

Brexit complicates the EU's efforts to reform its Common Agricultural Policy

*The UK leaves the EU just as the bloc is debating the future shape of its largest spending policy, the Common Agricultural Policy (CAP), in the context of negotiating its future budget spending and priorities as part of its Multiannual Financial Framework (MFF) for the period 2021-2027. As **Alan Matthews (Trinity College Dublin)** and **Christilla Roederer-Rynning (University of Southern Denmark)** argue, Brexit has complicated these negotiations because it has sharpened the redistributive conflict between net contributors and net recipients and created uncertainty over future trade flows and market conditions. Ironically, if the UK does successfully implement its new farm policy paradigm of public money for public goods after Brexit, this could be a more powerful influence on future CAP reform than the UK could have hoped to exercise by remaining a member.*

Removing the UK from the constraints of the EU's wasteful and bureaucratic Common Agricultural Policy was one of the few areas where all sides in the Brexit debate in the UK seemed to agree that 'taking back control' had the potential for a positive outcome. The re-elected Conservative Government intends to reform farm policy, at least in England, by replacing area-based payments to farmers, which are the key support instrument under the CAP, by payments for public goods. These would focus on protecting climate and nature through a flagship Environmental Land Management scheme as well as investing in sustainable productivity improvements.

Over in Brussels, the Agriculture and Fisheries Council and the relevant European Parliament Committees (Agriculture and Environment) are working their way through the Commission's draft [CAP reform proposal](#) submitted in June 2018. This proposal was motivated by new international commitments under the Paris Agreement and the UN Sustainable Development Goals requiring greater environmental and climate ambition, as well as the need to address the growing revolt by Member States and farmers against perceived bureaucracy and overly complex administration.

The proposal's most innovative element is to move to a new delivery model entailing greater responsibility and flexibility for Member States to design their agricultural policies, albeit still within a common EU framework. The need to shift resources in the CAP from income support to tackling environmental challenges and climate stabilisation has been further underlined by the new Commission's flagship proposal for a [European Green Deal](#).

Both the scope and the timing of this CAP reform are dependent on agreeing the EU's medium-term budget framework (MFF) for the 2021-2027 period. While MFF negotiations have always been contentious, the UK's departure has intensified the traditional disagreements between net contributors and net recipients because it takes with it its net contribution to the EU budget, estimated at around €13 billion annually in the coming MFF period, or slightly over 7% of the anticipated annual EU budget expenditure of around €170-180 billion.

The gap can be filled either by increased contributions from the remaining Member States or by reducing the level of spending. The Commission's MFF proposal sought additional resources but also proposed savings in existing programmes including both the CAP and cohesion spending. It recommended a nominal cut in CAP spending in the next programming period of between 3-5% compared to the 2014-2020 MFF, adjusted for the UK's departure, in the context of a modest increase in the overall MFF from 1.00% to 1.08% of EU GNI (1.11% including the European Development Fund). This translates into a cut in the CAP budget of around 12-15% in real terms.

EU member states have been divided between a small group of net contributors that oppose any increase in the overall MFF (Austria, Denmark, Germany, the Netherlands, and Sweden) and a majority of net recipients that seek to reverse the Commission's proposed cuts in the CAP budget, prevented agreement at the October 2019 European Council. These entrenched divisions have already led to the postponement of the introduction of the next CAP reform by at least one year.

The budget dispute may also influence the extent to which the future CAP succeeds in directing additional resources to assist farmers to address nature and climate issues. Farm unions and their supporters in the Council and European Parliament argue that they cannot be expected to take on new obligations to undertake a green transition if at the same time the resources in the CAP budget are reduced. While the controversy over the size of the next MFF and the amount of CAP spending is not all due to Brexit, the UK departure undoubtedly makes agreement on the next MFF in the European Council more difficult.



Fears that Brexit might lead to disruption to trade and agricultural markets also strengthen the hand of those who would prefer to pull the CAP back to a more interventionist policy of market management. The immediate threat of a hard Brexit has been removed by the approval of the Withdrawal Agreement by both the UK and European Parliaments before the UK left the Union on 31 January 2020. However, another cliff edge beckons by year-end, the deadline for making the transition to a new EU-UK trade agreement. In any case, the UK's apparent preference for a highly liberalised tariff schedule once the transition period is over will open up the UK market to easier access by third-country exporters. This will damage the preferential competitive position that some EU exporters, notably Ireland, now enjoy in selling to UK consumers.

Agricultural policy has always been a lightning rod for UK dissatisfaction with the EU, even if [we have previously discussed](#) how the UK found ways to partly accommodate the policy to its needs. After contesting the premises of the CAP in the 1970s and 1980s, the UK settled for a hard-nosed policy of budgetary returns. If Brexit had not occurred, whether the UK's participation as a Member State would have played a major role in shaping the future CAP post-2021 is an open question.

Ironically, its potential influence to shape the future CAP outside the EU may be significantly greater. The 'public money for public goods' approach to future farm support in the UK goes much further than what the Commission has suggested in its legal proposal for the CAP post-2020, even if both jurisdictions are addressing similar policy objectives. The scale of agricultural policy reform proposed by the UK government has not been seen before in a developed economy, with the special exception of New Zealand in the 1980s.

If the UK countries that introduce this new paradigm of farm support can show that it leads to a more environmentally and economically sustainable farming sector, it would have a powerful demonstration effect on future discourse around CAP reform in the EU. This is obviously not pertinent to the immediate CAP reform now under discussion, but it could be highly relevant to the debate likely to take place on the next round of CAP reform towards the end of the 2020s.

This post represents the views of the authors and not those of the Brexit blog, nor LSE.