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Outcome of the CAP reform trilogue

EMB sees important progress on contracts but regrets major loopholes for the milk sector

Following several months of negotiations, a result has been reached in the trilogue between the European Parliament, the Council and the European Commission on the reform of the Common Agricultural Policy (CAP). For producers, the outcome contains important progress - particularly with regard to contracts. At the same time, however, the European Milk Board (EMB) warns of significant weaknesses that will considerably limit the real impact for many farmers.

Important progress: Mandatory contracts
One key positive aspect of the agreement is the strengthening of farmers' position with regard to contracts. In the future, written contracts are to become mandatory. This approach follows the original proposal of the European Commission and represents an important step towards improving the bargaining position of producers vis-à-vis processors.

In addition, the content of contracts has been improved. In the future, contracts are to include mandatory revision clauses as well as indicators or indices designed to increase price transparency and ensure that contracts better reflect the real economic conditions under which farms operate. Against the backdrop of highly volatile markets and rising production costs, this represents an important step forward. Contracts will thus be able to better adapt to real factors that influence farmers' remuneration.

Highly problematic exemptions in the milk sector
Despite these advances, significant exemptions are foreseen, including in the milk sector. Under Article 148 of the Common Market Organisation (CMO) for the milk sector, Member States may, after consulting the sector, decide that contractual requirements such as revision clauses and indicators do not need to be applied.

The situation for members of dairy cooperatives also remains particularly critical. No mandatory contracts are foreseen here, as it is incorrectly assumed that cooperative statutes already ensure sufficient transparency. Reality, however, shows a very different picture: many dairy farmers today do not have sufficient transparency or influence over price formation, particularly within cooperatives. And since a large share of milk producers are members of cooperatives, very little will effectively change for many dairy farmers and the current status quo will largely remain.

Even though cooperatives are not obliged to conclude contracts, their statutes must meet certain requirements. We at EMB will monitor that they do so.

Even broader exemptions in other sectors
According to yesterday's trilogue outcome, exemptions for other agricultural sectors go even further. Under Article 168 of the CMO, Member States will now be able to decide that written contracts are not necessary in non-milk sectors. The only requirement is the consultation of sector stakeholders and the assessment that price transparency is already sufficiently ensured or that written contracts would not be appropriate for other "justified reasons". This broad exemption carries a major risk that a central objective of the reform - strengthening farmers' position in the food supply chain - will be significantly weakened.

Conclusion
The trilogue agreement on the CAP reform brings important progress regarding farmers' rights in contracts and greater transparency in price formation. At the same time, however, serious loopholes remain - particularly in the milk sector and in other agricultural sectors. After the reform is therefore before the reform - because without closing these massive loopholes, the situation of farmers will not improve sufficiently to keep active farmers in production and to offer young people a real perspective and encourage them to enter the sector.

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