Event Report: "Next EU Budget: Unlocking investment in the agricultural transition – Aligning economic and environmental performance for farmers"

On the 2nd of October 2025, the MEP Group on 'Climate Change, Biodiversity, and Sustainable Development', in collaboration with Soil Capital, organized an event on "Unlocking investment in the agricultural transition – Aligning economic and environmental performance for farmers". Hosted by MEP Elsi Katainen at the European Parliament, the event offered diverse perspectives on aligning economic and environmental performance for farmers, the need for evidence-based policy, smarter use of EU funds, the simplification of the EU's Common Agricultural Policy (CAP), and the alignment of EU financial instruments and investment strategies to support farmers in the transition towards sustainability

In her opening remarks, **MEP Elsi Katainen** emphasized the importance and timeliness of discussing the EU's agricultural transition considering the MFF, the National Regional Partnership Plan, and the CAP proposal. While she welcomed the Commission's proposal for a simplified CAP, she also stressed the need to balance the consideration of local specificities with consistency across Member States. Common targets, investments, and incentives for climate, environmental protection, and animal welfare are needed. However, she noted that the profitability of individual farms cannot rely solely on subsidies. She also advocated for reducing farmers' administrative burden, improving access for young farmers to ensure generational renewal, and strengthening the confidence of the financial sector.

Mr. Andrew Voysey, Chief Impact Officer at Soil Capital, reiterated the importance of agriculture for Europe's strategic autonomy and competitiveness but criticized the current unsustainable agricultural system, which, as MEP Katainen mentioned, is also putting farmers' livelihoods under intense pressure. Taking the perspective of the farmer, Mr. Voysey highlighted that, in the context of the sustainable transition, it is the financial reward for the risk taken, that farmers need to consider. The Commission's proposals for the new EU framework and the CAP raise questions about the role of public subsidies. At the same time, questions arise regarding challenges in the value chain and how to unlock investments from the private sector.

Moving on, **Mr. Romuald Carrouge, a farmer in Marne, Grand Est, France**, highlighted how being a farmer is nowadays very similar to being a businessman. He explained that for farmers, it is difficult to maintain confidence in the future due to uncertain outputs and fluctuating input prices. In this context of uncertainty, he noted, transitioning to sustainable farming practices becomes challenging. For this reason, CAP support is essential for farmers, especially considering competitiveness in the global market.

Ms. Gaëlle Marion, Head of Unit for Environmental Sustainability (B2), DG AGRI, European Commission, emphasized that the transition towards more sustainable farming must go hand in hand with strengthening the economic viability of the agricultural sector. She stressed the need for a clear, shared vision for the future of agriculture - one that aligns environmental and economic performance as joint objectives. Ms. Marion explained that the Commission's new proposals identify clear climate and environmental priority areas, such as climate adaptation, water resilience, soil health, biodiversity, and animal welfare. Importantly, she highlighted a shift from obligations to incentives, giving Member States greater flexibility and subsidiarity to design measures suited to local needs. She also noted the potential for performance-based schemes that reward farmers for achieving measurable sustainability outcomes, which could be effectively combined with private initiatives. Finally, Ms. Marion explained the concept of "transition payments" - comprehensive, whole-farm support designed to help farmers undertake transformative changes in their production systems, encouraging a more integrated and long-term approach to sustainable agriculture.

In response to Mr. Voysey's question on whether the Commission had set clear boundaries and parameters for the transition payments, Ms. Marion explained that there is no one-size-fits-all approach, and that Member States will have flexibility, as long as the support aligns with the objectives of environmental and climate transition.

Mr. Bart Vandewaetere, VP of Corporate Communications and ESG Engagement at Nestlé Europe, highlighted the long-term benefits of regenerative agriculture, such as improving soil health, greater water retention capacity and increased yields. However, he noted that these practices require substantial upfront investment and time before results are realized. He argued that the CAP should help de-risk these initial barriers by providing financial support, that is flexible enough to adapt to specific farmer needs, while complementing private initiatives and cooperatives. Ultimately, Mr. Vandewaetere emphasized the importance of focusing on incentives and collaboration rather than on barriers to drive positive change in European agriculture.

In addition, **Ms. Melanie Muro, Acting Head of Programme CAP and Food at the Institute for European Environmental Policy (IEEP)**, highlighted that cost estimates for the agricultural transition vary. More importantly, she stressed that a substantial amount of funding is needed over a defined period. She supported moving away from simple area-based payments, advocating for capping and degressivity to better target funds where they can have the greatest impact on different types of farmers. Ms. Muro also called for increased support for young farmers. On the integration of CAP funds with money from the Cohesion Fund, she sees an opportunity to support landscape-level sustainability initiatives rather than focusing solely on the farm level, should Member States choose to do so. However, she also identified several risks, including the shift from 100% EU funding for eco-schemes to co-funding, which could result in Member States diverting funds to other schemes.

Mr. Voysey, moved on to emphasize the reduced CAP budget, argued for a creative approach to address financial constraints and suggested drawing inspiration from instances where public sector payments were structured to attract equal or greater volumes of value chain payments in the same effort.

In response, **Mr. Carrouge** emphasized the importance of reconnecting farmers with the food system and helping them understand how their products are used and valued in the market. To illustrate the disconnection between production and consumption, he shared an example from his region, where sugar beet farmers are often unaware that their crops end up in products like soft drinks. He also highlighted the value of collaborative farming, noting that closer cooperation with private partners enables farmers to shape the future of agriculture and foster more sustainable, value-driven food systems.

Moreover, **Ms. Marion** emphasized the need for clear benchmarks to define good environmental and climate performance, noting that developing these benchmarks will take time, but that would be crucial for guiding both public funding and private sector engagement. She highlighted carbon certification as a tool to better recognize carbon storage, while nature credits and biodiversity metrics are also being explored. In response, **Mr. Voysey** emphasized the holistic nature of carbon removal under this certification, noting that a unit of carbon sequestration requires improvements in soil health and biodiversity as well. Agreeing with this approach, **Mr. Vandewaetere** introduced the concept of functional biodiversity, explaining that improved biodiversity in agriculture benefits farmers and overall agri-food sector. He also underscored the need for a common language and outcome-based approaches supported by both public and private funding, leveraging the 'sustainability compass' launched by the European Commission as a common benchmarking tool to assess, measure and reward progress. Last but not least, Mr. Vandewaetere also stressed the importance of a landscape-level approach and collaborative work.

Furthermore, **Ms. Muro** shared that a recent study on private investments in the agricultural transition found that companies within supply chains are primarily driven by the need for resilience, while others are motivated by regulatory compliance and stakeholder expectations. She stressed the importance of stability in the policy environment. Furthermore, she argued for reforming public subsidies to be more outcome-based, with clear and binding policy targets that genuinely incentivize desired actions. Ms. Muro also emphasized the importance of cooperation - both for exchanging knowledge and for harmonizing monitoring and recording frameworks and methods. Additionally, she highlighted the value of a government mechanism to provide advisory services, helping farmers access and navigate both public and private funding opportunities.

During the Q&A, an audience member asked whether sufficient public funding is guaranteed to support the transition payments. **Ms. Marion** clarified that addressing environmental and climate objectives will be compulsory at the level of the future national and regional partnership, with at least 43% of funds programmed for these objectives. She explained that co-financing - combining EU and national funds - is not entirely new and already applies to agri-environmental and rural development measures. Given the minimum spending requirements for environment and climate, alongside ongoing assessments addressing soil health, water resilience, and climate adaptation, it would be surprising if Member States were able to avoid allocating sufficient public funding.

A follow-up question from Mr. Voysey asked whether the proposal prevents transition payments from being used in conjunction with value chain payments. **Ms. Marion** explained that transition payments are designed to be based on farm-specific plans and linked to the estimated costs of implementing those plans. While the proposal is not intended to directly integrate private funding, nothing prevents farmers from complementing their transition payments with additional private support. An audience member suggested combining transition payments with low- or zero-interest loans offered by financial institutions to help farmers finance their shift toward regenerative agriculture. Ms. Muro responded that such financial instruments already exist, offering favourable loan conditions for farm investments, and will continue under the new framework, though the precise interaction between these instruments and the new transition payments still needs to be clarified.

Moving on, a Soil Capital representative asked how the public sector could deliver quick wins to catalyse more private funding for the agricultural transition, given the urgency of supporting soil health, the farmers who maintain it, and growing concerns about food sovereignty. **Mr. Vandewaetere** emphasized two points; first, that regenerative farming practices should be incentivized by the EIB when supporting local banks in providing low-interest loans; second, that agricultural R&D funding is under-utilized and too focused on high-tech innovation, whereas the greatest need is for regional-level cooperation among farmers. **Ms. Marion** also agreed, noting that it makes more sense to work at a landscape scale rather than focusing on individual farms. She added that the Commission is actively encouraging collective approaches, which enable improved connectivity between landscape features.

MEP Katainen, reflecting on the discussion, questioned whether the EU's Vision for Agriculture and Food, developed prior to the recent CAP proposal and MFF budget cuts, should be updated to reflect the new financial realities. She expressed her concerns about how governments will continue to support agriculture and rural areas amid changing targets and funding reductions. Ms. Katainen also highlighted the importance of education, advisory services under the CAP, and stronger information-sharing within the sector. All in all, she emphasized the need to preserve diverse farming systems to ensure competitiveness, resilience, and food security year-round.

Last but not least, within his closing remarks **Mr. Voysey** stated that the budget cuts call for some different thinking with regards to how public money is used, rather than requiring a change in targets or vision. He urged participants to promote the pooling of public sector payments and value chain payments toward the same objective. Mr. Voysey emphasized that Soil Capital will continue to help advance this conversation, highlighting the importance of establishing a 'common language' to define what positive impact looks like.