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## Executive Summary

The Common Agricultural Policy (CAP) of the European Union is essential to enhance the resilience of Europe's farming systems along three capacities: robustness, adaptability and transformability. The SURE-Farm project conducted the first systematic assessment how the CAP performs in this regard. The findings show that hitherto the CAP has been overly focused on supporting the robustness of an increasingly fragile status quo, with uneven effects, while neglecting adaptability and even constraining transformability. The future CAP needs to allow for a better balance with policy mixes that are tailored to regional needs, based on a shared long-term vision. This implies replacing direct payments with measures that specifically address resilience needs, e.g. points-based eco-schemes, agro-environmental programs, coordinated adaptation to shifting markets, ample support for cross-sectoral cooperation, innovation and advice to integrate production and provision of public goods, and participatory and integrative foresight to develop transformation pathways.

## 1 Resilience is an imperative for Europe and its farming systems

Under the impression of the Covid-19 crisis, resilience has become a major concern for policy making globally and in the European Union. The effects of the crisis on Europe's agricultural and food sector have been far-reaching, including disrupted value chains and lost market access due to closed borders, the shut-down of slaughterhouses, the closure of restaurants, general income loss, and seasonal workforce unable to travel across borders. Europe's farming systems had been under stress before from climate change and ecological problems, global competition and volatile markets, geo-political uncertainty and trade conflicts, changing consumer preferences and reduced acceptance of intensive farming methods.

The European Commission has long embraced resilience as a guiding concept. When presenting its legislative proposals for the Common Agricultural Policy (CAP) after 2020, the Commission declared their 'commitment [...] to ensure a more resilient agricultural sector in Europe'. The Green Deal, the Farm-to-Fork Strategy, the Biodiversity Strategy and the EU Recovery and Resilience Plan have reinforced the calls for a resilience-enabling policy framework. Against this background, the SURE-Farm project assessed how the current CAP and adjacent policies perform in enabling European farming systems' resilience and developed recommendations for improved policy outcomes.

## 2 Resilience is more than robustness

A farming system is resilient if it is able to maintain its essential functions in the face of increasingly complex and volatile economic, social, environmental and institutional challenges. Essential functions of farming systems are the production of private goods—such as food, feed and fiber—and public goods, such as ecosystem services and attractive landscapes. Whether a farming system is resilient depends on its capacity to deal with short-term shocks and long-term stresses even if they accumulate. The SURE-Farm project has demonstrated that resilience comprises three different capacities, which need to be activated depending on different conditions:

**Robustness** is the ability to withstand sudden shocks, such as price hikes or adverse weather events, and long-term stress, such as deteriorating price levels and climate change. Robustness depends on the availability of buffer reserves and risk management, e.g. through diversification or insurance.

**Adaptability** is the ability to modify production, marketing, staffing or financial strategies without changing the operational logic or identity of the farming system, for instance by adopting a new technology or developing a new marketing channel. Adaptation is a medium-term strategy for limited and often piece-meal change. Adaptability requires openness, connectedness and social learning.

**Transformability** is the ability to fundamentally alter the operational logic and identity of a farming system in the face of severe shocks or enduring stresses that make it impossible to continue with the current mode of operation. Transformations are long-term strategies that involve fundamental changes in the operational logic or business model and affect the way goods and services are produced, financed and marketed. Transformability requires anticipation, connectedness, deep learning and strategic entrepreneurship.

### 3 Good public policies are essential for resilience

Public policies affect the resilience of farming systems in manifold and significant ways. First, they can **moderate or reinforce pressure** to change, e.g. through lax or tight regulations, closing down or opening up policy networks, and influencing public and professional debates. Second, they can **enhance or constrain the capability of farming systems** to deal with these challenges. Public policies can, for example,

- provide additional buffer resources, e.g. through transfer payments,
- support risk management against shocks,
- encourage the adoption of new technologies through education and investment support,
- foster the development of new markets through marketing programs,
- animate deep learning through support for cross-sectoral networks,
- promote novel social, ecological and technological innovations, or
- conduct foresight exercises and develop long-term visions.

But **public policies can also constrain or undermine resilience**, e.g. through red tape and policy incoherence, by providing a false sense of security, by encouraging investments in systems with little long-term viability, or through erratic decision-making guided by short-term news cycles.

However, **support for the three resilience capabilities requires different policies**, with possible tensions and competition for budget and priorities.

**Robustness-enhancing policies** aim to support the ability of a system to maintain all of its current functions at the desired level of output without major changes to the system despite perturbations, shocks and stress. They are characterised by a **short-term focus** on recovery and continuation of the status quo, a priority on **protecting the status quo**, the provision of **buffer resources**, and support for or provision of other modes of **risk management** that help the system to bounce back quickly after a shock.

**Adaptability-enhancing policies** increase the capacity to identify and adapt to constantly changing conditions, to learn from disturbances and to implement changes to avoid or withstand future shocks and stresses. They are characterized by a **middle- to long-term focus** of

1 to 5 years and **flexibility** that allows tailor-made responses, they **enable variety** between and within systems, and they **enable social learning**.

**Transformability-enhancing policies** focus on the ability of systems to incorporate or develop new elements and processes to a degree that their operational logic is changed, typically when ecological, economic, or social pressures threaten to make it untenable or dysfunctional. They are characterized by a **long-term focus**, the **dismantling of incentives that support the status quo**, support for **in-depth learning** and support for **niche innovations**, experimentation, self-organisation and early wins.

#### 4 The instruments of the CAP address resilience in very different ways

The CAP is a **complex policy mix** that pursues various goals, comprises many different policy instruments and operates at multiple levels of government from European to national and regional. It is therefore not obvious how the CAP affects the resilience of Europe's farming systems. The SURE-Farm project has therefore developed a Resilience Assessment Tool (ResAT) to evaluate how the CAP and its national implementations enable or constrain the resilience of Europe's farming systems, based on 11 case studies. In 6 in-depth case studies, a further, very detailed policy review was conducted. All case studies included workshops with policymakers and stakeholders. Two workshops with experts and stakeholders in Brussels validated the findings. The analysis was accompanied by an online co-creation platform which enabled further stakeholder participation.

The analysis found that the instruments of the CAP address the three resilience capacities in different ways.

A first group of instruments was mostly found to be **robustness-enhancing**:

- Direct area-based payments, the young farmers' premium and greening payments are disbursed annually and their conditionalities usually do not require much change to established practices. They tend to enable farmers to continue with their current business model even if profitability is low. However, in many regions these payments are passed on to land owners on leased land, in which case they contribute little to the robustness of the farms.
- Market safety net instruments respond to short-term price fluctuations and enable farmers to maintain their business rather than adapting to lower or fluctuating prices.
- Crisis reserves are buffer resources devoted to help farmers and farming systems to retain their business in the face of market crises or natural disasters.
- The coordination of production can help farmers to respond to short-term fluctuations in the marketplace.
- Support for insurance schemes helps farmers and farming systems to make arrangements for support in case of disaster.

- Geographical indications, which are technically not part of the CAP, enable some farming systems to establish a high-value market niche and to continue traditional production practices that would otherwise be less competitive.

A second group of instruments were mostly found to **support** the **adaptability** of farming systems:

- Agro-environmental programs help farmers to adopt more environmentally-friendly practices and to cope with environmental regulations or environment-driven limitations of land use, e.g. in Natura 2000 areas.
- Investment support is widely conditional on the adoption of more sustainable farming practices, improved animal welfare etc. These policies therefore enhance the capacity of farms and farming systems to adapt to changing circumstances.
- The LEADER and LEADER plus programmes encourage social learning by providing support for cooperation between farmers and other types of actors in rural areas and along rural value chains.
- Various provisions in the CAP provide enhanced flexibility to member states to adopt policies that are tailored to the needs of specific regions and farming systems. These include in particular modulation, i.e. the option for member states to shift financial resources between the first and second pillar, various options for the implementation of the area-based direct payments, and the flexibility in designing rural development programs within the confines of the ELER Directive.

Three types of instruments were mostly found to **support transformability**:

- Support for organic farming encourages a fundamental change in the operational logic and the identity of a farm or farming system.
- Support for new rural value chains can buttress niche innovations that could contribute to transformational change.
- The European Innovation Partnerships “Agricultural Productivity and Sustainability” (EIP-AGRI) provide means to connect a broad range of actors, to develop niche innovations and to encourage deep learning.

Which resilience capacities are mostly addressed and how effectively depends of course on the specific mix of policies.

## 5 The CAP 2014-2020: too focussed on robustness with uneven success, and constraining transformability

The analysis of the policy goals and policy instruments in the case studies revealed that the CAP and its national implementations are **focused on enhancing the robustness** of farms and farming systems, with **uneven effects**. Most financial resources go into payments that provide buffer

resources for farms and enable the continuation of otherwise less profitable business models. Since these payments are mostly area-based, small-scale farms and less land-intensive systems, such as permaculture, horticulture and boiler production, have little access to such buffer resources. Furthermore, government-supported risk management schemes, where they are offered, often struggle with effectiveness and acceptance by the target groups. Stakeholders and policy makers observed several **undesirable effects of robustness-enabling policies**:

- disincentives to adapt or transform,
- in the long run even the unlearning of adaptability of transformability,
- and a wrong illusion of stability.

Much **fewer resources** are devoted to programs that **enhance adaptability**, mostly through rural development programs and sometimes producer organisations. For agricultural systems that are less land-intensive or which face strong environmental stress or regulatory pressure, these programs are particularly important. The weak cross-compliance requirements provide **little support for adaptability or public goods**.

**Support for transformability is generally underdeveloped.** Policies articulate long-term goals in often rather generic terms without providing a clear vision, there is generally little support for in-depth learning or radical innovation and hesitation to dismantle incentives to maintain the status quo. The strong support of business-as-usual constrains transformability since potential innovators have to compete with a state-supported status quo, while there are relatively few innovation funds available and many farms have difficulty in finding credits for overhauling their business models.

There is **significant variation** in the degree to which the CAP and its national implementations address the resilience of different farming systems. This is due partly to **different types of farming systems** and partly to details in the **national or regional implementation** of the CAP. In some cases, they possibly **constrain resilience**, e.g. when direct payments drive up land prices or when the decoupling of historical direct payments weakened traditional extensive grazing systems.

Overall, there is significant evidence that **the current CAP is neither effective nor efficient in supporting the resilience of Europe's farming systems**. Maintaining the status quo has become increasingly difficult for many agricultural systems despite the enormous public expenditure, while adaptability and transformability are often not sufficiently supported.

## 6 How the CAP post 2020 could enable robustness, adaptability and transformability

The findings from the SURE-Farm project lead to a clear conclusion: to improve the resilience of Europe's farming systems, the CAP needs to change significantly, with two starting points:

- **Need for more tailored policy mixes:** Europe's farming systems have very different resilience needs, depending on the resilience challenges they face and their own capabilities. Consequently, they need very different policy support.
- Participants in several workshops called for a **long-term vision for the CAP**. Agricultural entrepreneurs need to be able to anticipate future policy demands when making decisions about their business model and investments. Vision and strategy documents therefore need to provide substance and clearly communicate norms and priorities.

Support for all three resilience capabilities through the CAP could be improved.

First, **robustness** could be better supported by enhancing the ability and willingness to anticipate stresses and shocks, to cope with them and to respond. Accordingly, foresight exercises should be conducted and linked into strategy development and outreach and engagement schemes.

Second, to enhance **adaptability**, the CAP needs to provide direction for the desirable adaptation process. Key elements in this regard are:

- Coherent and sufficient remuneration of public goods;
- Increasing flexibility and variability through reducing red tape along three dimensions:
  - the requirements for access to supportive policy schemes, in particular in the second pillar,
  - the monitoring and control schemes which are often experienced as burdensome, intrusive and insufficiently aligned;
  - less or more flexible regulations and inspections, and an integrated approach to the multitude of monitoring and control systems.
- Closing the gap between reflection/innovation and practice through more support for
  - project-type funding rather than predefined measures;
  - Agricultural Knowledge and Innovation Systems and advisory services to integrate advice for production and provision of public goods;
  - collaboration for opening up and reconnecting agriculture with society;
  - fostering farmers' adaptive capacity, e.g. by paying them for time spent in research projects.

Third, **transformability** could be enhanced by the formulation of a coordinated **long-term vision**, by support for **deep learning**, and by **reflexive modes of governing** that influence people's assumptions about the future, their self-perceptions and identities (e.g. what does it mean to be a farmer). This requires dialogue and co-design as well as the communication of role models and positive examples.

- Deep learning and niche innovations are fostered by programs such as EIP-Agri and LEADER plus. These could be further developed into **support for rural cooperation** that enables integrated approaches across sectors. Programs for rural cooperation should:

- adopt integrated approaches across sectors,
- change the rules of state aid to allow more flexibility and innovation;
- provide funding for the creation, facilitation and integration of multi-actor networks;
- develop training schemes for facilitators of integrative rural development;
- encourage links to other policy areas to enhance connections.
- A reflexive mode of governing can be enhanced by **participatory and integrative** system and policy **assessments**. This requires the integration of currently fragmented **data** (e.g. on water resources, soil quality, emissions, productivity, profitability, skills and demographics) and their **user-oriented** translation as a basis for shared assessment and by all stakeholders involved. On this basis, stakeholders can **identify transformation needs** and **develop transformation pathways**. Funding opportunities should encourage **dialogue** and **co-design**, as well as the communication of role models and positive examples.

## 7 Key points for the future CAP

On this basis, the following key points for the future CAP are recommended:

- Reduce **direct payments** with a view to phasing out by 2028, and divert the budget into those CAP measures that specifically address resilience needs.
- Use the **eco-schemes** to foster adaptation to new environmental challenges and climate change, in particular
  - use a **points-based** system for eco-schemes to enable regional differentiation, flexibility and diversity;
  - enable **equivalence** of established certification schemes to qualify for eco-scheme payments if they match desired criteria and minimum thresholds of points;
  - define **three or four tiers of payment levels** which are aligned with public or private certification schemes of corresponding levels of ambition.
- Ensure that member states' national strategic plans provide sufficient support for farming systems to adapt to environmental challenges and climate change through a **suitable combination of eco-schemes and agro-environmental programmes**.
- Ensure that member states provide ample **support for cooperation and cross-sectoral networking** in rural development programmes.
- Enable **producer organisations** to coordinate adaptation to shifting markets and changing environments.
- Strengthen the Agricultural Knowledge and Innovation Systems through more **project-type funding**, more funding for **advisory services** to integrate advice for production and provision of public goods.

- Enable transformative innovation, reflexivity, deep learning through more support for **LEADER** and **EIP-Agri**.
- Create **European networks of EIP-Agri** around key challenges.
- Replace the young farmers' premium with **support for start-ups** in rural areas.
- Provide support for **fast internet** in rural areas as a precondition for connectivity.

## 8 Conclusion: The CAP at a crossroads

The CAP faces a strategic trade-off: slowing down change through the continuation of robustness-oriented policies, or providing direction for change in rapidly changing world. Findings from the SURE-Farm project show that the CAP hitherto has been overly focused on providing buffer resources to farms, mostly through area-based direct payments, with uneven and often adverse resilience effects across different types of farming systems.

The instruments of the CAP would allow to support adaptability and transformability of Europe's farming systems. This would, however, require

- a shift of resources from direct payments to programmes that are more clearly targeted to support public goods, adaptation and innovation;
- investment in integrative foresight activities with broad participation to identify adaptation and transformation needs and pathways;
- the development of shared long-term vision for Europe's agricultural systems.

Further development of the CAP, its national implementation and other corresponding policies along these lines could enhance the whole range of resilience capabilities of Europe's farming systems. As the findings from the SURE-Farm project show, a wide range of policy makers and stakeholders across Europe share the perception that such a broader approach to enhance the resilience of EU's farming sector is both necessary and feasible.