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Agriculture and Rural Development

Agriculture and Enlargement



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The Common Agricultural Policy – moving with the times

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Overview

- The CAP: a continued reform process
- The cumulated effects of the various reforms
- What about the future?



The CAP: a continued reform process

- **MacSharry reform in 1992** (cuts in support price + full compensation for loss of income)
- **Agenda 2000** (further price cuts - setting up the 2nd pillar)
- **CAP Reform in 2003 – followed by 2004-2008 sectoral reforms-** (decoupled direct payments, cross-compliance, modulation, more market-orientation)
- **Health-Check in 2008** (simplifies and better targets direct payments, increases market orientation, strengthens Rural Development)
- **Post-2013** – debate on-going



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Main drivers

- Reduce surplus production
- Control expenditure
- Maintain rural population
- Address societal concerns (food safety, environment, animal welfare)
- Enhance market orientation
- Improve competition on the world market



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MacSharry Reform, 1992

Objectives:

- Improve competitiveness
- Stabilise markets, income and expenditure
- Diversify production
- Protect the environment

Measures taken:

- Price cuts
- Compulsory set-aside - Full compensation for loss of income
- Accompanying measures (agri- environment programmes, afforestation, early retirement, diversification)



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Agenda 2000

Objectives:

Improve competitiveness

Rural Development Policy

Facilitate the enlargement of the EU

Measures taken:

Further price cuts (beef -20%, cereals -15%)

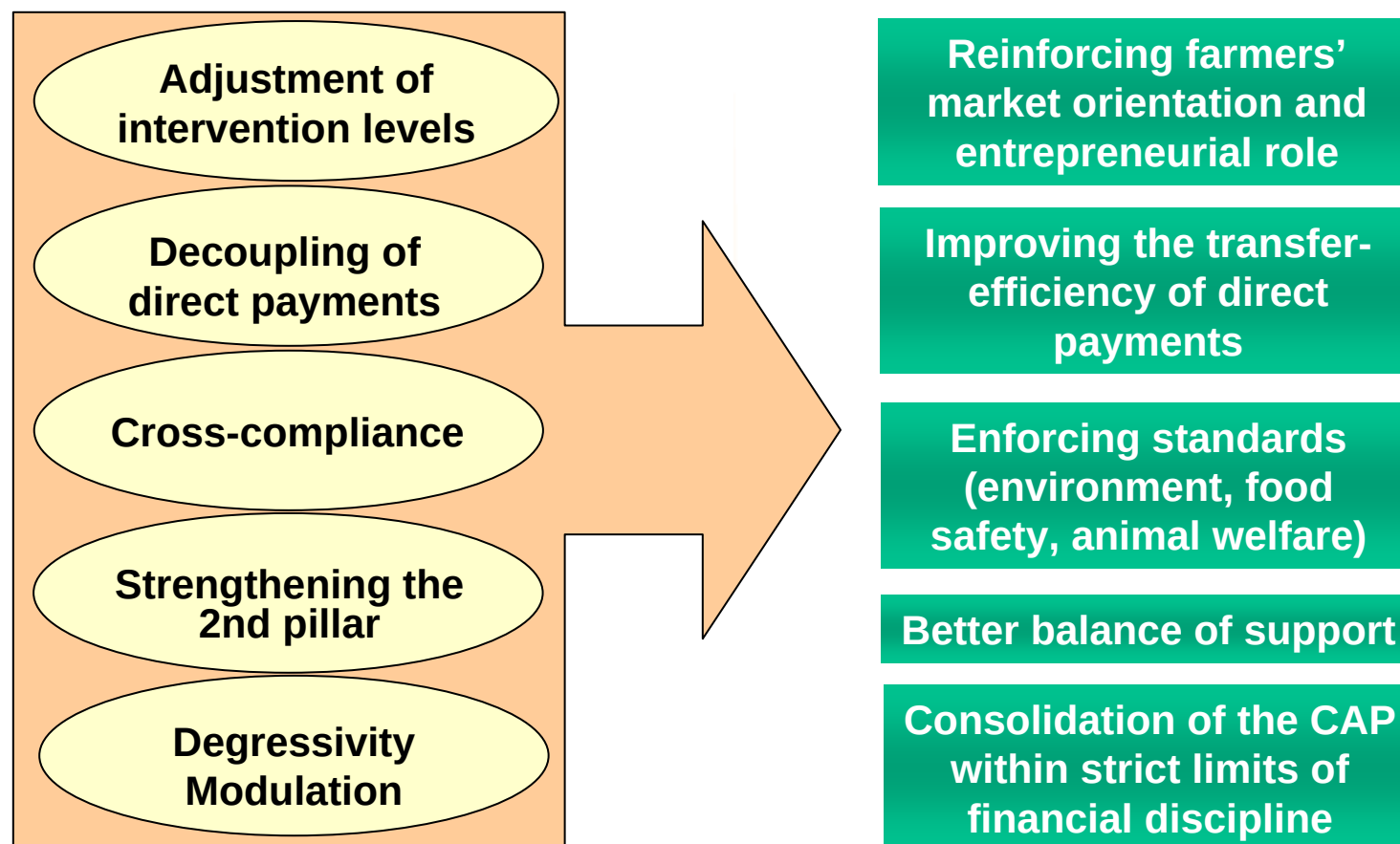
Partial compensations = direct payments

A comprehensive RD policy

Ceiling on agricultural expenditure



CAP Reform 2003 - Objectives and measures





CAP Reform 2003: Complementary Reforms

- **2004: cotton, hops, tobacco, and olive oil**
 - Continues the approach of reducing support prices by replacing them with decoupled direct payments
- **2005 : sugar**
 - Price cut (white sugar -36% over 4 years), partial compensation through decoupled payments (64% of the price cut)



CAP Reform 2003: Complementary Reforms

- **2007: Fruits and Vegetables**
 - integration of F&V into the Single Payment Scheme, wide range of tools for crisis management for Producer Organisations, promotion of consumption.
- **2007 : Wine**
 - Phasing-out expensive market intervention measures and allowing the budget to be used for more positive, proactive measures which will boost the competitiveness of European wines.



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CAP Health Check, 2008

- **Simplifies and better targets direct support to farmers:** more flexibility for MS to re-orientate direct support, assistance to sectors with special problems (Art. 68);
- **Responds to market opportunities and price crises by removing supply controls:** (phasing out milk quotas, abolition of set-aside, market management tools are streamlined and updated);
- **Strengthen Rural Development to respond to new challenges:** increase of modulation by 5% between 2009-2013 for climate change, renewable energy, water management, biodiversity, innovation



A consistent reform process

- **Reform orientation reflects policy objectives**
 - to be competitive in world markets and *simultaneously* meet the highest environmental, food safety , quality and animal welfare standards within dynamic sustainable rural economies
- **Decisions of reform reflect clear political choice**
 - continue support for EU agriculture (the “*not if but how*” question)
 - in a manner that meets citizen, taxpayer and consumer needs and expectations and that is the less trade-distorting



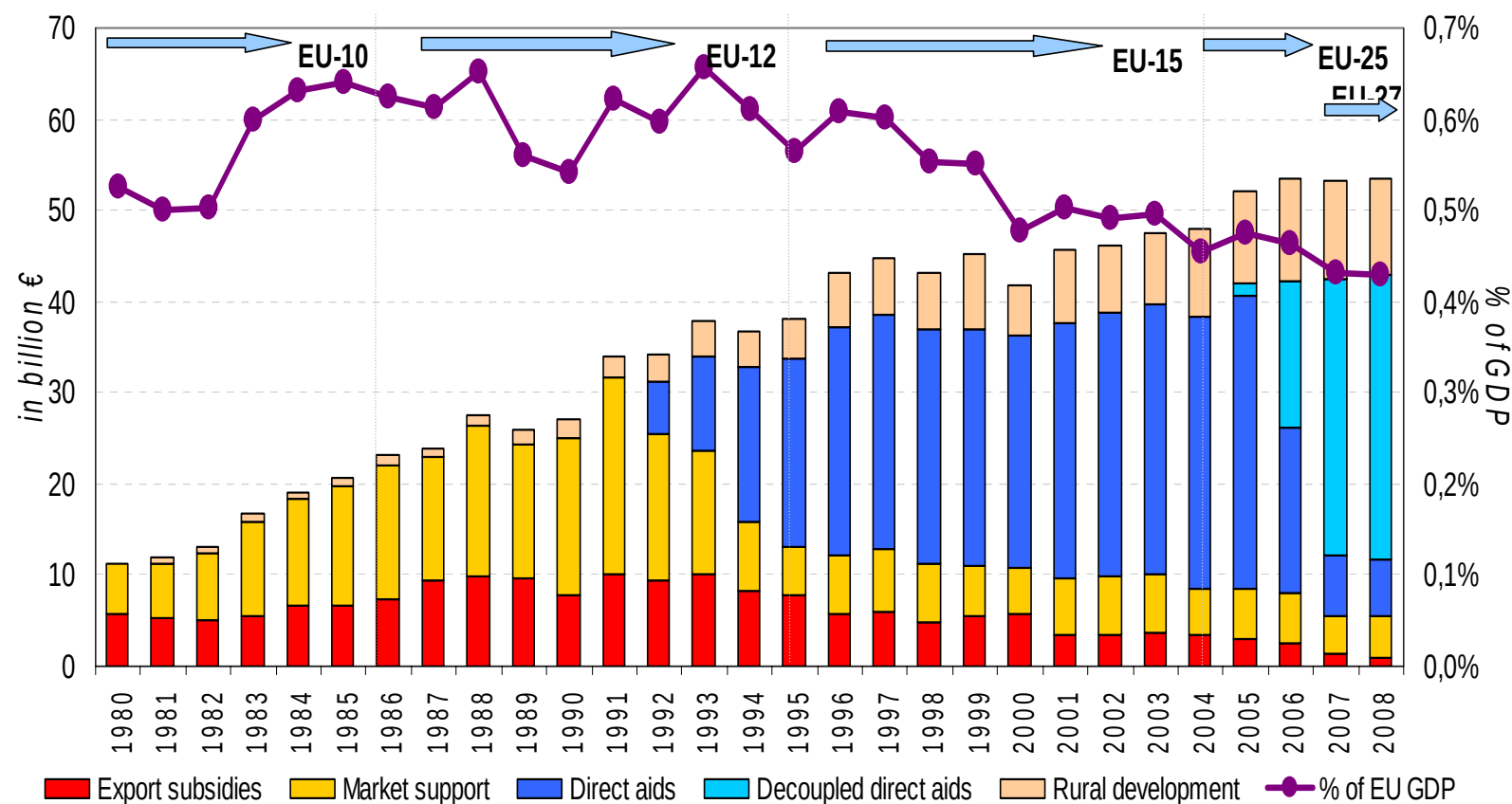
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The effects

- 80% of the expenditure is now paid directly to farmers
- Farmers are now encouraged to produce in response to market incentives, not in response to support incentives
- Farmers are sanctioned if they do not respect strict standards regarding food safety, plant and animal health, environment, animal welfare (cross-compliance)
- Pillar 2 enhances the development of rural areas

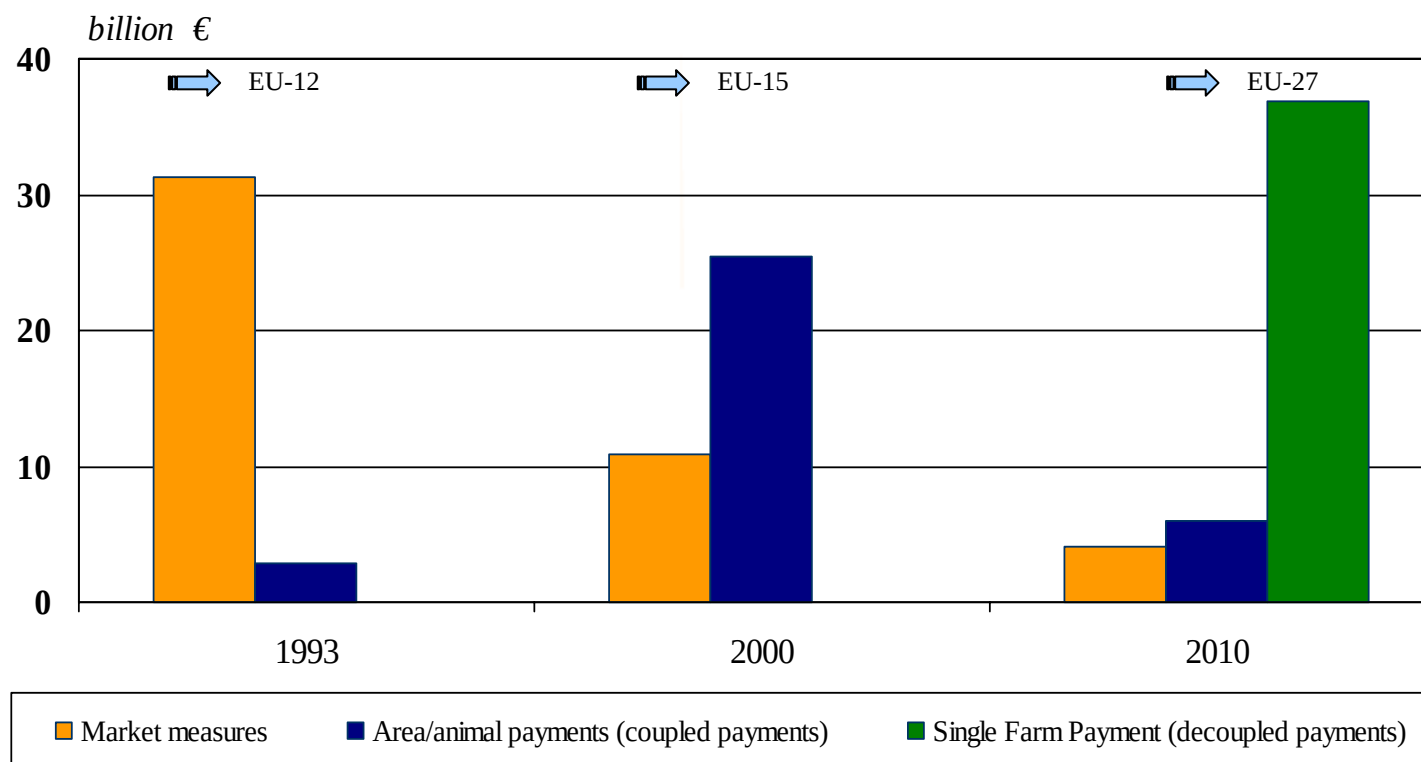


The path of CAP reform and CAP expenditure



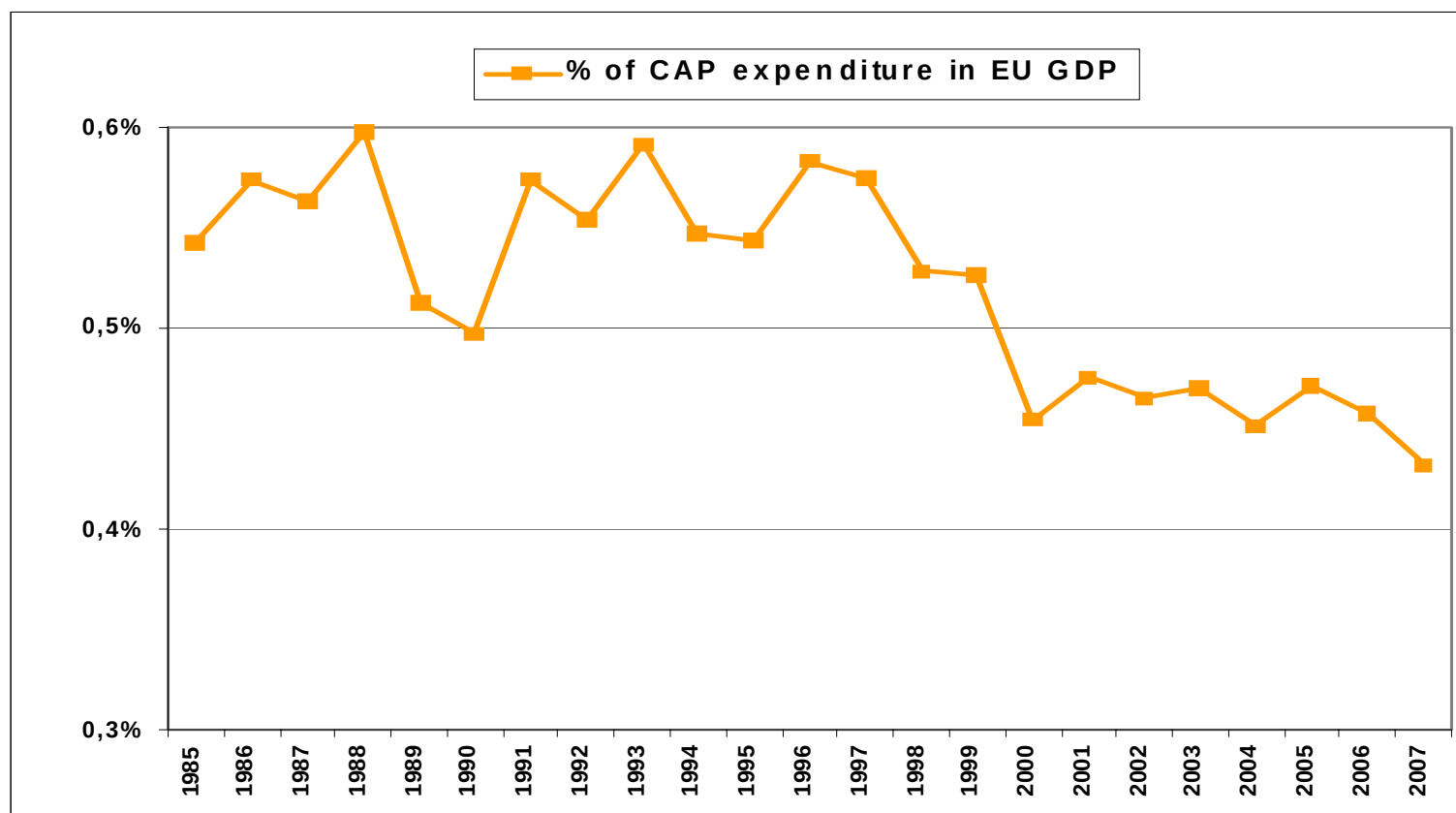


CAP budget cost trend





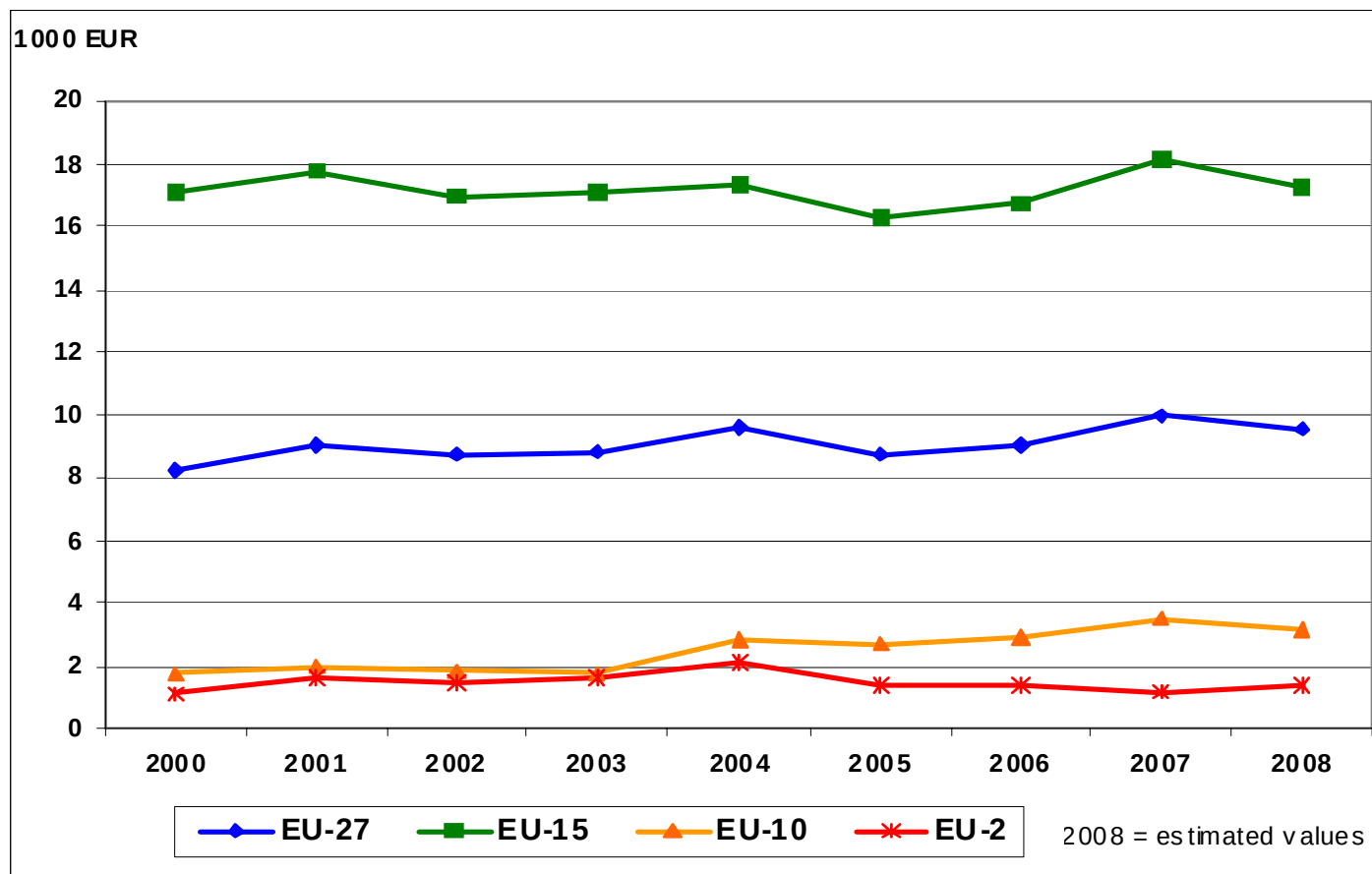
Decreasing share of EU GDP





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Agricultural income/AWU in deflated Euro

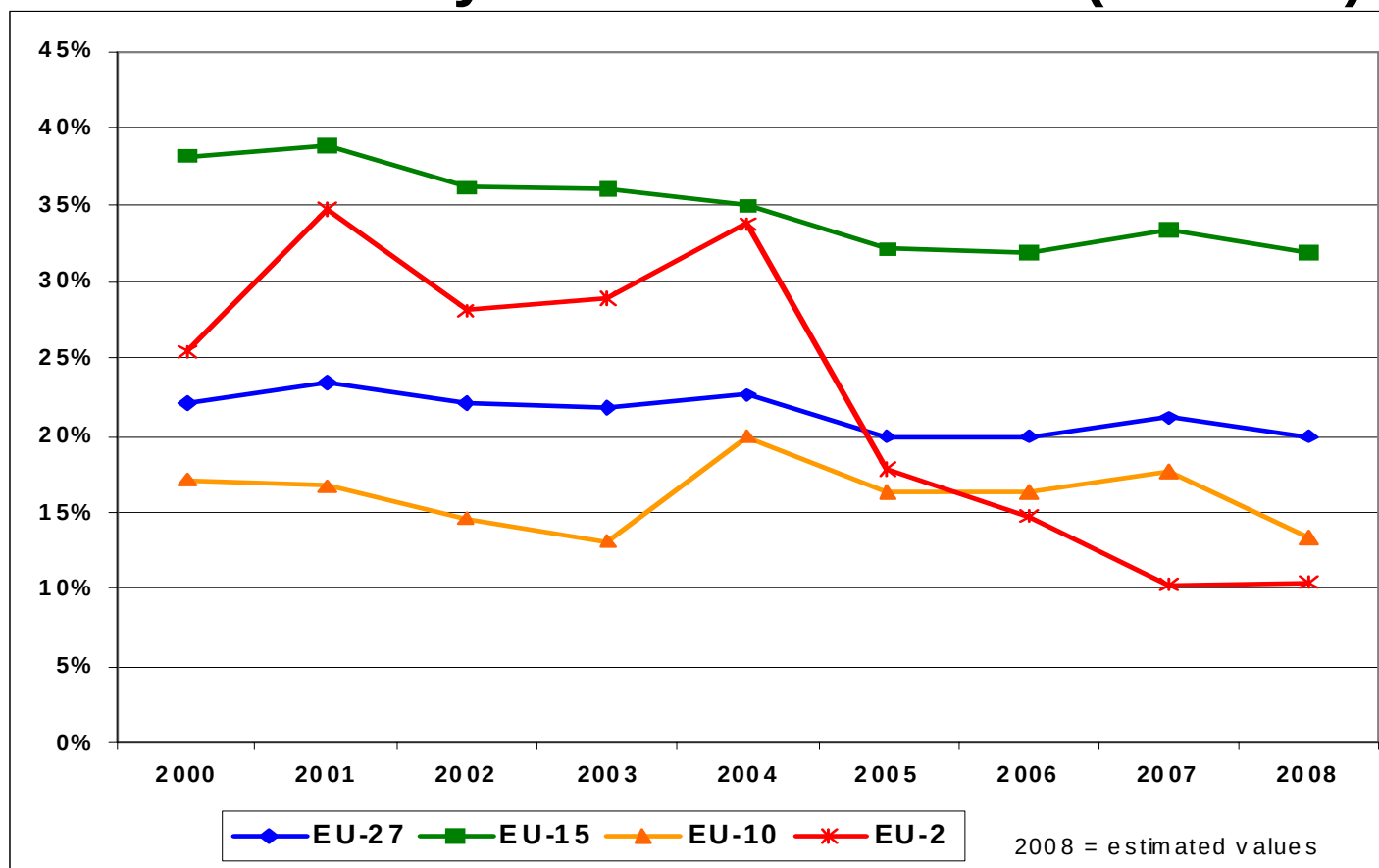


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Agricultural income/AWU unit as % of total economy income/labour unit (deflated)

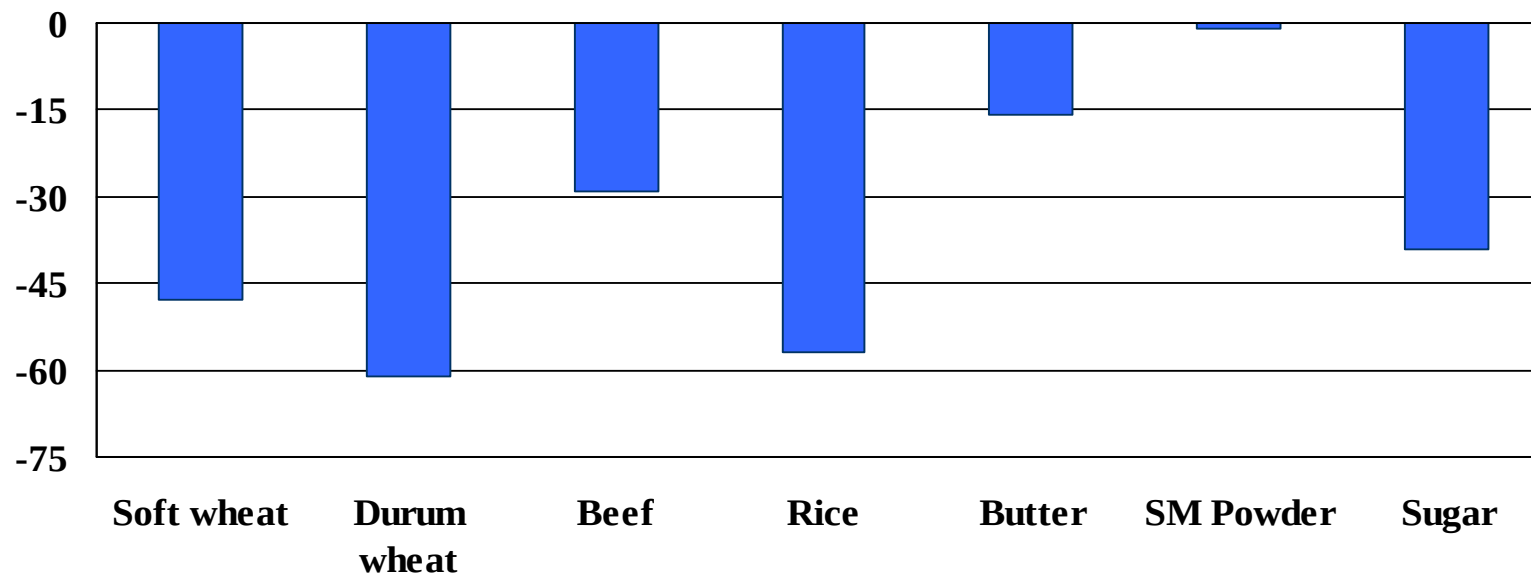




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Reductions in EU price support ...

Cumulative % reduction in price support

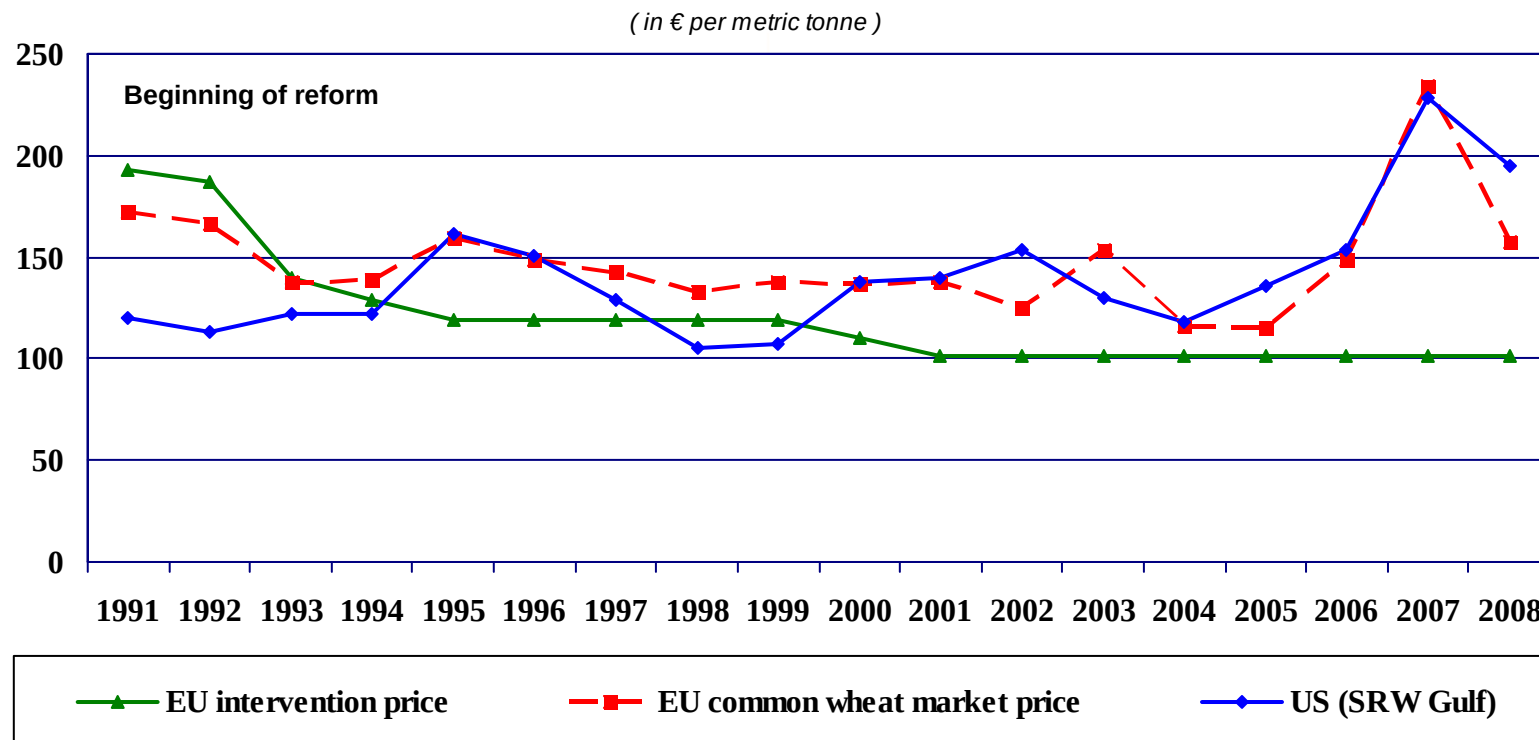


...bringing EU prices in line with world prices



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The evolving role of EU support prices - wheat

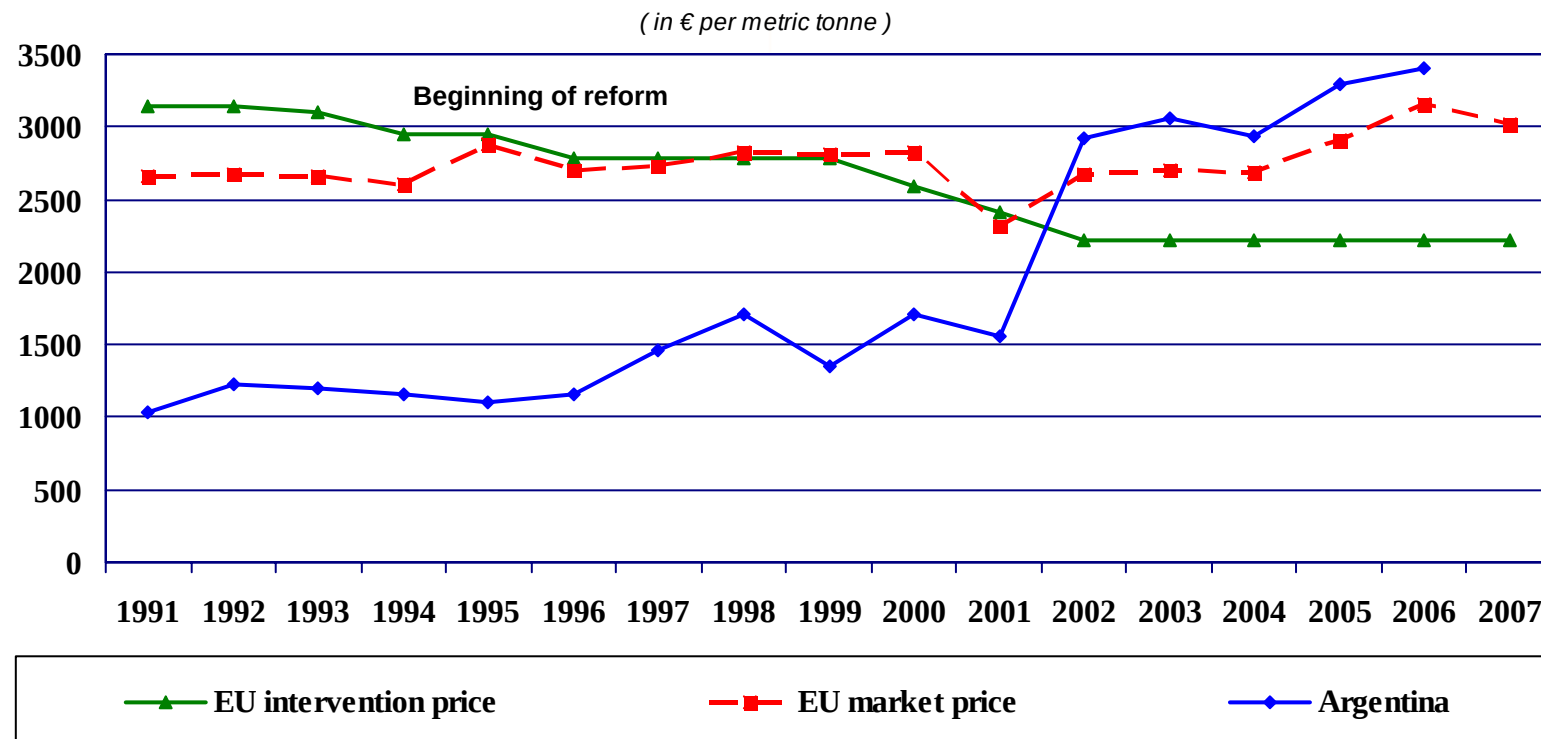


Note: Years are marketing years.

Sources: DG AGRI and Global Insight (IMF).



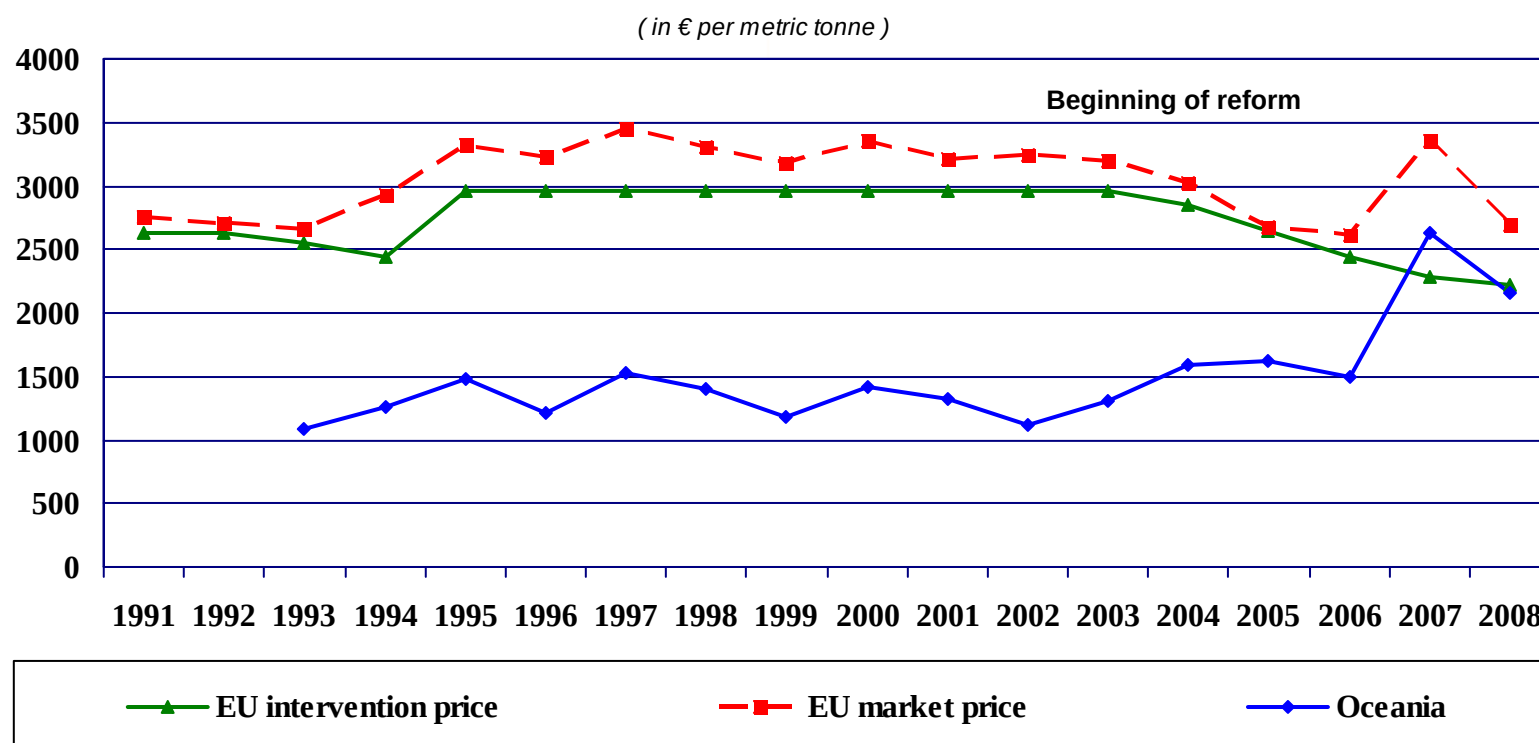
The evolving role of EU support prices - beef





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The evolving role of EU support prices - butter

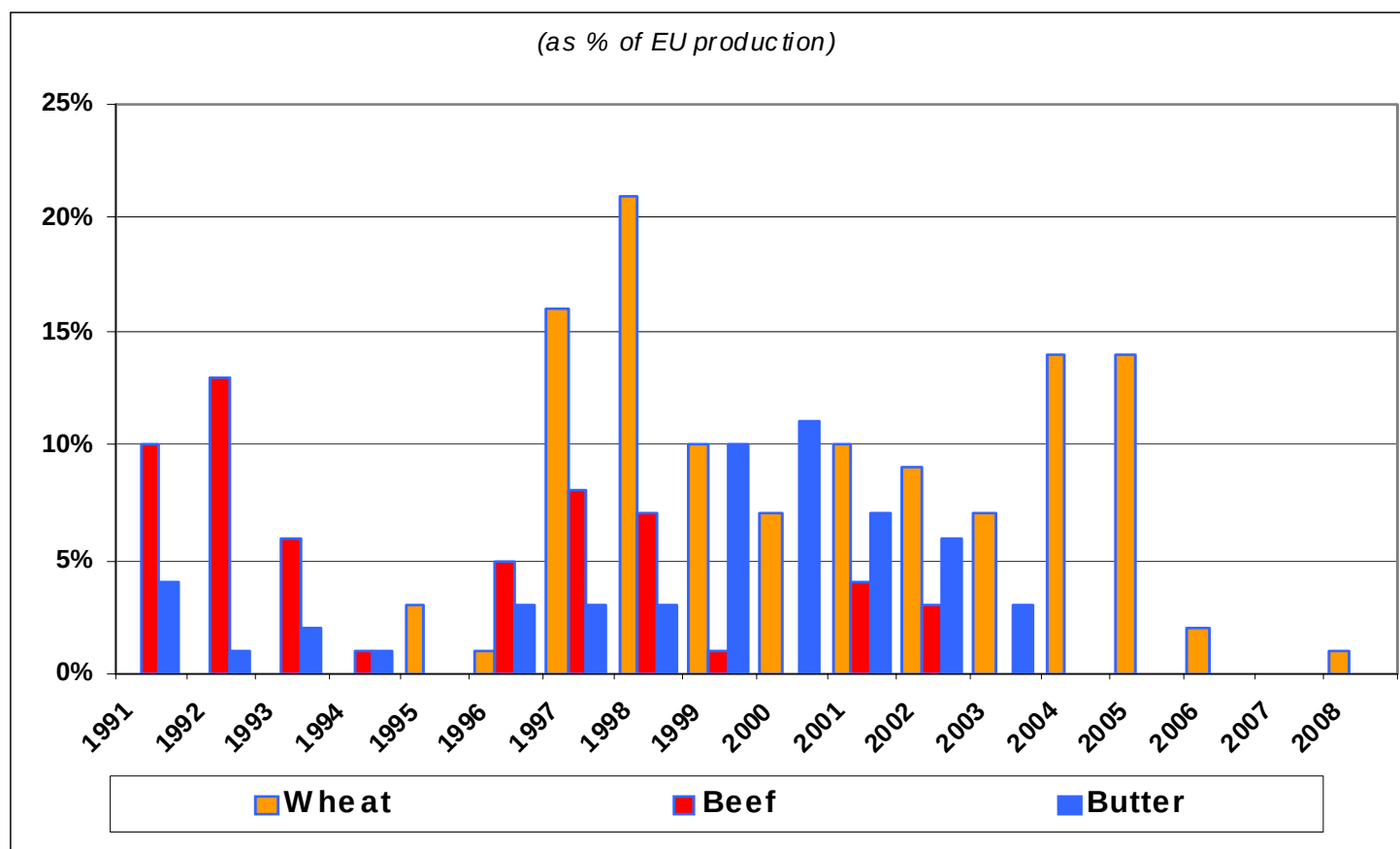


Note: Years are marketing years.

Sources: DG AGRI and FAO.



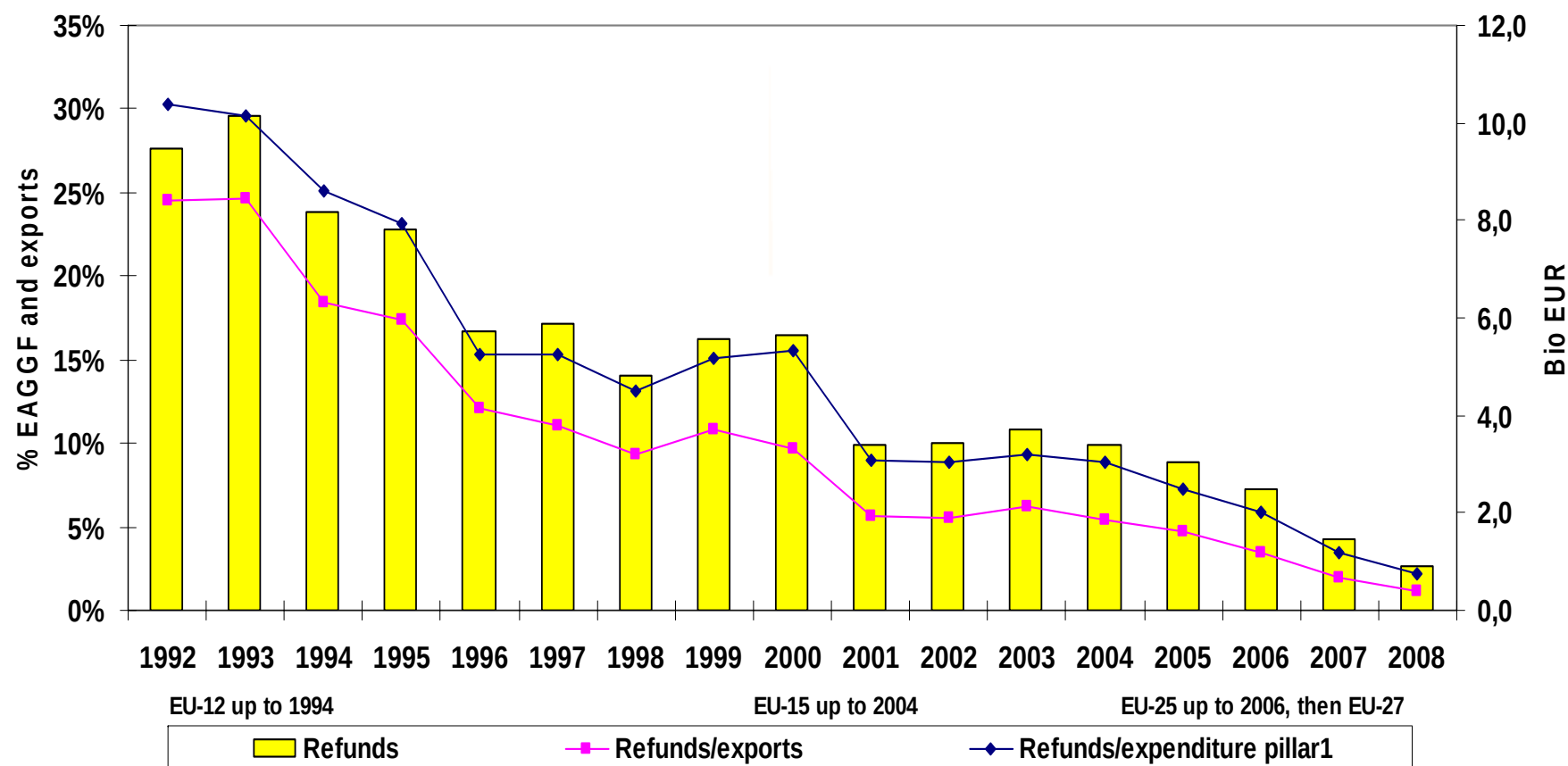
EU public stocks





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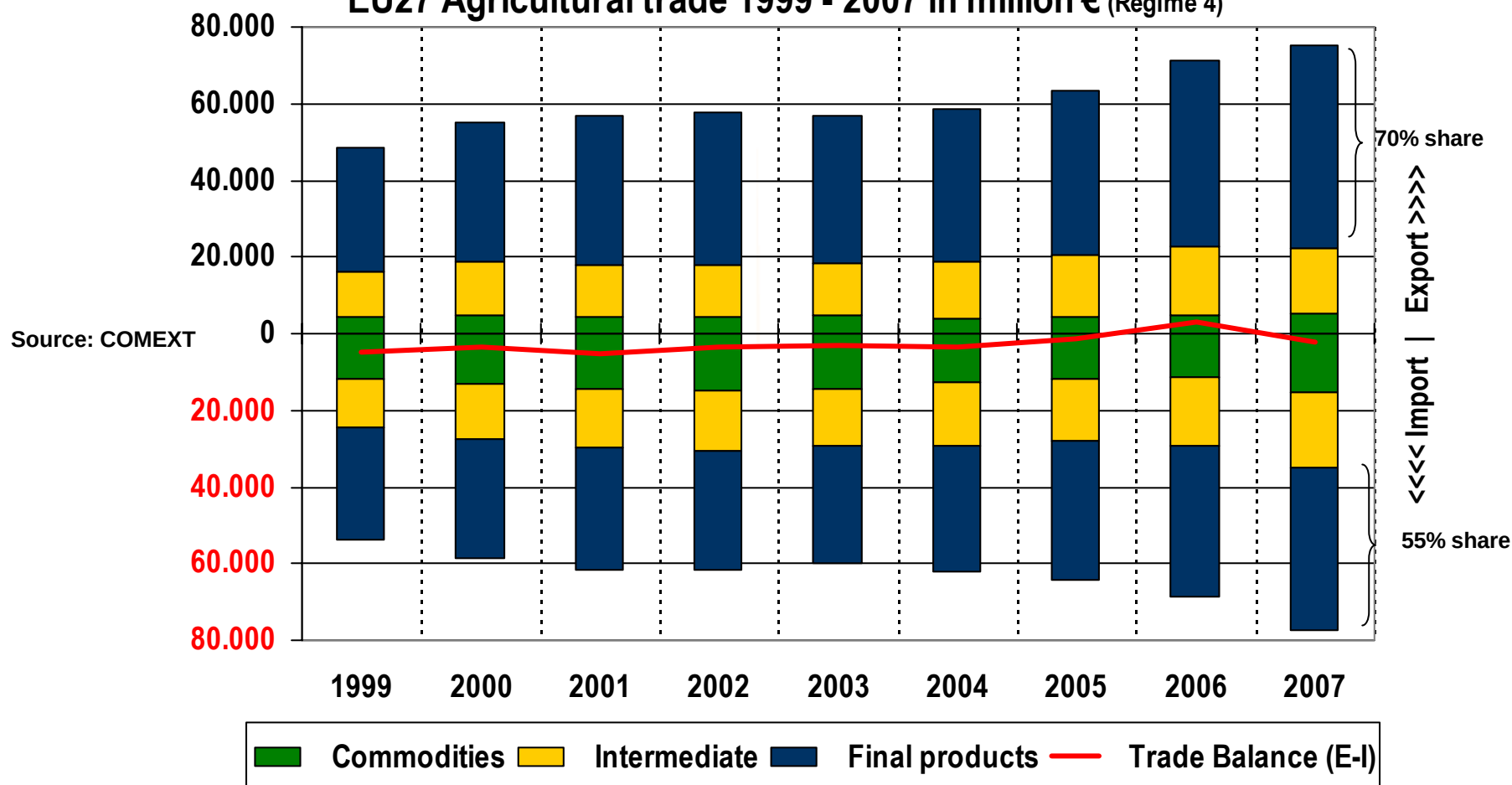
Export refunds, billion € and % of agricultural expenditure and exports





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EU27 Agricultural trade 1999 - 2007 in million € (Regime 4)

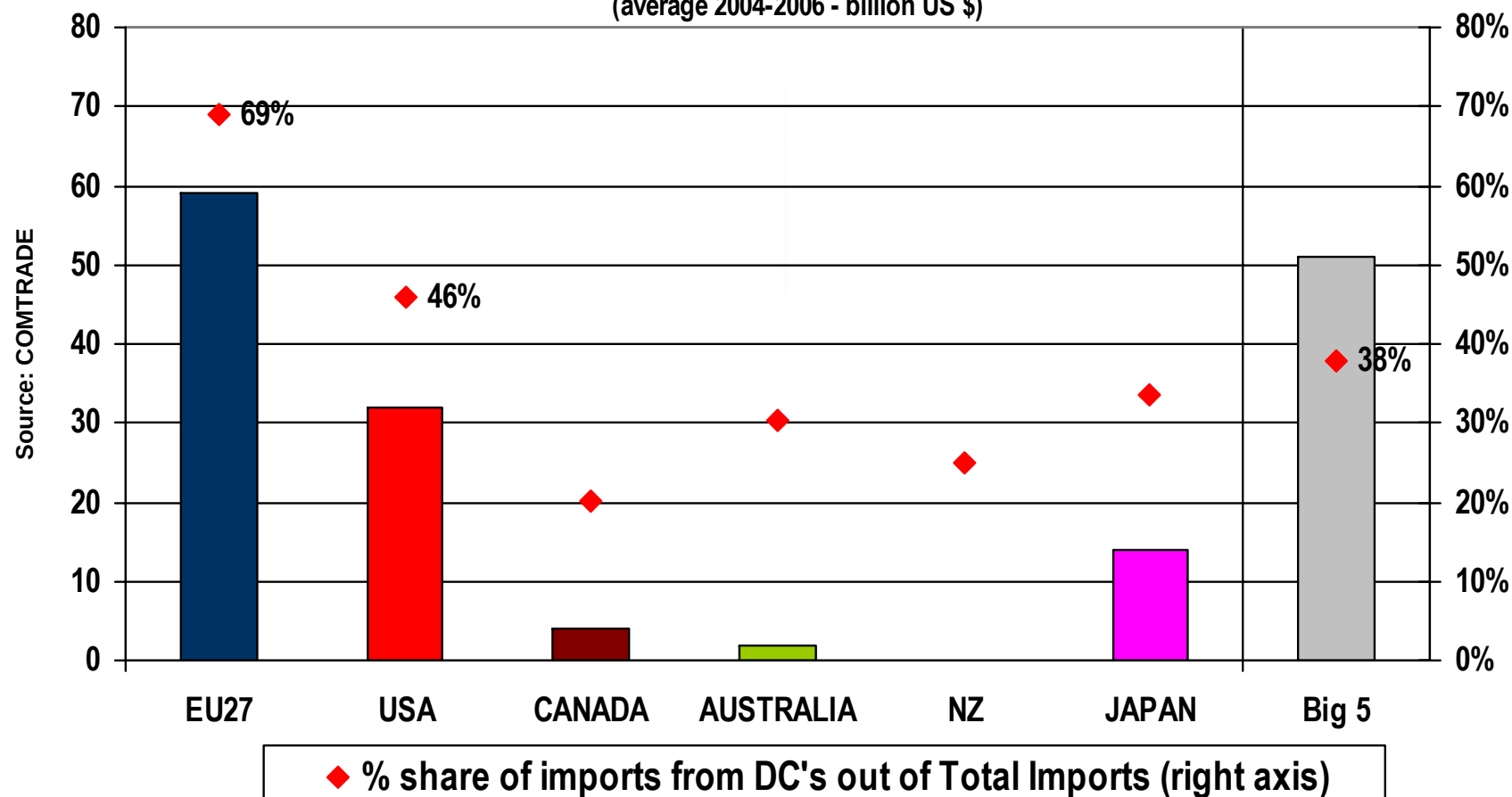




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Agricultural product: Import from Developing countries

(average 2004-2006 - billion US \$)

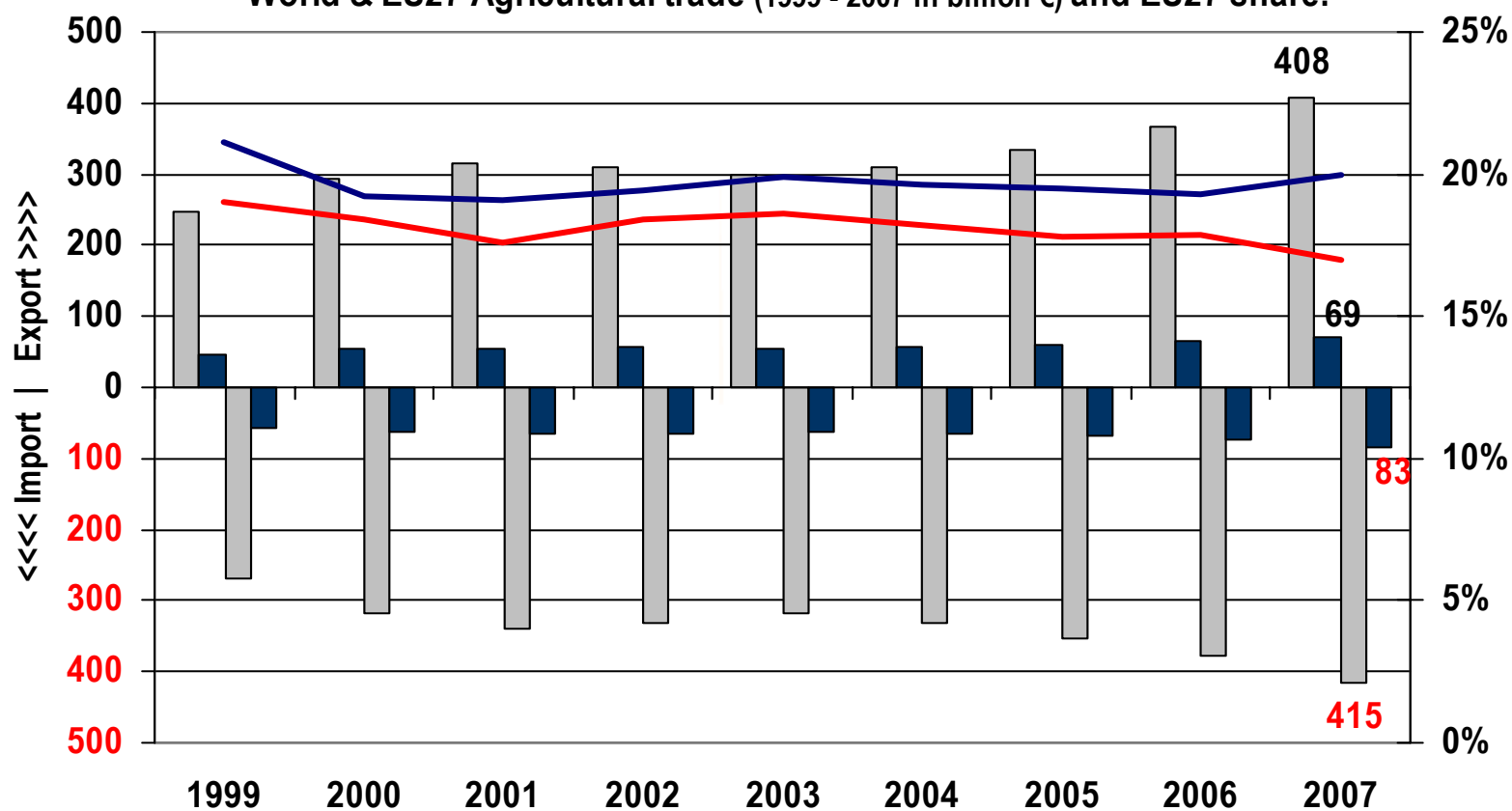


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World & EU27 Agricultural trade (1999 - 2007 in billion €) and EU27 share.



Source: COMTRADE

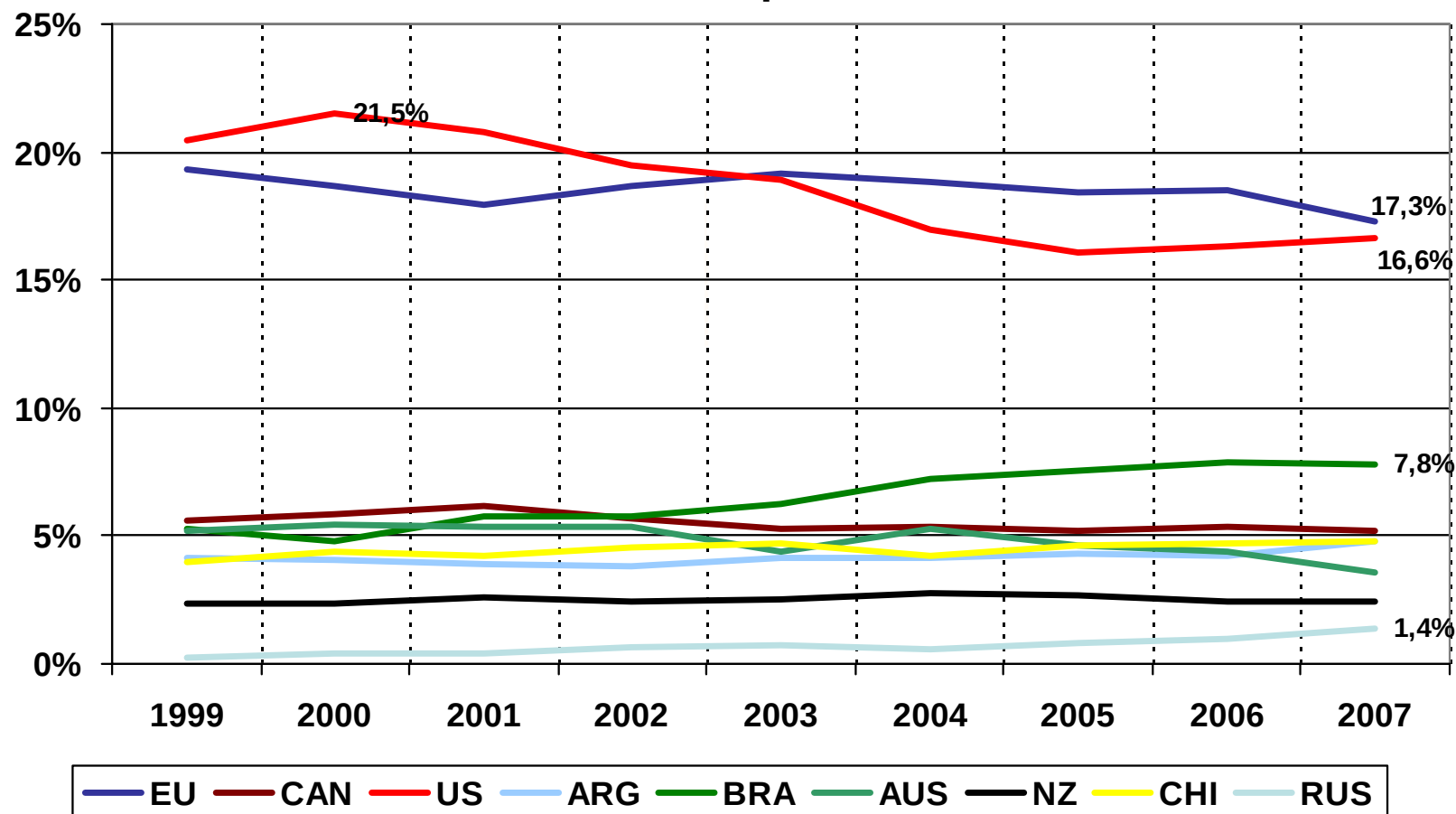
World EU27 EU27 % share Export EU27 % share Import



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Source: COMTRADE

%Share of World Exports (based on US\$)

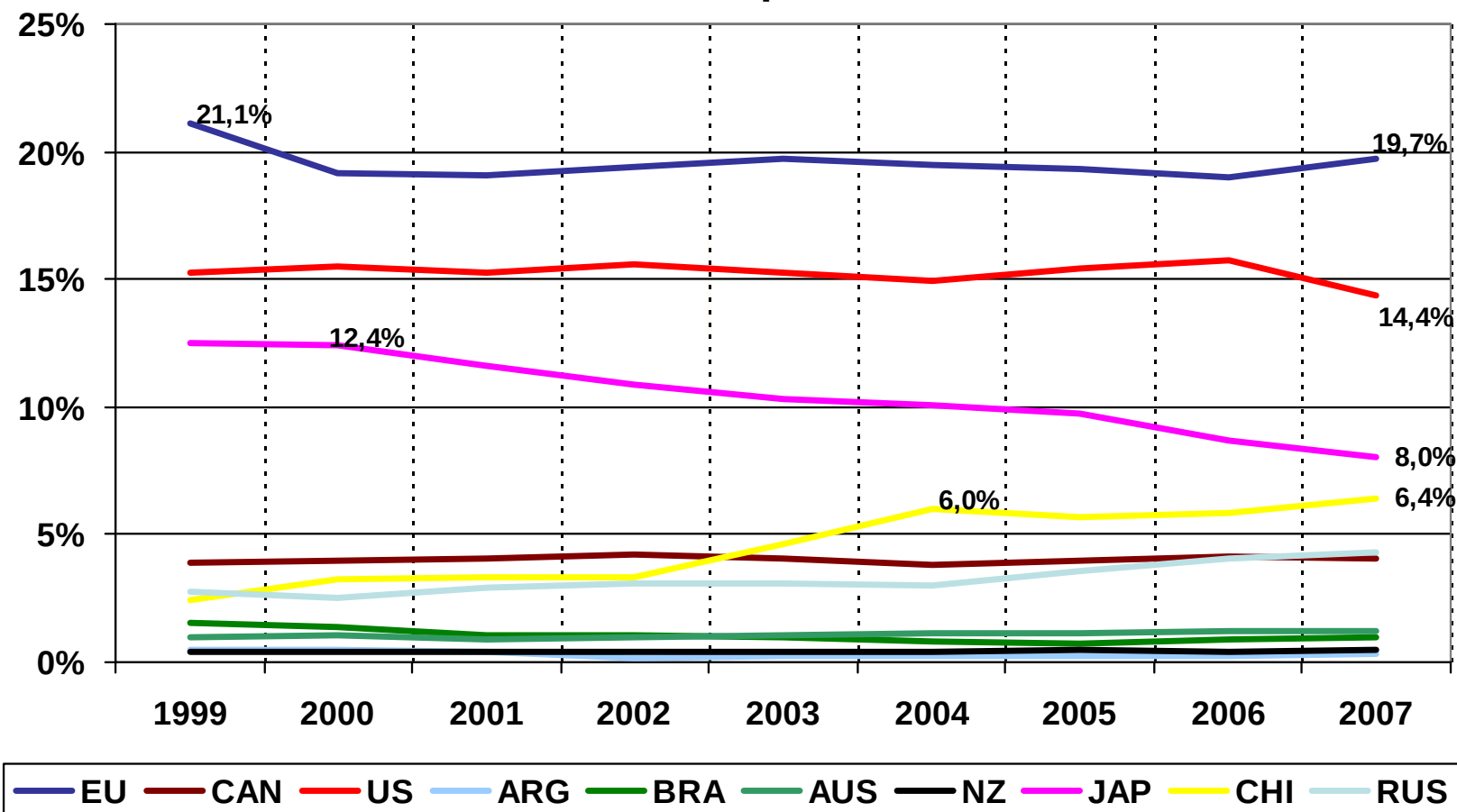




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Source: COMTRADE

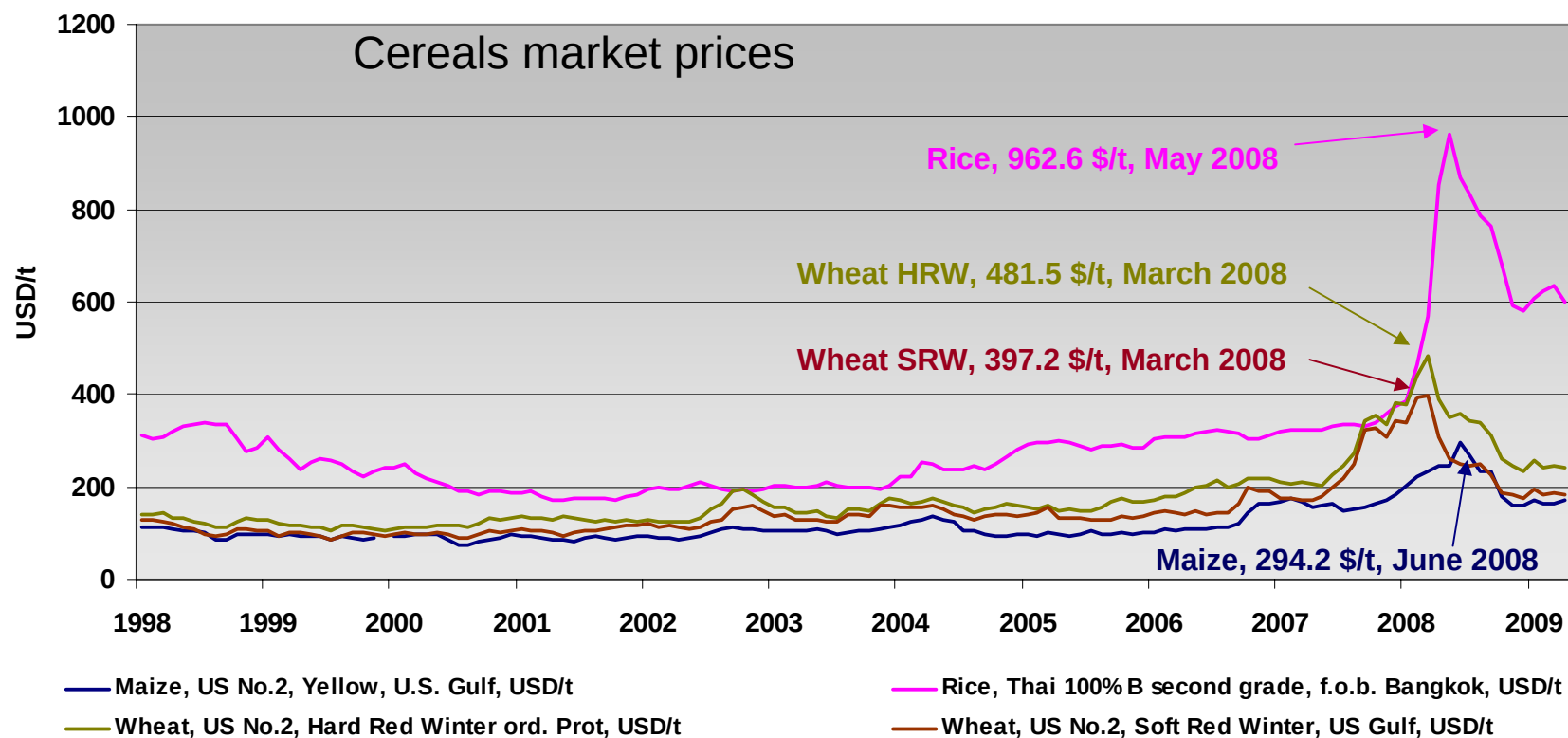
%Share of World Imports (based on US\$)





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Passing the stress test... A sound policy in turbulent times...





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Looking ahead The CAP should...

- leave room for farmers to be as market-orientated as possible;**
- give farmers some kind of safety net;**
- help farms to modernise;**
- help to provide public goods;**
- help to meet various challenges such as climate change;**
- help to compete in a changing international environment.**



With what structure and instruments?

The debate on post-2013 is open

- What improvements for the direct payment scheme? Is payment per hectare effective and efficient? Should distribution between MS be revised?
- Should the provisions of new Article 68 be maintained after 2013?
- What rural development policy? What arguments to maintain rural development policy within the CAP?
- The Commission will present a Communication in 2010 (in summer or early autumn)
- Legal proposals in mid-2011 together with Financial Perspective proposals



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The CAP in one click

http://ec.europa.eu/agriculture/index_en.htm



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***Thank you for
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