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From feed to food: Financing farmers' protein diversification

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INTRODUCTION

Europe's agrifood system faces growing pressures from climate change, biodiversity loss and import dependencies. Agriculture accounts for around 13% of the EU's total greenhouse gas (GHG) emissions,[1] with the livestock sector responsible for 84% of Europe's food-related GHG emissions and receiving over 80% of the EU's Common Agricultural Policy (CAP) support.[2] Around 80% of the land needed to feed EU citizens is devoted to raising animals and growing their feed,[3] yet 75% of EU farm animals are kept in intensive systems[4] that depend heavily on imported protein crops.[5] This exposes farmers directly to price volatility driven by supply chain disruptions,[6] especially in the age of climate shocks and intense geopolitical rivalries, such as the Russian invasion of Ukraine and the recent Iran war.

Scaling plant-based protein production for human consumption, supplying feedstock for plant-based foods and precision fermentation, and adopting agroecological systems that combine protein crops with lower livestock densities can reduce emissions, cut import dependence, strengthen farmer resilience and open new revenue streams.[7] Yet many European agricultural producers face significant barriers, including high upfront investment costs, infrastructure locked into intensive livestock systems, skills gaps, insufficient storage and processing capacity, and uncertain markets. In 2022, the unmet demand for financing among EU farmers reached €62 billion, disproportionately affecting small farms and young farmers.[8]

Several current policy processes present a timely opportunity to build a coherent financial framework to support farmers in diversifying protein production. These include negotiations on the post-2027 CAP and Multiannual Financial Framework (MFF), the Commission's expected EU Protein Plan and Livestock Strategy, the ongoing revision of the Public Procurement Directive and the defence-oriented Readiness 2030 programme. Meanwhile, the EU-Mercosur Partnership Agreement, signed in January 2026,[9] adds urgency to the debate over the competitiveness of EU livestock production and reinforces the case for investing in protein diversification.

This Policy Brief examines how EU financial instruments and incentives can empower farmers to diversify protein production towards crops for direct consumption, plant-based food and precision fermentation, or agroecological systems with lower livestock densities. It draws on literature reviews, expert interviews and a December 2025 EPC roundtable with policymakers, farmer representatives, civil society, academics and financial actors.

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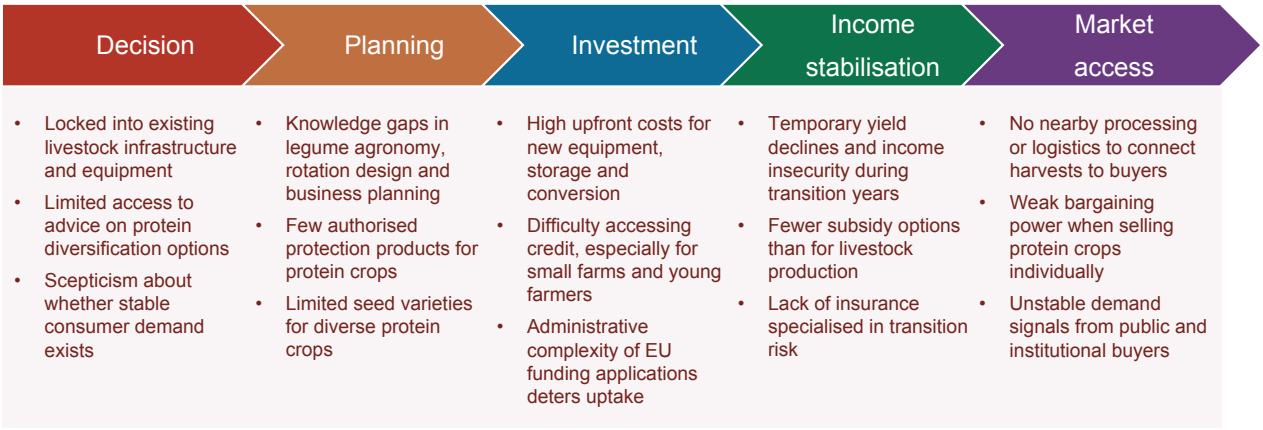
Figure 1

BARRIERS ALONG A FARMER'S PROTEIN DIVERSIFICATION PATHWAY



Source: By the author, drawing on research findings.[10]

BACKGROUND

The EU's financial toolkit for agriculture is extensive, yet its funding incentives have historically reinforced animal protein production rather than supported diversification.[11] Financial instruments do not adequately enable farmers to overcome barriers, from the decision to diversify, through investment and income risk-taking, to securing a ready market for plant-based proteins (see Figure 1).

CAP instruments under the 2021–2027 MFF

The CAP lacks explicit incentives or targets for reducing livestock densities, and conditions attached to CAP investment aid have often locked farmers into capital-intensive animal husbandry.[12] Under the 2021–2027 CAP, around 70% of coupled income support (CIS), which ties direct payments to specific products, is allocated to the livestock sector.[13] CIS for the protein sector in 2021–2027 increased by 25% compared to the 2014–2020 period, and 20 member states included coupled support for legumes or protein crops in their CAP Strategic Plans.[14] However, this support is linked predominantly to intensive soy production for animal feed rather than human consumption.[15] Furthermore, farmers report that CIS payments are often absorbed by downstream buyers who lower purchasing prices in response to the subsidies.[16] More broadly, CAP direct payments disproportionately benefit larger farm operations, while smaller farmers tend to face more restricted access, limiting their financial capacity to invest in protein diversification.[17]

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Financial opportunities for protein diversification include eco-schemes, which must account for 25% of Pillar I direct payments and can reward legume integration into crop rotations,[18] and the European Agricultural Fund for Rural Development (EAFRD), which co-finances rural development investments including processing infrastructure. However, uptake remains optional and uneven across member states.[19] The 2024 CAP simplification regulation further weakened these instruments by relaxing standards that encouraged crop rotation and legume integration.[20] CAP risk management tools, including insurance premium subsidies and mutual funds, are underused[21] and do not cover the income risks farmers face when transitioning between production systems, nor adequately reflect the lower climate risk profile of diversified systems.[22]

Advisory services under the CAP's Farm Advisory System offer limited guidance on protein diversification, and no dedicated EU mechanism supports livestock farmers through protein transition. The Horizon Europe Agroecology Partnership (€300 million)[23] and the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI) fund farmer-led innovation, but only at experimental and demonstration scale.

Beyond the CAP: Emergence of a protein agenda and the Green Deal

Several decades of structural consolidation and Commission recommendations have placed plant proteins on the EU agricultural agenda without adequately addressing farmers' financing needs. Between 2005 and 2020, the EU lost over five million farms while agricultural land remained broadly stable, concentrating CAP-supported production in capital-intensive livestock systems and raising barriers for farmers seeking to diversify.[24]

The EU's protein policy began to take shape in 2017–2018, when the European Soya Declaration[25] and a European Parliament resolution called for a protein strategy to reduce reliance on imported feed.[26]

The 2020 Farm to Fork Strategy committed to fostering EU-grown plant proteins but set no binding targets or dedicated farmer support mechanisms.[27] A 2023 European Parliament resolution renewed the call,[28] but the Commission did not respond with a dedicated strategy. Instead, elements of a protein agenda were incorporated into the 2025 Vision for Agriculture and Food,[29] the post-2027 CAP proposals[30] and the forthcoming 2026 Livestock Strategy and expected Protein Plan.[31]

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Horizon Europe has funded research on protein crops and agroecological systems since 2021. However, a structural mismatch persists: Horizon projects typically run for up to five years, whereas legume breeding cycles require 10–12 years of sustained investment.[32] Legumes also remain underserved by the plant protection market, with fewer authorised products available due to their 'minor uses' designation under Regulation (EC) 1107/2009.[33] Farmer uptake of research outputs is further limited by administrative complexity and the lack of on-farm demonstration at scale.[34]

On the demand side, public procurement could create stable market conditions for farmers investing in protein diversification.[35] The 2014 Public Procurement Directive permits but does not require sustainability criteria in food purchasing, and uptake varies widely across member states.[36] The EU School Scheme supports the distribution of fruit, vegetables and milk in schools, but does not include plant-based protein options.[37]

STATE OF PLAY

A shifting policy agenda

The political context for protein diversification financing changed significantly in the run-up to and after the 2024 EU elections. Farmer protests across Europe in early 2024 prompted Commission President Ursula von der Leyen to convene a Strategic Dialogue on the Future of EU Agriculture, whose final report called for protein diversification, a shift towards plant-based proteins and targeted financial support for transition.[38] The incoming Commission, however, shifted its emphasis towards farmer competitiveness and administrative simplification, placing less focus on actively financing the protein transition.

The Vision for Agriculture and Food, published in February 2025, acknowledged the need for "a transition to a self-sufficient and sustainable EU protein system" and for "de-risking the sustainable transition with public investment".[39] Yet the Vision fell short of the Strategic Dialogue's recommendations, omitting consumption-side measures and specific financing mechanisms to support farmers in diversifying protein production.

Post-2027 CAP proposals

The post-2027 CAP proposals, published in July 2025, represent the most explicit CAP commitment to protein diversification to date. They introduce a transition payment of up to €200,000 per beneficiary for farmers shifting to more sustainable production systems. However, this payment is not ring-fenced for protein diversification, and its impact will depend on how member states define eligible transitions in their National and Regional Partnership Plans.[40] The proposals also create a dedicated protein crops sector under the Common Market Organisation (CMO) Regulation governing agricultural market rules, standards and support for producer cooperation. They set out mandatory recognition by member states of producer organisations for protein crops to strengthen farmers' collective bargaining power and unlock EU co-financing for joint marketing, storage and processing.[41]

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The proposals also raise the coupled support ceiling for protein crops, increasing the share of direct payments that member states can link to protein crop production.[42] However, unless member states ring-fence this support for food-grade protein crops, higher ceilings risk repeating existing patterns in which coupled payments primarily fund feed production. The proposed new Young Farmers Starter Pact will ease new entrants' access to land, credit and advisory services, potentially opening the door to diversification for young producers who may be more likely to adopt new and sustainability-focused practices.[43] Yet the Pact does not include specific criteria or facilitation for protein diversification, and without these, support risks channelling new entrants towards business as usual.

Under the proposed post-2027 MFF, each member state would draw up a Partnership Plan, replacing the current CAP Strategic Plans and coordinating CAP spending with investments under the envisaged European Competitiveness Fund. However, the ring-fenced agricultural income support budget of €300 billion over seven years represents a nominal reduction from current levels,[44] and implementation will depend heavily on how member states design their national plans. No common

EU-level measurement framework exists for tracking protein diversification progress, and there is no dedicated transition fund or binding minimum allocation for protein crop support.

European Investment Bank (EIB) and private investments

The EIB has made direct investments to support protein diversification. For example, a €50 million loan to Swedish farmer cooperative Lantmännen will finance a pea protein factory for its members, exemplifying how EU financing can help create farmer-level demand for protein crops.[45] Furthermore, the EIB's €3 billion agriculture package is now being implemented through intermediary banks, including in Spain,[46] France[47] and Portugal.[48] While eligible activities include soil health, water management and climate resilience, they do not explicitly cover protein crop cultivation or transition support, and access to finance for smaller farmers pursuing sustainability objectives remains limited.[49] Moreover, agriculture remains absent from the EU Taxonomy, meaning it falls outside the EIB's green bond framework[50] and leaving commercial lenders without a common EU-level reference for assessing farm-level sustainability and transition risk.[51]

EU-Mercosur Partnership Agreement

The EU-Mercosur Partnership Agreement, signed in January 2026, opens the EU market to an annual tariff-rate quota of South American beef representing roughly 1.5% of EU production.[52] Economic modelling estimates the income effect on EU cattle producers at around -0.3%, and bilateral safeguards protect EU producers against import surges.[53] Nevertheless, the agreement has triggered large-scale farmer protests that reflect broader concerns over divergent production standards and the competitiveness of EU agriculture.[54] The Commission has focused on reassuring livestock producers through existing safety-net provisions rather than using the competitive pressure to accelerate diversification into more resilient protein production systems.[55]

Public procurement

The ongoing revision of the Public Procurement Directive has reopened debate on embedding sustainability criteria in public purchasing. In 2025, the Joint Research Centre (JRC) published voluntary criteria for sustainable food procurement proposing plant-based meals, meat-free days and increased use of pulses and whole grains in public canteens.[56] Yet the criteria remain voluntary, and binding requirements are not under consideration. If made mandatory, sustainability criteria for public canteens could shape purchasing by caterers and food service providers, creating more stable, predictable demand for domestically grown protein crops.

The Readiness 2030 (ReArm Europe) programme, adopted in 2025, aims to leverage over €800 billion in defence spending across member states. Its first pillar, the SAFE (Security Action for Europe) instrument, channels €150 billion in EU-backed loans toward defence equipment procurement.[57] While the SAFE instrument has no agri-food dimension, the growing defence sector demand for food catering through secure supply chains represents an underexplored opportunity to boost demand for European plant-based proteins and, in turn, domestic protein crop production.

PROSPECTS

EU agricultural financing is extensive, yet farmers lack sufficient incentives and investment support to realise protein diversification. Most coupled support still goes to livestock, investment conditions have tied farmers to intensive production, and protein crop instruments are scattered across policy agendas and primarily fund animal feed. The post-2027 MFF negotiations, the expected Protein Plan and the Public Procurement Directive revision present a timely window for action. The following recommendations outline EU measures for the way forward:

Strategic direction for financing farmers' protein diversification

- **Adopt a common vision for financing the protein transition in Europe.** The European Commission, co-legislators, member states and the EIB should align the post-2027 CAP, the forthcoming Protein Plan, EIB agriculture financing and public procurement policy within a coherent financial framework for protein diversification. This requires coordinating income support, investment finance, risk management and market incentives. Such an approach would strengthen competitiveness, reduce import dependence and open new revenue streams for farmers.

Agricultural production investments

- **Mandate protein crop production as a priority in post-2027 CAP income support.** The European Commission should require member states to designate protein crops as a priority in post-2027 Partnership Plans. A minimum share of coupled support payments, which provide annual direct payments linked to the production of specific crops, and eco-scheme funding should be allocated to protein crop cultivation and agroecological systems. Payment design must also prevent downstream buyers from absorbing support through reduced crop prices.

- **Coordinate transition and risk payments with EIB guarantees.** The Commission should link the proposed €200,000 transition payment[58] with EIB-backed guarantees to create a single financing pathway for farmers diversifying into protein crops or agroecological systems. Transition payments could cover income shortages during initial diversification years, while EIB guarantees finance upfront capital investments. The post-2027 CAP risk management framework should recognise transition-related income risk as eligible for premium support and

reflect the lower climate risk of diversified systems. The Commission should also develop an EU-level measurement framework to track on-farm protein diversification progress, inform Partnership Plan reporting and align with sustainable finance criteria used by commercial lenders.

- **Require diversification criteria for farm capital investment support.** As the Parliament and Council negotiate the future CAP, they should require member states to screen farm capital investment support against diversification and sustainability criteria in their Partnership Plans. To steer national spending towards protein diversification, the EU should offer member states a higher EU co-financing rate for protein crop equipment, diversification infrastructure and agroecological system conversion.

- **Strengthen advisory services and the Young Farmers Pact.** The Commission should develop EU-level guidance on protein diversification advisory modules covering agronomic, financial and market dimensions. Member states should integrate these into their national Farm Advisory Services, working with local community leaders and helping farmers navigate available financial instruments. The Commission should also embed protein diversification criteria in the proposed Young Farmers Starter Pact, steering new entrants towards sustainable protein systems and helping address the disproportionate financial barriers they face.

Market, technology and infrastructure investments

- **Strengthen producer organisations under the proposed post-2027 Common Market Organisation (CMO).** The Commission and member states should ensure that the mandatory operational programmes for the new protein crops sector under the CMO are adequately funded through Partnership Plan allocations. These programmes should build collective marketing capacity, market intelligence and buyer agreements linked to sustainability criteria that provide growers with stable price signals.

- **Embed protein criteria in public procurement.** In the ongoing revision of the EU Public Procurement Directives, notably Directive 2014/24/EU, the Commission should propose mandatory sustainability criteria and include protein diversification as a means of achieving them. The EU School Scheme should be expanded to include plant-based protein products, such as soy milk. Protein crop integration could also be considered in defence-sector catering under Readiness 2030.

- **Invest in regional processing infrastructure.** The Commission should require member states to prioritise protein crop processing and logistics infrastructure in their post-2027 Partnership Plans, with complementary investment from the European Competitiveness Fund. Funding should use blended public–private finance to establish regional processing hubs that connect growers to buyers in underserved areas.

- **Fund long-term legume breeding under Horizon Europe.** The Commission should extend Horizon Europe funding cycles for legume breeding to at least 10 years, reflecting cultivar development timelines. This could be achieved through framework partnership agreements that span successive MFF programming periods. Dedicated protein crop research investment should increase under Horizon Europe and should include on-farm demonstrations to accelerate farmer uptake.

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NOTES

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