcárate & Folkeson, 2020) a welcome new addition to the CAP that has often been contested in the past (Henke et al., 2018) for the fact that it proposed an insufficiently flexible approach for rural areas, not taking into account the specific problems and existing differences, especially between the old and the new Member States.

The Regulation on CAP Strategic Plans (European Commission, 2021) adopted at the end of 2021 establishes a series of principles and rules to guide the Member States in drafting them so as to use EU funds for agriculture and rural development as efficiently as possible. In Regulation 2115/2021 on CAP Strategic Plans, it is stated that this new instrument has the role of preparing the Member States for both possible future crises (as it was the one generated by the COVID-19 pandemic) and for external shocks that can have a significant impact on the agricultural sector (such as the war initiated by the Russian Federation in Ukraine) thus contributing to the resilience of the EU's rural areas.

2 Measures for increasing the resilience of rural areas among the Member States under the current global outlook

Although it is implemented in a particularly difficult international context, marked both by the pandemic difficulties, but also by the domino effects of the war in Ukraine on agricultural markets and beyond, CAP aims to remain firmly aligned with the Green Deal objectives for the period 2021- 2027. However, the environmental ambitions of the CAP will not be easy to achieve, given that they may become difficult to be fully achieved by the Member States. However, given that climate change have become an indisputable reality in recent years, the CAP cannot abandon the greening process, but it is important to also contribute to the growth of EU food security (Figure 1).

Figure 1: CAP's objectives for increasing the resilience of EU's rural areas



Source: Own representation based on the studied literature.

As Figure 1 highlights, boosting employment and supporting production are key objectives of the CAP in the medium and long term, but they must be supported both by the modernization and integration of agricultural activities in the new digital world and by addressing the concerns for environmental protection and fighting climate change.

More concretely, the new CAP is expected to actively contribute to the achievement of the EU's energy and climate goals for 2030 while the European agricultural sector has a key role to play in meeting the target of a 40% reduction in greenhouse gas emissions. European agriculture must also contribute more to the EU's environmental goals, but these commitments cannot be fulfilled without the support and active participation of farmers, foresters and of the other rural actors who manage more than half of the EU's land and represent key users of the associated natural resources (agricultural and forest lands), as well as possible promoters of renewable energy sources and organic agriculture. For this reason, it is important that CAP Strategic Plans in all the Member States remain focused on a greater degree of environmental and climate ambition, but also to adequately respond to the concerns of European farmers regarding sustainable agricultural production.

The new CAP may respond to all these challenges of the future through a series of policies and actions such as:

- ✓ Supporting viable agricultural incomes and the resilience of the EU agricultural sector to enhance long-term food security and agricultural diversity, as well as to ensure the economic sustainability of agricultural production;
- ✓ Increasing competitiveness and supporting productivity by strengthening market orientation of farms both in the short term and in the long term, including by supporting investments in digitization at the level of agricultural holdings;
- ✓ Financing climate and environmental actions (in particular through Pillar II of the CAP) to actively contribute to mitigating climate change, including by reducing greenhouse gas emissions and improving carbon capture, as well as by promoting sustainable energy;
- ✓ Promoting sustainable development and efficient management of natural resources such as water, soil and air, including by reducing the dependence of the agricultural sector on the use of chemical fertilizers;
- ✓ Supporting the conservation of biodiversity and agricultural landscapes by financing eco-schemes that contribute to stopping and reversing the loss of biodiversity, improving ecosystem services and preserving habitats and landscapes;
- ✓ The contribution of rural development policies to structural change and generational renewal in rural regions by attracting and supporting young farmers by providing them with business facilities and other forms of financing (through Direct Payments);
- ✓ Promotion of employment, gender equality, including by increasing women's participation in agriculture, financing for social inclusion and local development in rural areas, as well as for the circular bio-economy and sustainable forestry;
- ✓ Preventing food crises by improving the response of EU agriculture to society's food and health demands, including the production of high quality, nutritious food produced in a sustainable way, to reduce food waste as well as to improve animal welfare and to combat antimicrobial resistance.

2.1. The role of Direct Payments and Rural Development Programmes (RDPs)

Although the new CAP remains a promoter of the green rural development, income support will continue to represent an important component of it (income and markets funding being much higher in all Member States compared to rural development, so as Table 1 highlights), however, the transparency regarding its awarding has been increased, along with the establishment of fairer criteria. By favouring small holdings, organic farms and small farmers, the new CAP aims to eliminate the monopoly of large farms that currently concentrate a large part of EU subsidies. This reality that shows that large farms are the "winners" of CAP support is highlighted by the fact that, along with the decrease in the size of the agricultural holding, there is also a decrease in the subsidies obtained, many of the "champion" states in terms of attracting Direct Payments being those with a tradition of large agricultural holdings (e.g. France, Italy) (Table 1).

Through its allocations, the CAP reaffirmed in 2020 the importance of supporting farmers' incomes because, without it, their earnings would be much lower and unstable, and a recent assessment shows that Direct Payments contribute up to 12% of the total income for two-thirds of European farms. The support granted through Direct Payments is even more vital when different agricultural sectors face a crisis, such as the pandemic or the current one generated by the war in Ukraine.

EU data highlight that Romania, although with a fragmented agricultural property, managed to place itself high in the ranking of the states that attracted large subsidies in the form of Direct Payments, having an average CAP financing (through both pillars) of EUR 3.1 billion in 2020.

Table 1: CAP funding in the Member States in 2020²

Member States	Direct payments	Market measures	Rural development	Total
	1 000 EUR	1 000 EUR	1 000 EUR	1 000 EUR
Belgium	481 836	60 758	102 723	645 317
Bulgaria	781 855	18 386	338 990	1 139 231
Czech Republic	855 832	16 537	321 615	1 193 984
Denmark	814 070	12 212	151 589	977 871
Germany	4 768 123	117 256	1 394 589	6 279 967
Estonia	142 536	1 476	129 177	273 189

²The year for which we have the latest available data.

Member States	Direct payments	Market measures	Rural development	Total
	1 000 EUR	1 000 EUR	1 000 EUR	1 000 EUR
Ireland	1 201 194	59 338	312 570	1 573 102
Greece	1 982 609	59 445	698 261	2 740 315
Spain	5 125 093	599 856	1 183 394	6 908 343
France	6 909 823	550 551	1 987 740	9 448 114
Croatia	317 338	13 061	282 343	612 741
Italy	3 599 133	677 514	1 501 763	5 778 411
Cyprus	48 125	5 922	18 881	72 929
Latvia	277 306	3 048	161 492	441 846
Lithuania	480 492	3 344	264 151	747 987
Luxembourg	32 841	556	14 511	47 909
Hungary	1 266 719	40 211	486 663	1 793 593
Malta	5 117	344	13 859	19 320
Netherlands	666 190	22 583	147 976	836 749
Austria	691 597	22 298	567 266	1 281 161
Poland	3 402 201	25 553	1 187 301	4 615 055
Portugal	680 228	107 898	582 456	1 370 581
Romania	1 912 461	65 671	1 139 927	3 118 059
Slovenia	133 869	7 022	120 721	261 611
Slovakia	447 758	11 255	214 525	673 538
Finland	523 450	6 473	344 777	874 699
Sweden	686 818	11 875	249 819	948 511
EU-27	38 234 612	2 520 441	13 919 080	54 674 132

Source: DG Agricultural&Rural Development data (2020).

Support through Direct Payments was all the more necessary as, in the first year of the pandemic, farmers' incomes decreased in many of the Member States (Table 2), and the CAP funding contributed to reducing this imbalance.

Table 2: The evolution of agricultural income in the Member States (index of the real income of factors in agriculture per annual work unit (AWU)³

Member State	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Belgium	89.34	109.4	87.67	83.71	92.74	82.49	88.98	79.1	91.86	84.16
Bulgaria	115.64	133.37	162.01	173.46	158.97	189.45	223.76	221.89	250.38	246.21
Czech Republic	134.84	133.73	135.08	155.37	137.98	155.74	151.09	144.75	150.92	150.26
Denmark	112.38	153.5	106.69	109.21	69.52	67.08	106.01	90.33	105.8	106.43
Germany	118.14	105.61	122.84	116.96	82.64	87.21	118.18	85.09	117.53	100.4
Estonia	124.39	143.43	132.74	123.76	100.41	63.04	106.32	82.19	108.91	112.62
Ireland	127.98	115.05	118.93	122.67	119.41	122.83	151.98	134.8	135.49	140.68
Greece	89.07	91.51	84.21	89.9	96.32	85.67	98.35	96.9	106.74	114.38
Spain	101.19	102.74	112.88	118.57	125.24	135.84	134.51	132.14	127.94	144.6
France	104.58	105.27	89.54	101.83	107.16	93.42	108.85	123.95	115.99	107.12
Croatia	95.5	81.72	90.47	78.28	105.76	117.67	117.8	125.29	132.47	150
Italy	117.23	124.18	146.62	134.46	130.75	127.27	130.83	146.74	141.03	134.14
Cyprus	74.93	103.56	102.59	94.84	122.73	122.82	123.38	118.58	121.64	126.35

³ This measure corresponds to the real net value added at factor cost of agriculture per total AWU.

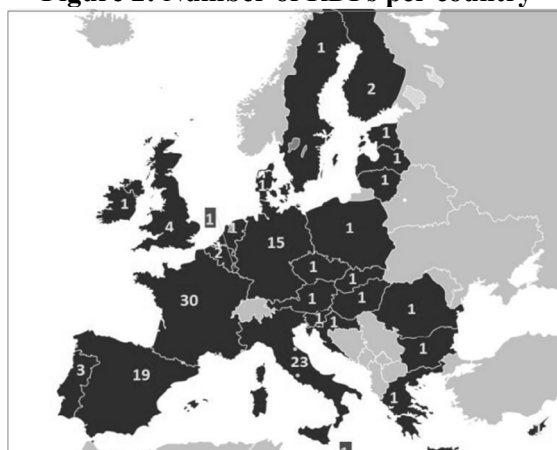
Member State	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Latvia	95.82	115.29	103.99	115.62	131.17	119.57	147.7	131.24	166.22	177.98
Lithuania	125.89	156.77	138.44	125.76	135.36	112.72	140.4	105.41	138.4	180.23
Luxembourg	99.81	105.25	90.66	118.81	98.97	90.64	114.76	122.86	118.25	118.34
Hungary	149.33	137.9	151.68	161.15	152.58	162.89	165.25	170.05	183.06	204.24
Malta	87.85	83.01	80.16	78.89	93.59	68.83	62.93	83.52	82.55	83.43
Netherland	85.56	92.3	103.64	99.53	101.64	102.4	112.57	93.79	95.73	90.83
Austria	114.14	107.39	95.05	88.96	84.22	94.97	106.15	100.48	94.69	99.84
Poland	113.77	106.22	114.81	95.64	96.9	124.41	142.89	133.77	139.92	141.44
Portugal	86.03	92.44	105.94	107.16	116.36	125.7	131	131.03	138.82	134.12
Romania	129.06	96.13	113.56	123.94	116.22	119.99	136.01	138.37	139.97	120.65
Slovenia	114.01	90.72	91.14	103.21	114.1	104.45	97.5	135.56	120.16	127.5
Slovakia	118.62	133.62	130.25	143.33	142.84	173.43	205.69	201.55	189.13	193.49
Finland	86.38	88.29	86.21	83.02	67.92	76.41	80.67	80.37	90.06	91.61
Sweden	102.88	102.18	92.5	101.48	107.14	97.46	115.91	91.97	107.04	110.43
EU-27	108.28	107.27	111.25	112.6	110.36	112.42	126.27	124.54	128.8	127.2

Source: DG Agricultural&Rural Development data (2020).

In the case of Romania, the pandemic led to a significant decrease in agricultural income (Table 2), after, in the period 2017-2019, it had registered a constant increase. Given the previously presented, the following evidence must be emphasized: the role of the CAP and especially of the new Strategic Plans for the period 2022-2027 will be crucial in guiding the agricultural sector and farmers both towards the imperatives of sustainable development, but also towards the requirements of ensuring food security, and this goal is all the more urgent, since the war in Ukraine, with its impact on Ukrainian agricultural exports, has dramatically changed the balance regarding the supply of food and agricultural products for many Member States.

As for RDPs approved during 2014- 2020, the data from DG Agricultural & Rural Development are showing a number of 118 programmes adopted in the EU (see Figure 2) and with a budget that amounted to roughly EUR 100 billion. Under the CAP transitional regulation (adopted on 23 December 2020), RDPs have been conditionally extended for 2021 and 2022.

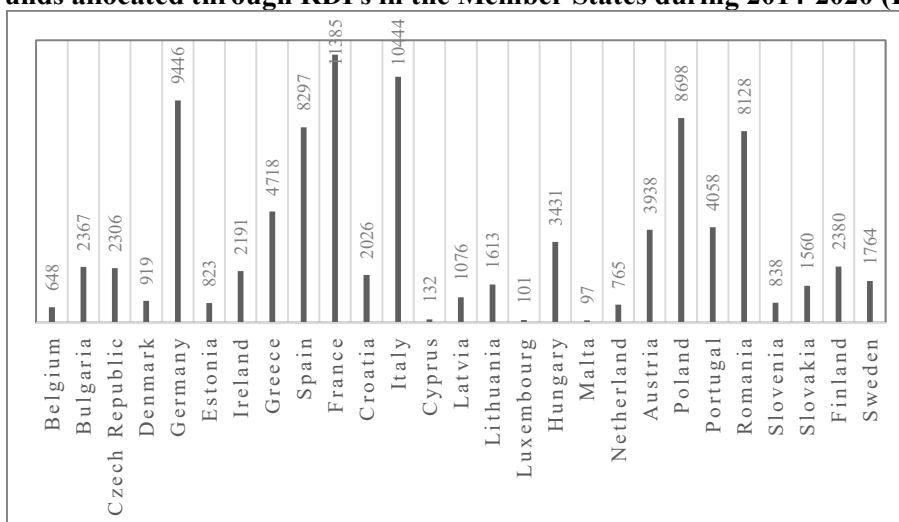
Figure 2: Number of RDPs per country



Source: DG Agricultural&Rural Development data (2020).

It should be noted that from 2023 onwards, all new rural development actions will be incorporated into national CAP Strategic Plans while each of those plans must be built around key social, environmental and economic objectives for EU agriculture, forestry, and rural areas.

Graph 2: Funds allocated through RDPs in the Member States during 2014-2020 (EUR million)



Source: Author based on DG Agricultural&Rural Development data (2020).

As shown by the Graph 2 the champions on allocating funds through RDP are France, Italy and Germany, while Romania ranks also on a good position in the EU hierarchy.

2.2. The role of CAP Strategic Plans for green development and food security

Some authors (Kelly & Mceldowney, 2019) show that through the model of achieving the objectives proposed by the current CAP, the EU sets the basic parameters in terms of policies (general objectives, general types of intervention, basic requirements), while Member States are responsible for how they meet the objectives and reach the agreed targets. The objectives of the CAP are limited to the obligations inscribed in the EU Treaty, but also to the already agreed targets, for example, regarding the environment and climate change, as well as for other European policies. When preparing CAP Strategic Plans, the Member States have an obligation to take into account the EU environment and climate legislation and policies. At the same time, EU states also have the obligation to provide credible monitoring and reporting on the results achieved on the basis of their CAP Strategic Plan.

Thus, some studies (Erjavec, 2018) show that the Member States have the possibility to adapt CAP interventions to intensify their contribution to the achievement of EU objectives while having at the same time a stronger influence in designing the compliance and control framework applicable to beneficiaries (including controls and penalties for Direct Payments financing).

Table 3: Overview of approved CAP Strategic Plans of the Member States

Member State	Date of approval	Green development	Food Security
Ireland	8 September 2022	For the eco-schemes are allocated EUR 1.49 billion and for environmental and climate actions under RDP EUR 1.04 billion.	Ireland will support the development of the arable agriculture sector. In particular, Irish farmers growing protein crops (such as peas, beans and soya) will receive bonuses to improve their competitiveness. The total allocation for Direct Payments will be of EUR 5.93 billion.
Finland	8 September 2022	For the eco-schemes are allocated EUR 430 million and for environmental and climate actions under RDP EUR 1.02 billion.	Finland's plan supports food security in the context of new threats induced by the war in Ukraine. To this end, to protect agricultural incomes and production levels, 16.9% of the total Direct Payments will be allocated for coupled support. The total allocation for Direct Payments will be of EUR 2.61 billion.
Portugal	8 September 2022		Portugal will allocate EUR 320 million to small farms and EUR

Member State	Date of approval	Green development	Food Security
		For the eco-schemes are allocated EUR 874 million and for environmental and climate actions under RDP EUR 1.05 billion.	690 million to farms in sectors facing difficulties – especially beef, dairy, and rice crops – to increase food security. The total allocation for Direct Payments will be of EUR 3.48 billion.
Poland	8 September 2022	For the eco-schemes are allocated EUR 4.33 billion for environmental and climate actions under RDP EUR 2.04 billion.	Poland will finance production in the agricultural sectors facing difficulties: the livestock sector, protein crops, and the crops of sugar beet, potatoes, tomatoes, strawberries, hops, flax and hemp fiber. The total allocation for Direct Payments will be of EUR 17.32 billion.
Spain	8 September 2022	For the eco-schemes are allocated EUR 5.5 billion for environmental and climate actions under RDP EUR 2.5 billion.	Spain will prioritize basic income support for farmers who engage in sustainable agricultural practices, and this type of Direct Payments will cover 86.4% of the agricultural area used. The total allocation for Direct Payments will be of EUR 24.4 billion.
Denmark	8 September 2022	For the eco-schemes are allocated EUR 819 million and for environmental and climate actions under RDP EUR 430 million.	A total of EUR 203 million will be paid in support to farms facing specific challenges related to the current difficulties caused by the Ukrainian war to prevent the risk of reduced production. The total allocation for Direct Payments will be of EUR 4.11 billion.
France	8 September 2022	For the eco-schemes are allocated EUR 8.5 billion for environmental and climate actions under RDP EUR 4.12 billion.	For the period 2023-2027, the financial support given to farmers is more targeted and fairer. EUR 3.5 billion will be allocated to redistributive payments, which will strengthen income support for small and medium-sized farms. The total allocation for Direct Payments will be of EUR 34.2 billion.
Luxembourg	15 September 2022	For the eco-schemes are allocated EUR 40.9 million for environmental and climate actions under RDP EUR 45.5 million.	The CAP Strategic Plan will favour direct support to farmers to ensure a viable income and strengthen the resilience and competitiveness of the entire sector, while ensuring sustainable development. The total allocation for Direct Payments will be of EUR 163 million.
Austria	15 September 2022	For the eco-schemes are allocated EUR 500 million for environmental and climate actions under RDP EUR 1.52 billion.	The CAP plan will provide support through sectoral interventions in the fruit and vegetable, bee products, wine, beef and veal, milk and milk products, sheep, goat and pig sectors. The total allocation for Direct Payments will be of EUR 3.38 billion.
Sweden	28 October 2022	For the eco-schemes are allocated EUR 679 million and for environmental and climate actions under RDP EUR 658 million.	Sweden is building a fairer and simpler system of financial support for farmers. Income support will help to maintain farmers' incomes, and a total of EUR 2 billion (covering

Member State	Date of approval	Green development	Food Security
			approximately 2.9 million hectares) will be paid by the EU. The total allocation for Direct Payments will be of EUR 3.43.
Slovenia	28 October 2022	For the eco-schemes are allocated EUR 101 million and for environmental and climate actions under RDP EUR 327 million.	To contribute to a fairer distribution of financial support through Direct payments, Slovenia will introduce the so-called redistributive payment, which will shift part of the support from larger to smaller agricultural holdings. In total, 5.9% (EUR 38 million in the period 2023-2027) of the Direct Payment envelope has been allocated for this purpose. The total allocation for Direct Payments will be of EUR 657 million.
Croatia	28 October 2022	For the eco-schemes are allocated EUR 468 million and for environmental and climate actions under RDP 539 EUR million.	The Croatian Plan will reinforce efforts to reduce the income gap between small and medium sized farms on the one hand, and larger agricultural holdings on the other. To stabilise the income of smaller and medium-sized farms, 20% of the direct payments envelope will be redistributed to all small and medium farmers for their first 30 hectares of agricultural land. The total allocation for Direct Payments will be of EUR 1.87 billion.
Hungary	8 November 2022	For the eco-schemes are allocated EUR 468 million and for environmental and climate actions under RDP 539 EUR million.	Hungary offers a range of interventions aimed not only at securing a fair income for farmers, but also achieving a fairer distribution of financial support amongst them. The Plan finances roughly 5 million hectares of agricultural land via this scheme and farmers receive around EUR 150/hectare. The total allocation for Direct Payments will be of EUR 6.63 billion.

Source: Author based on documents relating to the approval of the CAP Strategic Plans. https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/approved-csp-0_en?page=0

As may be seen from the table above, the Member States that have so far received approval from the European Commission for their CAP Strategic Plans have preferred to use more Pillar II for environmental objectives whose funding exceeds that allocated to eco-schemes (from Pillar I), while for food security the Direct Payments were favoured to support the incomes of small farms and the production in sectors that experienced difficulties, either because of the COVID-19 crisis or generated by the current war in Ukraine.

3 Food security in EU - challenges brought by the Ukrainian war

The year 2022 marked both the end of the COVID-19 pandemic and the emergence of a new major crisis that affected the entire global economic climate through its reverberations: the outbreak of the war in Ukraine as a result of the military aggression initiated by the Russian Federation on February 24, 2022. For the EU, the consequences of the war crisis were primarily generated by the need to impose multiple sanctions on the Russian Federation. In return a series of sanctions were also imposed by the Russian Federation while the war made difficult for EU farmers to have access to fertilisers and also led to a severe contraction of Ukraine's agricultural products exports to EU. Faced with the danger of a global food crisis, the EU has allowed a larger flexibility in

the CAP Strategic Plans so that, as we have shown in the previous section of this chapter, they can more effectively support agricultural production and European farmers in difficulty.

Despite all the challenges induced by the war in Ukraine, the latest statistics and EU reports show that the agricultural sector has demonstrated its resilience and ability to absorb the shock of external crises, but both production and agricultural trade have been affected by the consequences of the economic uncertainty generated by the repercussions of the war both in the field of the energy crisis and of other vital inputs (e.g. fertilizers). Thus, in the most recently published report on the evolution of agricultural markets in the EU (European Commission, 2022), it is shown that, in addition to the significant increase in energy prices, the EU agricultural sector is affected by the insufficient availability of fertilizers, but also by the expected increase in their cost for the next season, because the fertilizer industries need natural gas to produce ammonia and other nitrogen products, and under these conditions, there may be significant reductions in agricultural production if fertilizer prices become too high. The report also states that insufficient availability of nitrogen fertilizers not only affects crop production but also other agro-food sectors like beverage and food processing sectors. Under these conditions, European Commission forecast are showing that production prices of agricultural goods are expected to continue to influence food prices, that will remain historically high in 2023 as well, while the European farmers will be under double pressure from processors and distributors who want to preserve their profits, and from consumers who, faced with ever higher food prices, could reduce their demand. Moreover, such a reduction in demand is already expected in several sectors for the end of 2022, but some changes in consumer preferences could be favourable to EU farmers (more retail purchases for the traditional products at low prices to the detriment of the existing "branded" ones in large hypermarket).

Considering all the challenges listed above, in the following we will briefly present the most relevant trends regarding agricultural production in the EU, highlighting the performances, but also the areas in which progress is still needed to fully ensure food security in the EU.

At the EU-27 level, the combined effects of the 2022 summer drought and fertilizer shortages led to a reduction in agricultural production for certain types of crops (maize production experiencing the largest drop), but the agricultural production as a whole has proved its resilience, with certain types of crops, for example broad beans and sugar beet, even registering significant increases (Table 4).

Table 4: EU cereal production during 2016-2022 (tonnes/hectare)

	2016	2017	2018	2019	2020	2021	2022(f)
Soft wheat	54	59	54	60	58	60	58
Durum wheat	3.5	3.5	3.5	3.5	3.5	3.5	3.4
Rye	39	38	32	39	43	42	43
Barley	48	48	45	50	49	51	50
Oats	3.0	2.9	2.7	2.9	3.3	2.9	3.2
Maize	7.4	7.9	8.4	7.9	7.3	7.9	6.4
Triticale	4.1	4.2	3.8	4.1	4.5	4.4	4.4
Sorghum	5.6	5.3	5.6	5.3	5.2	5.4	4.3
Others	2.7	2.9	2.5	2.7	3.1	3.0	2.8
Cereals	5.2	5.5	5.2	5.6	5.5	5.7	5.3
Rapeseed	3.1	3.2	2.8	3.0	3.1	3.2	3.2
Sunflower	2.1	2.4	2.5	2.4	2.0	2.4	2.0
Soya beans	3.0	2.8	3.0	3.0	2.8	2.8	2.4
Linseed	1.5	1.6	1.6	1.8	1.7	1.7	1.7
Oilseeds	2.7	2.9	2.7	2.7	2.7	2.8	2.6
Field peas	2.5	2.6	2.3	2.6	2.4	2.4	2.5
Broad beans	2.7	2.8	2.1	2.5	2.8	2.4	2.6
Lupins	1.7	1.6	1.2	1.2	1.5	1.6	1.3
Other dry pulses and protein crop	1.6	1.3	1.4	1.1	1.5	1.6	1.5
Protein crops	2.2	2.2	1.9	2.0	2.1	2.1	2.1
Sugar beet	75.6	81.6	69.0	73.8	68.6	76.1	77.9

Source: Author based on „Short term Outlook for EU agricultural markets in 2022”.

Regarding the dairy sector, EU statistics show that the drought in the summer of 2022 worsening the availability and quality of grass, in addition to lower yields of the main feed crops, determined a fall in EU milk production (-0.5%), driven by lower livestock yield.

The meat production sector was also affected in 2022 by several external events, including African swine fever, which had a negative impact on pork meat production (Table 5). European Commission forecast are showing that while EU poultry production growth continues to be limited by high input prices – especially feed and energy – but also by highly pathogenic avian influenza, despite historically low sheep and goat flocks, slaughters are not expected to decrease in 2022 and EU imports should pick up in 2022 and 2023, but still below pre-pandemic levels, leading to high prices for sheep and goat meat.

Table 5: EU meat production in the period 2018-2023 (thousand tonnes)

	2018	2019	2020	2021	2022	2023 (forecasts)
Total meat production	44 447	44 430	44 678	44 683	43 301	43 096
Pork	23 205	23 039	23 242	23 654	22 471	22 324
Beef	7 310	7 197	7 136	7 096	7 024	7 018
Poultry	13 300	13 549	13 673	13 304	13 177	13 125
Sheep and goat	632	646	628	629	628	629

Source: Author based on „Short term Outlook for EU agricultural markets in 2022”.

As seen from EU statistics, the biggest production declines are forecast to occur in 2023 for pork and poultry but the security of supply for these types of meat will not diminish, being supplemented by increased imports.

The most recently published statistics, dated 26 October 2022, on EU agricultural trade (European Commission, 2022) show that, although difficult climatic conditions have led to additional pressures on EU agricultural production EU is still among the top global grain exporters, indicating that European agriculture has proven resilient to the shock of external crises as a result of existing production and market support instruments under the CAP.

4 Conclusion

The new CAP for the period 2021-2027 was launched amid a global outlook marked by the challenges and difficulties induced by the COVID-19 crisis, and also by the imperative to align with the climate and environmental objectives proposed through Green Deal. The occurrence, at the beginning of 2022, of the war provoked by the Russian Federation in Ukraine added new pressures and difficulties for the EU agricultural sector, especially in terms of food security.

As a result of this fact, the European Commission has allowed to the Member States to use the CAP Strategic Plans to minimize the challenges for food security through a series of measures, both from Pillar I (through Direct Payments), as well as from Pillar II (through the Rural Development Programs), so that agricultural production is supported (especially crops affected by the increase in energy prices and the insufficiency of fertilizers), as well as animal breeders.

The CAP Strategic Plans approved so far highlight that, although the Member States that designed them and subject them to the approval of the European Commission, remained faithful to the ecological ambitions of the CAP, prioritizing eco-schemes (in Pillar I) and climate and environmental measures (in Pillar II), they also managed to provide adequate measures to combat future food security crises by granting support for farmers' incomes and production.

The data published by the European Commission show that although the production of certain cereals and types of meat (poultry) were affected by the drought of the summer of 2022 and by the difficulties induced by the war in Ukraine, the EU will not face in the near future any food shortage as a result of the support measures for domestic production from CAP Strategic Plans, while imports will compensate the various reductions in production.

CAP, the oldest common policy and the beneficiary of the largest funding from the EU budget, has proven its effectiveness in supporting the resilience of rural areas and food security through its various funding instruments, but above all through its adaptability which has allowed Member States to redefine some of their

funding priorities in order to adequately respond to the current challenges brought the current global economic and geo-political context.

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