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## The farmer protests in the EU

*The farmer protests across Europe in 2023 and 2024 had a local flavour in each country, but there were certain common themes. These included low prices, unfair trade competition and burdensome environment regulations. Changes in the political composition of the Council and in the positioning of the largest political group in the Parliament resulted in growing opposition to Green Deal legislation relevant to agriculture and food, while the Commission facilitated the erosion of some of the higher green ambitions in the new Common Agricultural Policy. The need for a transition to more sustainable agriculture is more urgent than ever in the new political cycle. The Strategic Dialogue report on the Future of Agriculture tries to chart a way forward. We now wait for the new Commission to show its hand when it publishes its Vision for Agriculture in spring 2025.*

### Why farmers were angry: Factors behind the farmer protests

Farmer protests erupted across Europe in 2023 and 2024 due to various national and regional grievances. Protests in the Netherlands were driven by EU nitrate regulations requiring a reduction in nitrogen emissions, which farmers argued would lead to massive herd reductions and threaten their livelihoods. Farmers in Germany opposed reductions in tax breaks for agricultural diesel proposed by the government as an emergency measure to help fill a budget hole following a decision by the German Constitutional Court. Farmers in Poland and Central Europe were mostly concerned about imports of cheap grain from Ukraine; farmers in France were protesting against supermarket prices and the Mercosur free trade agreement; farmers in Italy were angry at the removal of an income tax exemption, while Spanish protests were amplified by drought-induced restrictions on water use.

While the farmer protests had a local flavour in each country, there were certain common themes. Farmers have complained that farm prices are too low to provide a fair income, imports not produced to European standards are undermining their markets and the growing burden of environmental regulations has become intolerable. Farm unions also used the Russian invasion of Ukraine to re-emphasise the importance of food production

as a guarantee of EU food security, and thus, the need to rebalance priorities between production and environmental objectives.

The farmer protests took place following a period of great market and price instability, fuelled by a resurgence of consumer demand as Covid restrictions were eased, and later by the consequences of the Russian invasion of Ukraine in February 2022. Energy, fertiliser and feed prices rose very significantly. Producer prices, notably for cereals and dairy, also rose dramatically, and total farm income in the EU reached a record level in 2022, although not all farm systems and countries benefited. Prices fell back in 2023, leading to a sharp drop in profitability for many farms, exacerbated in many countries by extreme weather conditions, which made sowing and harvesting difficult. Farmers were clearly nervous about their income prospects towards the end of 2023.

It is not only the trend in incomes, but also their level that has been a source of frustration. There is no doubt that many smaller farms are struggling to earn a decent income. Here, it is important to underline that the great majority of food in Europe is produced by a minority of larger farms (according to EU data, the largest one fifth of farms produce nearly four fifths of total agricultural output). These farms benefit from economies of scale and lower costs and can adequately remunerate the resources they use at current prices. Conversely, many of the remaining four fifths of farms are not able to adequately support a family and are hardly viable at their current scale in the longer term. Many of these farms will not find a successor. The ongoing process of structural adjustment, however necessary and inevitable, causes frustration, resentment and anger among those involved and is no doubt a deeper factor behind the recent protests.

The focus of the protests on the burden of environmental regulation reflected, in part, the introduction of new Common Agricultural Policy (CAP) regulations in January 2023. The conditions farmers must observe to be eligible for CAP payments – the Good Agricultural and Environment Conditions or GAEC standards – are somewhat strengthened. Member states are required to protect wetlands and peatlands (GAEC 2). Crop rotation should be implemented on arable farms over a certain size to improve soil health (GAEC 7), rather than just crop diversification, as under the previous CAP. Arable farmers were originally also required to set aside a minimum of 4% of their agricultural area for non-productive features to support biodiversity (GAEC 8), whereas a greater number of options were available under the previous CAP, including production on this land. Despite these more demanding requirements, there was a significant reduction in the value of the direct payment support that farmers received, and this was further eroded by the high inflation in recent years.

Perceived unfair competition from imports was also a common factor behind the protests. Farmers in those Central European countries bordering Ukraine, particularly Hungary, Poland, Romania and Slovakia, faced greater competition from imports of Ukrainian farm products under the ‘autonomous trade measures’ introduced to support Ukraine following the Russian invasion. For farmers elsewhere in the EU, their argument is that trade agreements encourage imports of products from countries whose farmers are not required to meet the same standards as EU producers, thus putting them at a competitive disadvantage. For trade in general, the demand is that higher environmental standards

should be accompanied by mirror clauses, essentially a requirement that imports into the EU should meet the same standards as those demanded of EU farmers.

## Political responses to the farmer protests

The farmer protests took place just a few months before the elections to the European Parliament in June 2024. The argument that food production should be given greater priority in the wake of the Russian invasion of Ukraine, as well as the burden of environmental regulation, were already used to justify opposition to several legislative initiatives proposed by the Commission to pursue targets set out in the Green Deal Farm to Fork and Biodiversity Strategies. The major political group in the European Parliament, the centre-right European People's Party (EPP), decided to reposition itself as more farmer-friendly in the light of several national and regional election results, which highlighted growing support for far-right parties in rural areas.

The rollback of Green Deal legislation, including the Sustainable Use of Pesticides Directive, which would have set member state targets for the reduction in pesticide use, was voted down in the European Parliament and subsequently withdrawn by the Commission. The Nature Restoration Law was eventually passed in Parliament, as EPP MEPs were divided on this issue, but several targets relevant to agricultural ecosystems were removed or diluted. It was only finally approved in the Environment Council because the Austrian Minister (a Green) voted against her own government's declared position. The Commission also decided not to bring forward a proposed Framework Law on Sustainable Food Systems, intended to mainstream sustainability in all food-related policies, during its current mandate.

In response to the protests, the Commission proposed a series of amendments to the CAP regulation implemented since 2023, which also undermined some of the higher environmental ambitions agreed in that reform. A significant change was the removal of the obligation to maintain a minimum of 4% of arable land as non-productive areas from GAEC 8. Instead, member states are now obliged to introduce an eco-scheme that will pay farmers to take on this obligation. Small adjustments were also made in other GAEC standards. In addition to these responses at the EU level, individual member states introduced measures, including reinstating tax reliefs and providing additional financial aid.

Another tangible outcome was the announcement by Commission President Ursula von der Leyen of a strategic dialogue initiative in her State of the Union address in September 2023. She elaborated on this initiative in December 2023, announcing that she would convene a group of stakeholders with the intention of overcoming the polarisation that characterises agricultural policy discussions. The Strategic Dialogue launched in January 2024 consisted of 29 stakeholders in their individual capacity, who succeeded in producing a consensus report in September 2024. President von der Leyen subsequently promised that the incoming Commission would produce a response to this report – a Vision for Agriculture – within the first 100 days of entering office.

## Tackling farmers' issues in a sustainable way

The Commission's objective for agricultural policy in the coming political cycle, according to the Commission President's mission letter to the Commissioner-designate for Agriculture and Food in September 2024, should be "to strengthen the competitiveness, resilience and sustainability of the agricultural sector". These objectives are likely to be broadly acceptable to most farmers, though some would want to see 'inclusiveness' added to the list to reflect the desire to address issues of power and governance, as well as ensure more equitable access to resources. Nonetheless, there can be major disagreements over how these concepts are interpreted and how they should be pursued.

Larger industrial farms are likely to emphasise investing in advanced technologies, such as precision farming, automation and biotechnology, to increase yields and reduce costs, while also expanding farm size to benefit from economies of scale and lower costs. Other farmers might put the focus on implementing practices that enhance biodiversity, soil health and ecosystem services, while leveraging certification and local supply chains to add value and increase the return to resources employed. Given the well-documented evidence of the negative environmental footprint of EU agriculture, the need for a transition to more sustainable agriculture is more urgent than ever in the new political cycle.

A common refrain is that more must be done to strengthen farmers' position in the food chain to ensure that prices paid reflect production costs. The mission letter underlined that farmers should have a fair and sufficient income by protecting against unfair trading practices, notably, to ensure that they are not forced to systematically sell their products below production costs. Relevant steps include greater support for farmers to join producer organisations, as well as greater market transparency to be delivered by the newly established Agri-food Chain Observatory in terms of prices, the structure of costs, the distribution of margins and emerging trading practices.

The use of written contracts has been encouraged through the Common Market Organisation legislation, while the Directive on Unfair Trading Practices (UTP) prohibits certain abusive behaviours by buyers. Farmers call for the inclusion of automatic price indexation mechanisms in written contracts that could facilitate the timeliness of price transmission and ensure better risk sharing along the supply chain. Enforcement of the UTP Directive could also be strengthened by making it easier to address cross-border enforcement when the buyer behaving unfairly is not located in the same member state as the affected supplier.

Some farm groups have called for parity pricing, where prices paid to farmers would be explicitly linked to their production costs. Legislative initiatives pointing in this direction have been implemented in countries like France and Spain but apparently with limited effect. Part of the problem lies in the multiplicity of market channels and practices, but the major issue lies in the heterogeneity of farmer suppliers with very different costs of production. This variation in production costs would be even greater across the EU than within a member state. A fundamental flaw is that raising prices above the market-determined level gives a much bigger benefit to larger suppliers, who may well be

competitive at the existing price, while doing little for smaller suppliers who are the ones currently struggling with income.

Another demand by farmers is that measures they take to improve their environmental sustainability should be recognised and rewarded by the supply chain. This is difficult in an open economy. True cost pricing principles means that all external costs, such as environmental damage and health impacts, should be incorporated into the price of farm and food products to reflect their true economic cost. Applying this polluter-pays principle would raise production costs for farmers, but in a closed economy, it would also raise farm prices.

In an open economy with international trade, however, it is more difficult for farmers and the food sector to pass on the higher costs of more sustainable farming to consumers if farmers in other countries do not face the same obligations. One solution to this is to introduce mirror clauses or reciprocity provisions that require imports to meet the same standards and regulations as those that apply to EU farmers. The EU already proposes prohibiting the import of animal products where antibiotics have been used as growth promoters or where antibiotics reserved for human use have been used in the production of the imports, rules that already apply to EU farmers. A ban on imports produced with the aid of certain neonicotinoids (used as an insecticide but harmful to pollinators and banned in the EU) will be introduced from 2026.

But mirror clauses may not be appropriate in all cases. Other countries may use different instruments from the EU to achieve the same objective, or may not have the problem that EU regulations are designed to address. Unless there is a clear link with a global health or environmental issue, the EU may be vulnerable to retaliatory action by affected exporting countries. An alternative approach is to ignore the polluter-pays principle when it comes to agriculture, and instead, pay farmers to farm more sustainably on a voluntary basis.

We saw this earlier when the Commission eliminated the GAEC 8 requirement for eligibility to receive CAP payments and instead required that member states introduce this measure as a voluntary eco-scheme. The voluntary approach is also favoured by the Strategic Dialogue. It calls for effective enforcement of existing environmental, animal welfare and labour legislation, but recommends that further measures should be incentivised through a system of environmental payments. It calls for a substantial annual increase in the share of the CAP budget allocated to agri-environment schemes throughout the next two CAP periods. Moving from a regulatory to a voluntary incentive-based approach will clearly find favour with farmers, but whether relying on a mainly voluntary approach will be sufficient to reach ambitious environmental and climate targets remains an open question.

This will depend, in part, on the scale of resources that are made available. The Strategic Dialogue recommended the creation of a nature fund, in addition to the CAP, to support farmers to restore and manage habitats at the landscape level. It also supported the creation of a temporary Agri-Food Just Transition Fund to support investments in making the transition to more sustainable land use activities. But given the many competing demands on the EU's medium-term budget, there must be a question mark over whether additional funding for farmers can be realised. Some hope that the private sector may be

willing to purchase carbon or nature credits, which might provide an additional stream of income for farmers.

Another potential source of funding could come from repurposing existing resource transfers to farmers under the EU's CAP. The CAP's resources are allocated through two main channels. Pillar 1 consists primarily of direct payments, and Pillar 2 covers agri-environment measures, aids to farmers in areas of natural constraints, investment aids as well as funding broader rural development measures. Direct payments are mainly linked to land and reflect the skewed distribution of land management. Although smaller farms get proportionately more support from CAP payments, the bulk of these payments continue to be allocated to the largest farms unrelated to need.

The Strategic Dialogue recommended that the CAP continue to provide income support for certain active farmers but in a more targeted way. It advocates that financial support should be based on a farmer's economic viability, recommending that an independent task force should be established to evaluate the most appropriate mechanisms and criteria. The report itself envisages measures such as redistributive mechanisms, capping, degressivity, eligibility criteria and new distribution mechanisms inspired by social policies. However, previous efforts to redistribute farm payments have failed due to opposition by several countries in the AGRIFISH Council.

The Strategic Dialogue report tries to chart a path forward between the competing demands of farmers fearful that the green transition will impose additional costs, while also acknowledging the imperative that a transition to more sustainable agriculture is needed. We now wait for the new Commission to show its hand when it publishes its Vision for Agriculture in spring 2025.