



Common Agricultural Policy (CAP): meeting the food, natural resources and territorial challenges of the future

Annual Working Meeting of Ministers of Agriculture in SEE 2010, Zagreb

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Rural Development**

Outline

1. The context

2. The CAP today

3. Why do we need a reform?

4. New objectives, future instruments and policy options

5. Next steps

6. Some conclusions for SEE



1. The context

Background of reform

- Entry into force of Lisbon Treaty
- Budgetary framework ends in 2013
- Need to align CAP post-2013 to Europe 2020 strategy

Public debate

- Strong public interest in Commission call to public: 5 600 contributions
- Conference in July: 600 participants
- Council, EP, EESC, CoR discussions and/or opinions

The Communication (18 November 2010)

- Reflects broadly identified policy challenges
- Responds to the public debate and outlines broad future options
- Launches inter-institutional debate and prepares legal proposals

2. The CAP today

A substantially reformed policy...

- Structured in two complementary pillars
- Farm support mainly decoupled and subject to cross-compliance
- Role of market intervention mechanisms significantly reduced to safety net level
- Rural development policy strengthened with funds and new policy instruments

... better performing...

- Surpluses belong to the past
- Competitiveness improved
- Improved transfer efficiency
- More sustainable farming
- Integrated approach for rural areas
- Contribution to EU budget stability

... and resulting in a territorial and environmentally balanced EU agriculture

3. Why do we need a reform?

To respond to challenges ahead

Economic challenges

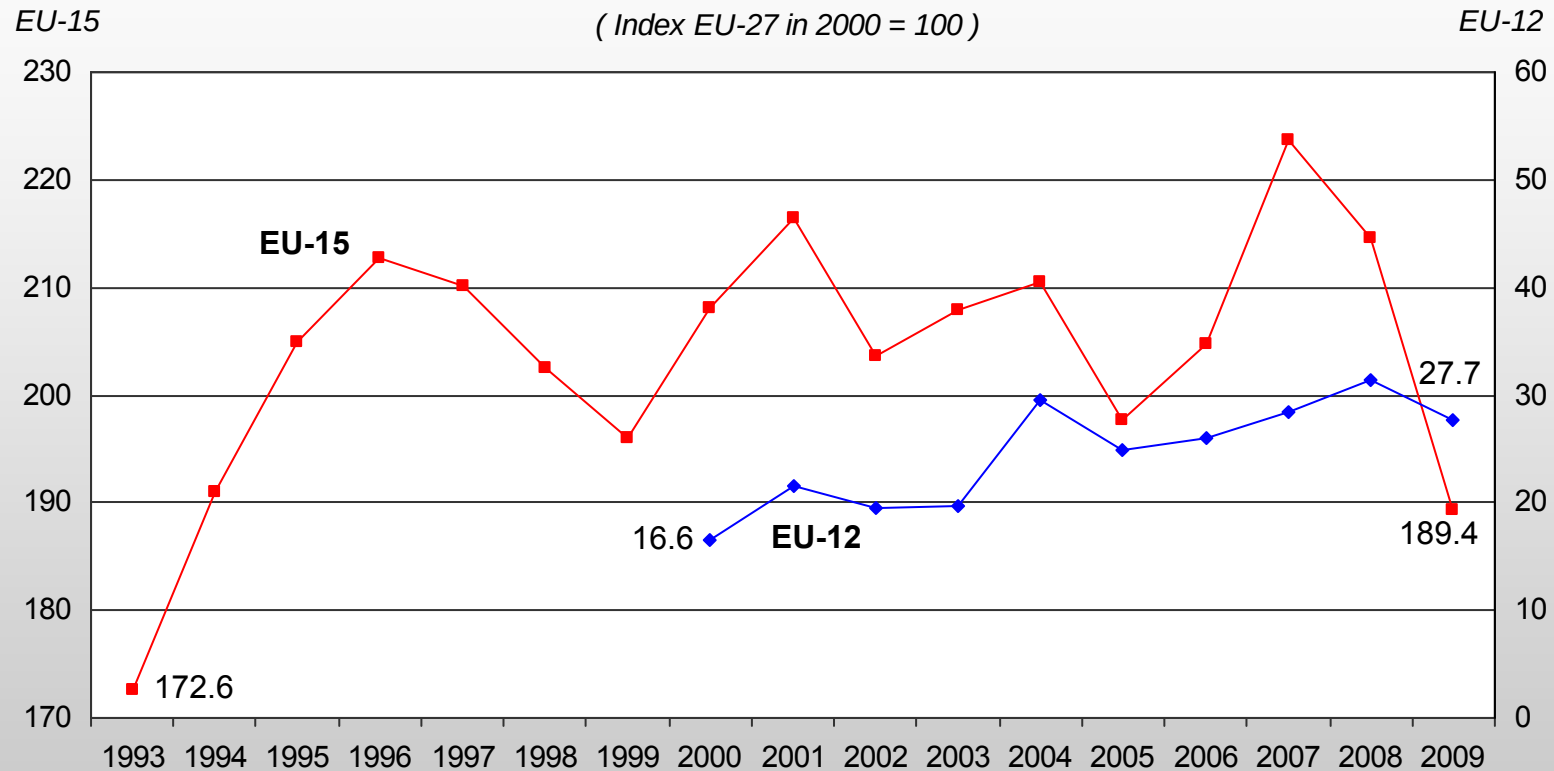
- Food security
- Price variability
- Economic crisis



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EU developments in agricultural income

(agricultural income/AWU in real terms)

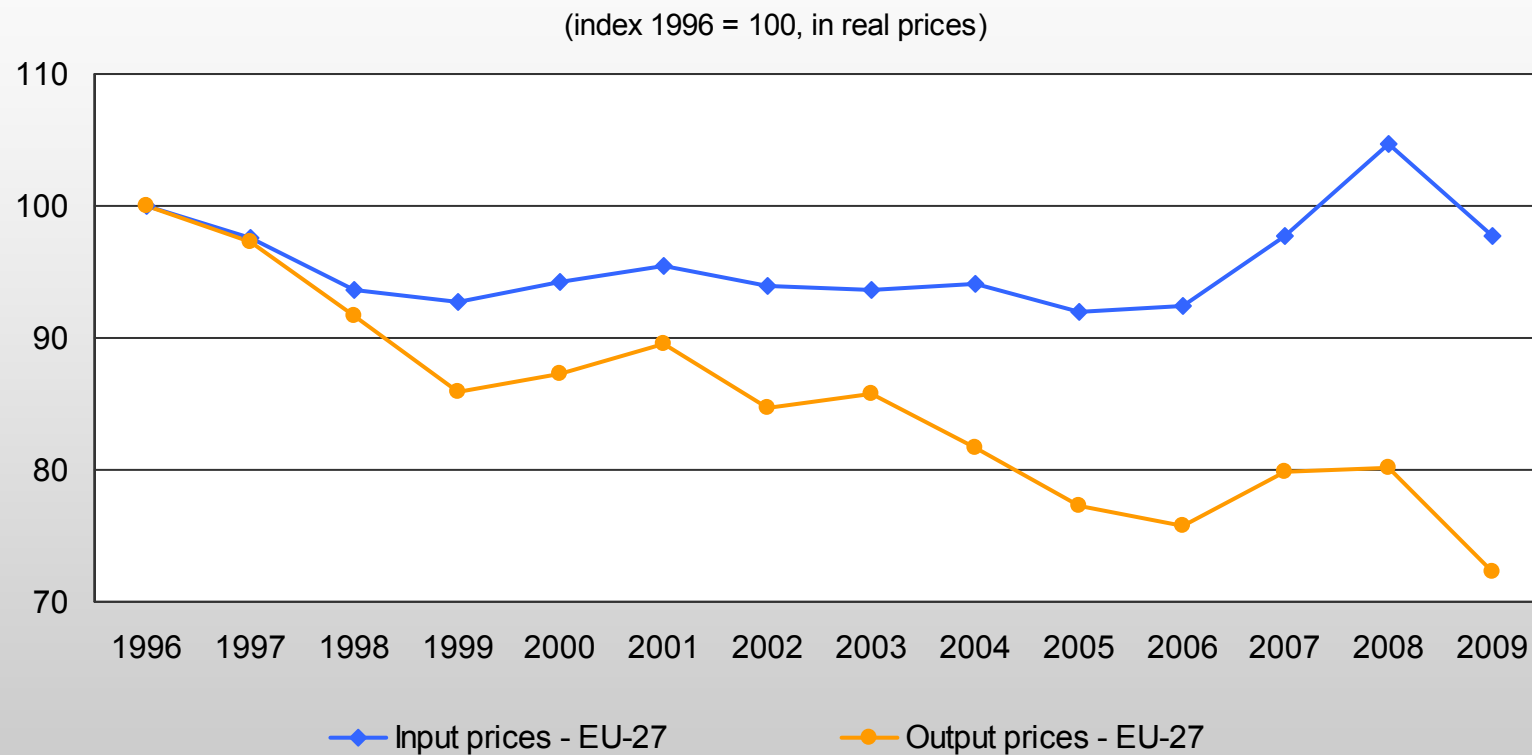


Source: Eurostat



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Recent evolution of agricultural input and output prices



Source: Eurostat



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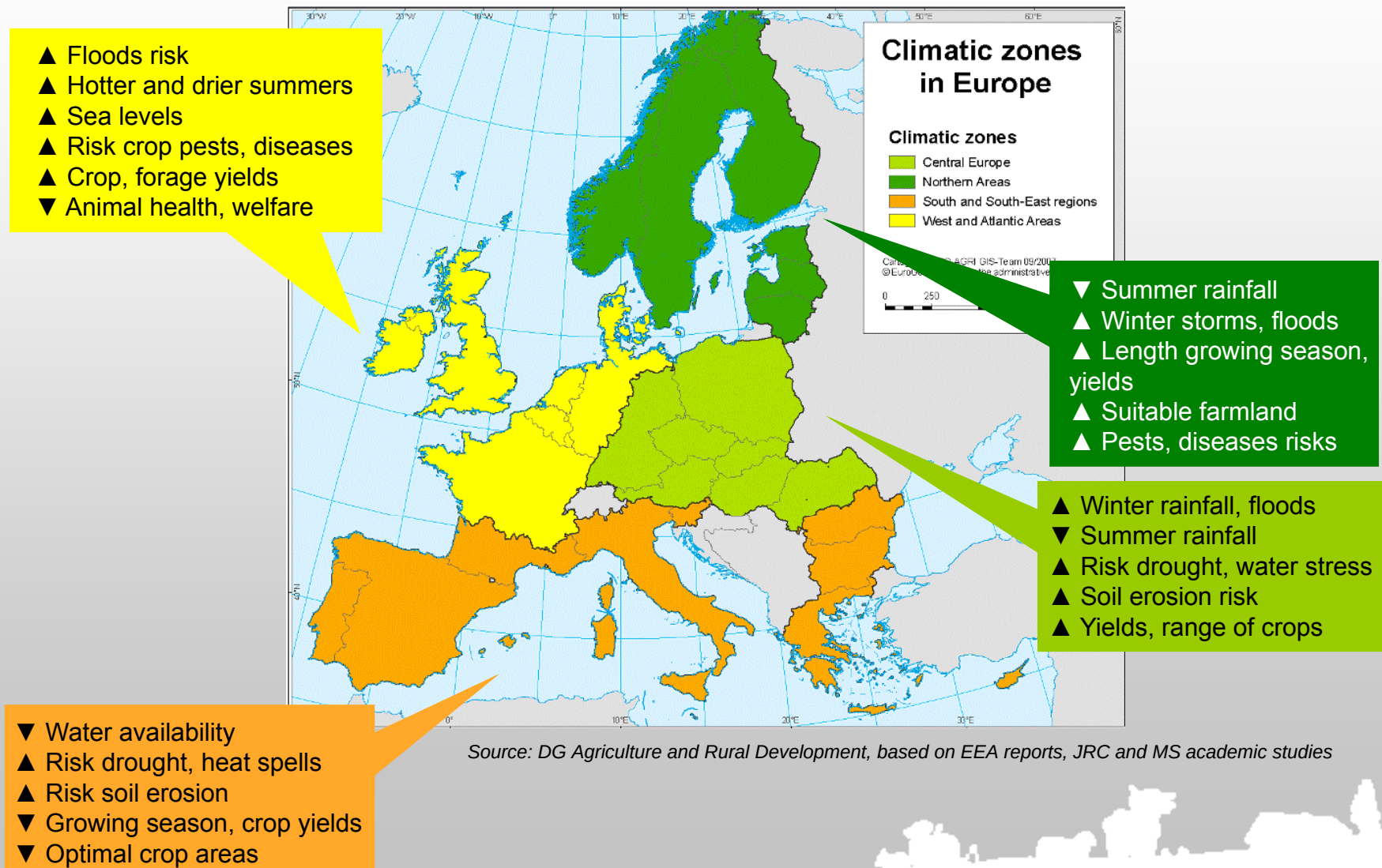
- GHG emissions
- Soil depletion
- Water/air quality
- Habitats and biodiversity



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Climate change

- Possible impacts on EU agriculture



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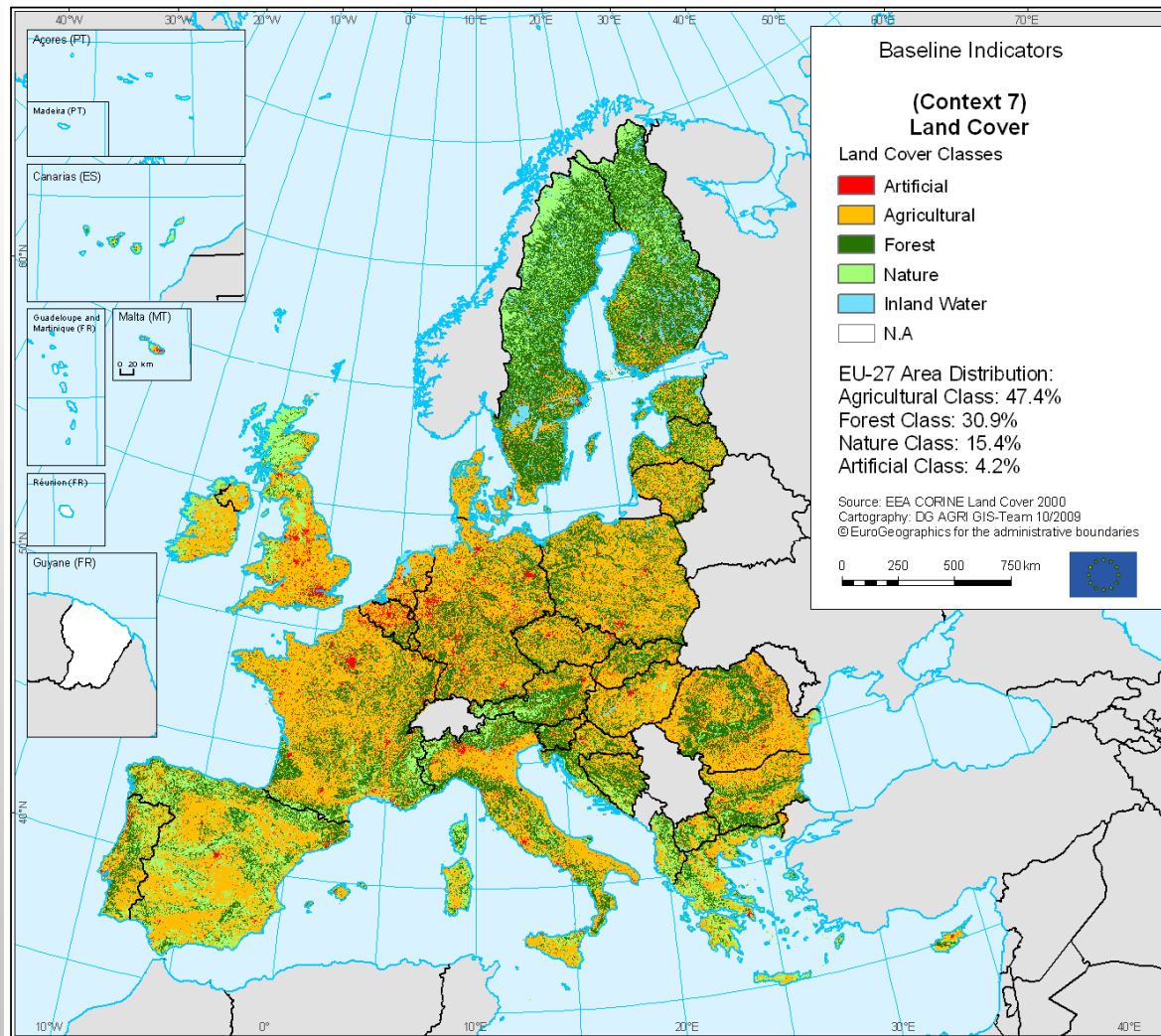
Environmental challenges

- GHG emissions
- Soil depletion
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- Habitats and biodiversity

Territorial challenges

- Vitality of rural areas
- Diversity of EU agriculture

Importance of agriculture in the EU territory



- 13.7 million farms (70% with less than 5 ha)
- The agrifood sector has 17.5 million employees (7.7% of total employment)

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Equity and balance of support

Contribution to Europe 2020 strategy

4a. What are the objectives with the reform?

Viable food production

- To contribute to farm income and limit its variability
- To improve sector competitiveness and share in food chain value-added
- To compensate areas with natural constraints

Sustainable management of natural resources and climate action

- To guarantee the provision of public goods
- To foster green growth through innovation
- To pursue climate change mitigation and adaptation

Balanced territorial development

- To support rural vitality and employment
- To promote diversification
- To allow social and structural diversity in rural areas

Common EU response needed



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4b. What policy instruments?

Better targeted to objectives

Based on two pillar structure

Direct payments

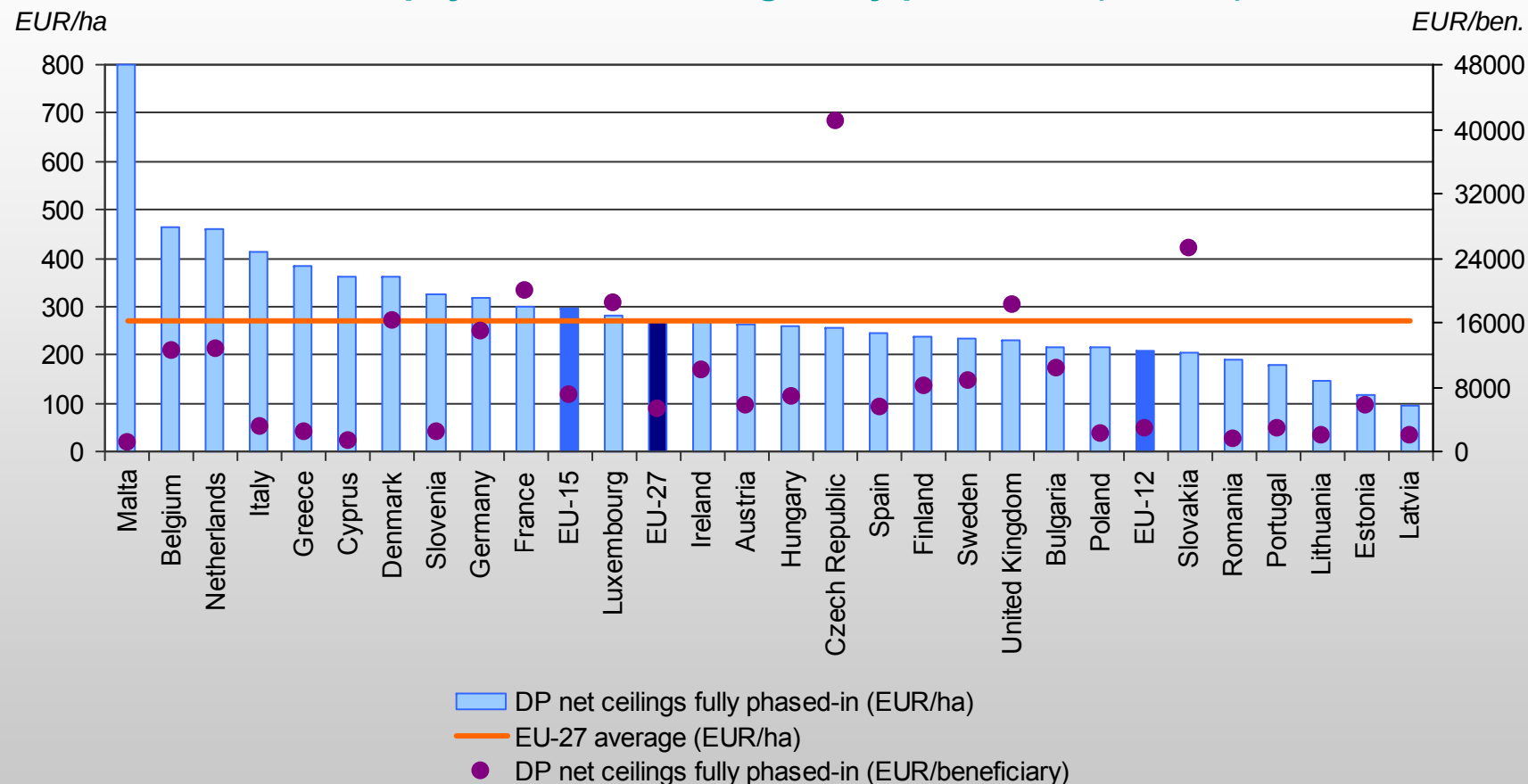
- Redistribution
- Better targeting
- Redesign:
 - *Greening of direct payments*
 - *Capping of payments*
 - *Small farmers support*
 - *Areas with specific natural constraints*



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Average direct payments per potentially eligible area and beneficiary

Direct payments net ceilings fully phased-in (in 2016)



Source: European Commission - DG Agriculture and Rural Development

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Based on two pillar structure

Market measures

- Market orientation
- Streamline and simplification
- Improved food chain functioning

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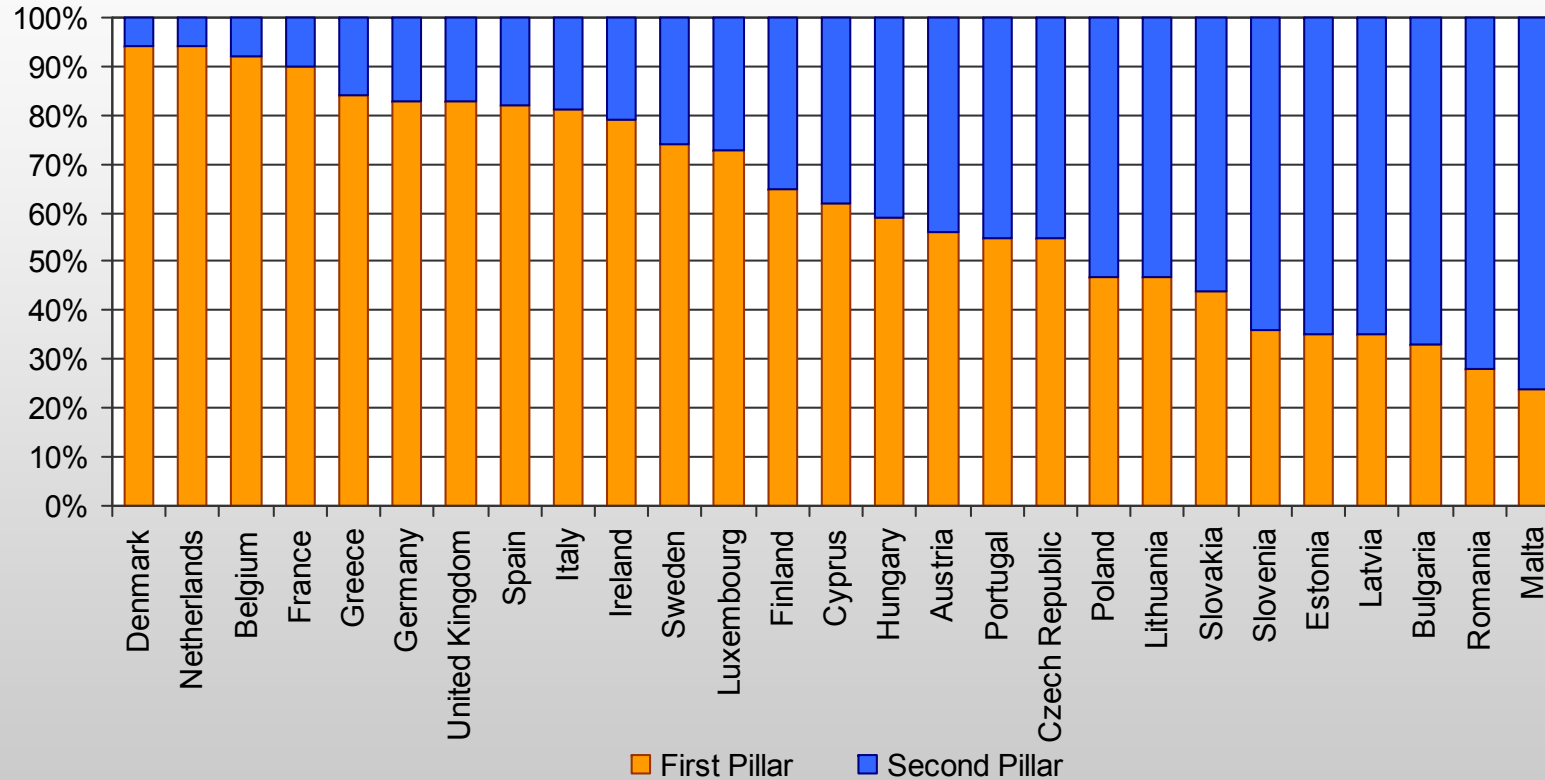
Rural development

- Environment, climate change and innovation as guideline themes
- Improved coherence with other EU policies
- More effective delivery mechanisms
- Address risk management
- New distribution criteria

CAP expenditure between pillars

(in 2009)

% of total expenditure



Source: European Commission - DG Agriculture and Rural Development

4c. What policy options?

Option 1	Continue the reform process while adjusting in particular for more equity in the distribution of direct payments
Option 2	Option 1 plus 'green' targeted measures, capping and specific approach to support small farmers, risk management
Option 3	Focus entirely on environmental and climate change objectives through rural development, move away from income support and most market measures



4c. What policy options?

Direct payments	• More equitable distribution among MS and among farmers	• More equitable distribution among MS and among farmers • Greening of direct payments • Capping of payments • Increase small farmers support	• Gradually phase out direct payments
Market measures	• Streamline and simplify existing measures	• Streamline and simplify existing measures	• Phase-out most measures • Keep disturbance clause for severe crises
Rural development	• Continue emphasis on climate change, biodiversity, bio energy and innovation	• More focus on environment, restructuring and innovation, climate change, local initiatives • Risk management tools and income stabilisation tool • New distribution criteria	• Primarily focus on measures linked to the environment and the delivery of public goods
	Option 1	Option 2	Option 3

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5. Next steps

Inter-institutional debate on the Communication

Preparation of Impact Assessment (IA)

- In-depth Commission analysis of new policy settings, options and their economic, social and environmental impacts
- Stakeholders consultation: analytical contributions from stakeholders based on Consultation document published on the 23th of November

Preparation of Legal Proposals

Legal proposals presented by mid-2011

6. Some Conclusions for South-Eastern Europe

- Process: public consultation, Impact Assessment
- Orientation towards Europa 2020 Strategy
- Legal proposals, Financing and Implementing Rules still to be discussed
- Sound management
- Direct payments: decoupled income support becomes more equitable, justification debate, small farmers
- Food Supply Chain: producer organisations, contracts, transparency, competition rules
- Rural Development: strategic guidelines, new measures for risk management, evaluation and monitoring

For further information

- The CAP after 2013

http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm

- The Communication on the future of the CAP

http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm

- Public consultation

http://ec.europa.eu/agriculture/cap-post-2013/consultation/index_en.htm

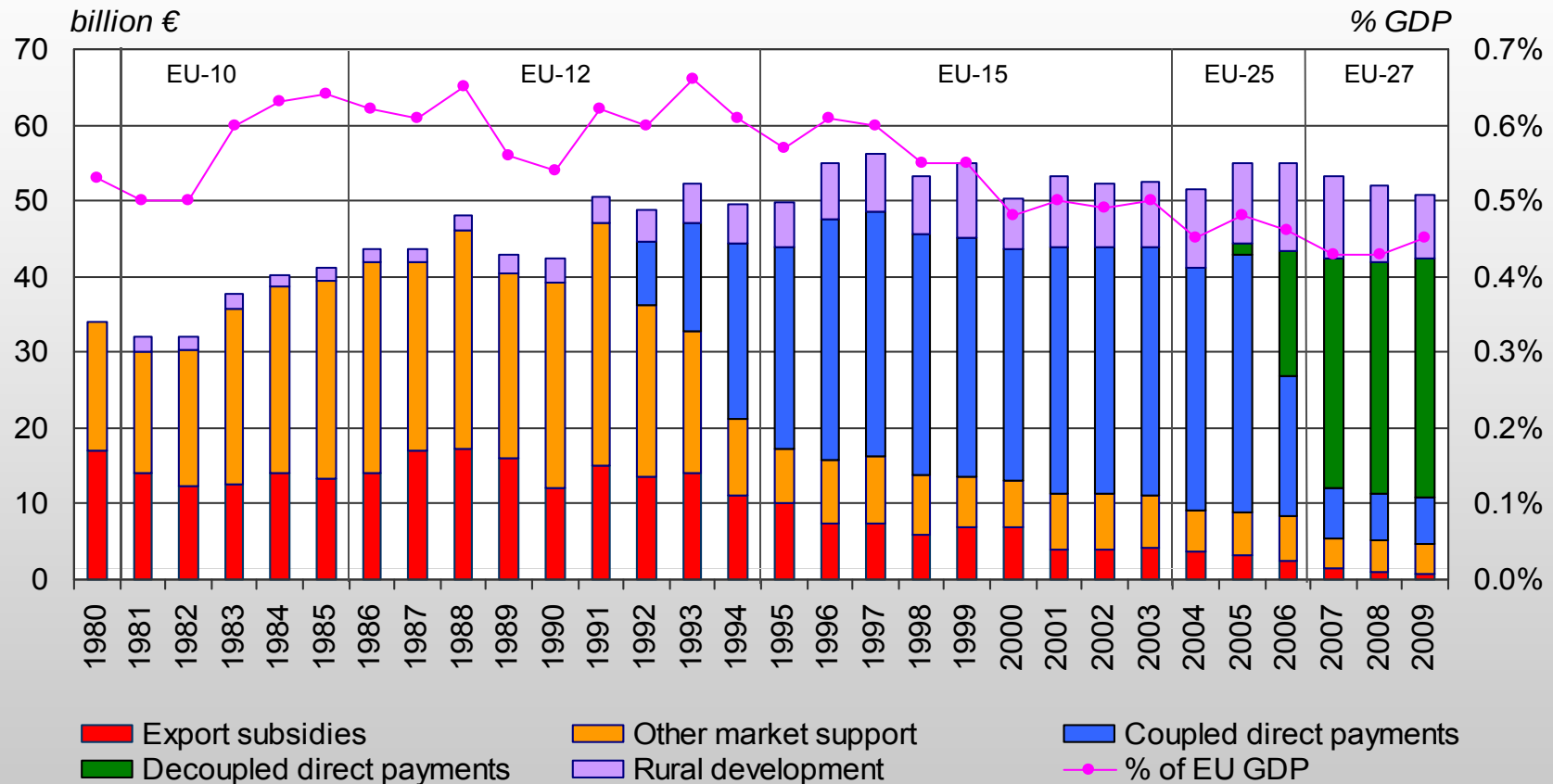
Thank you



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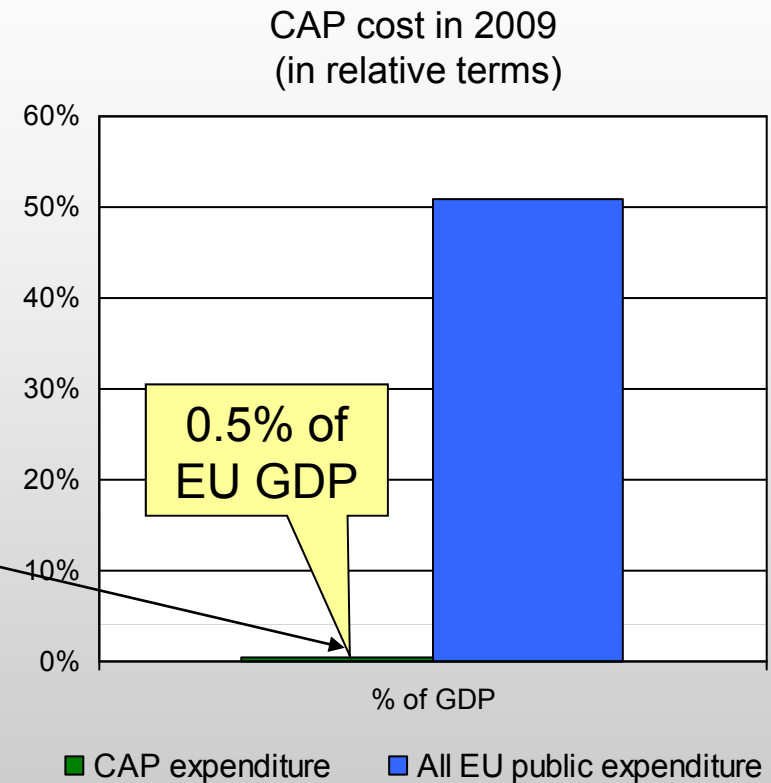
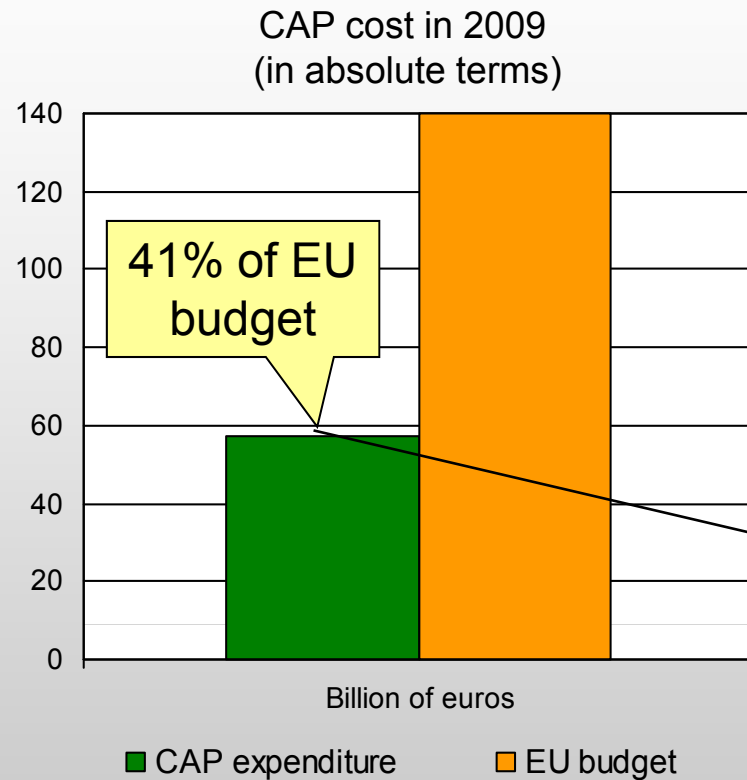


CAP expenditure and CAP reform path (2007 constant prices)



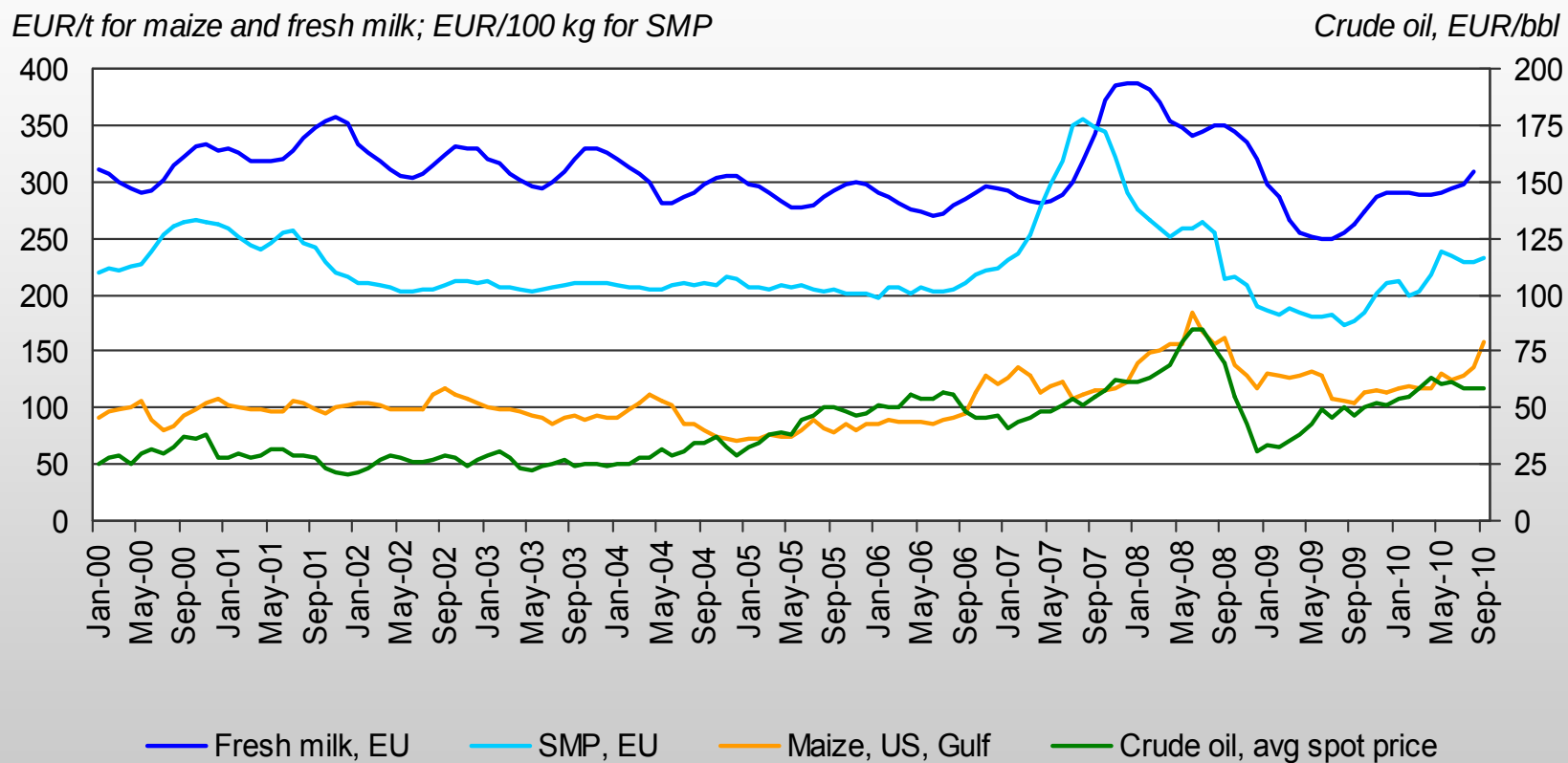
Source: European Commission - DG Agriculture and Rural Development

Alternative views on the cost of the CAP



Source: European Commission - DG Agriculture and Rural Development

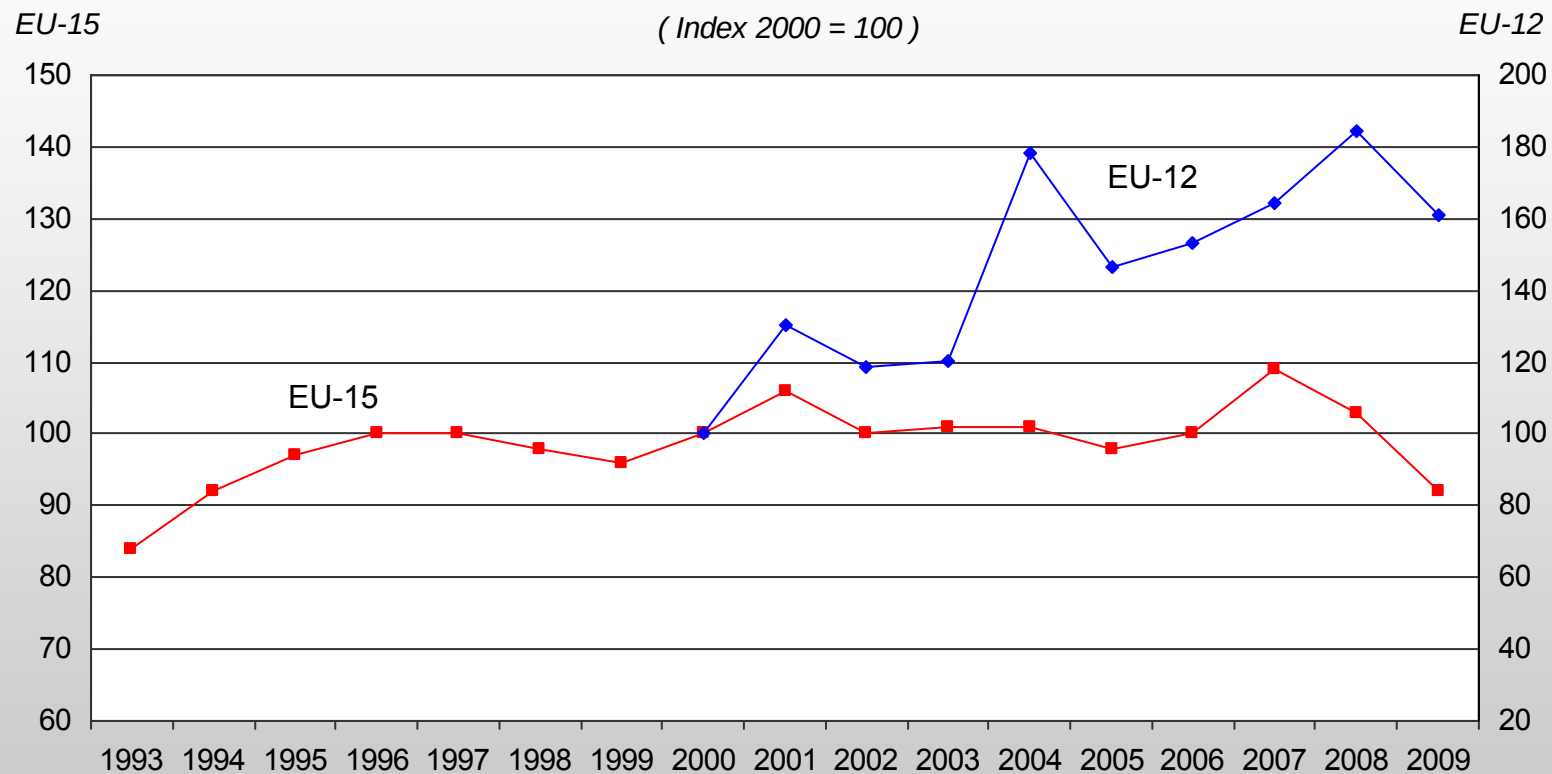
Recent trends in some commodity market prices



Sources: European Commission - DG Agriculture and Rural Development and World Bank

EU developments in agricultural income

(agricultural income/AWU in real terms)



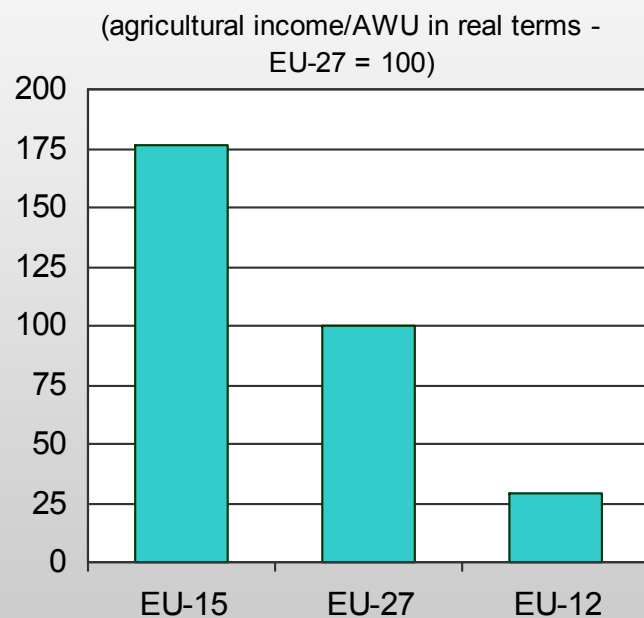
Source: Eurostat



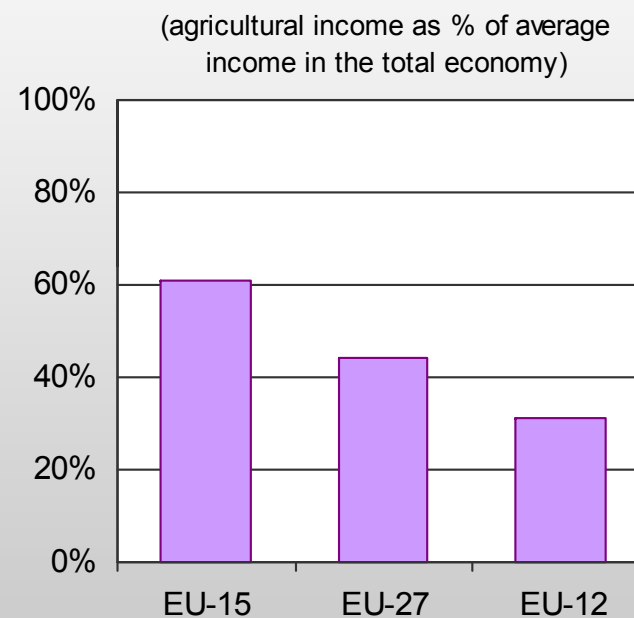
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Relative situation of agricultural income in the EU

Agricultural income level
between Member States
(2009)



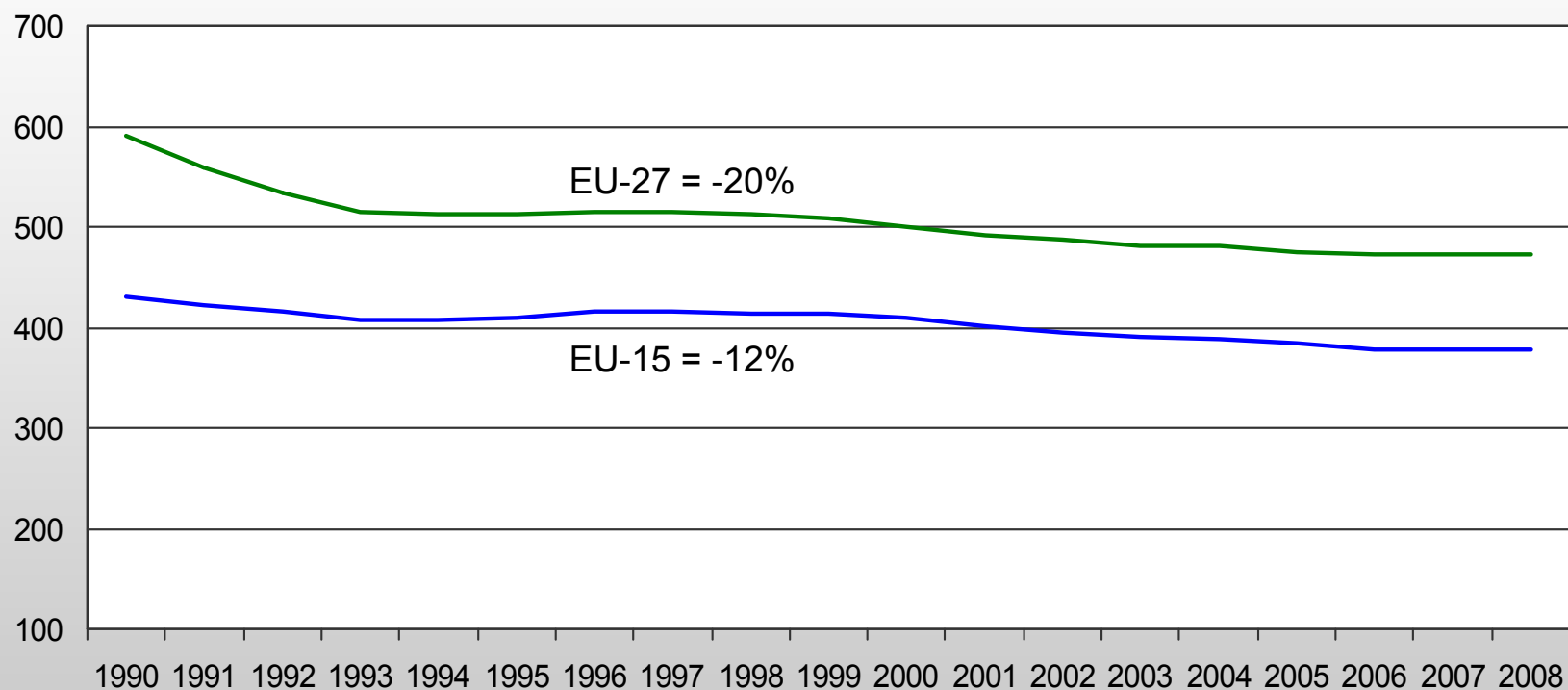
Income gap with the rest
of the economy
(average 2005-2007)



Source: European Commission - DG Agriculture and Rural Development, based on Eurostat data

Declining trend of GHG emissions in EU agriculture since 1990

Tg CO₂ equivalents

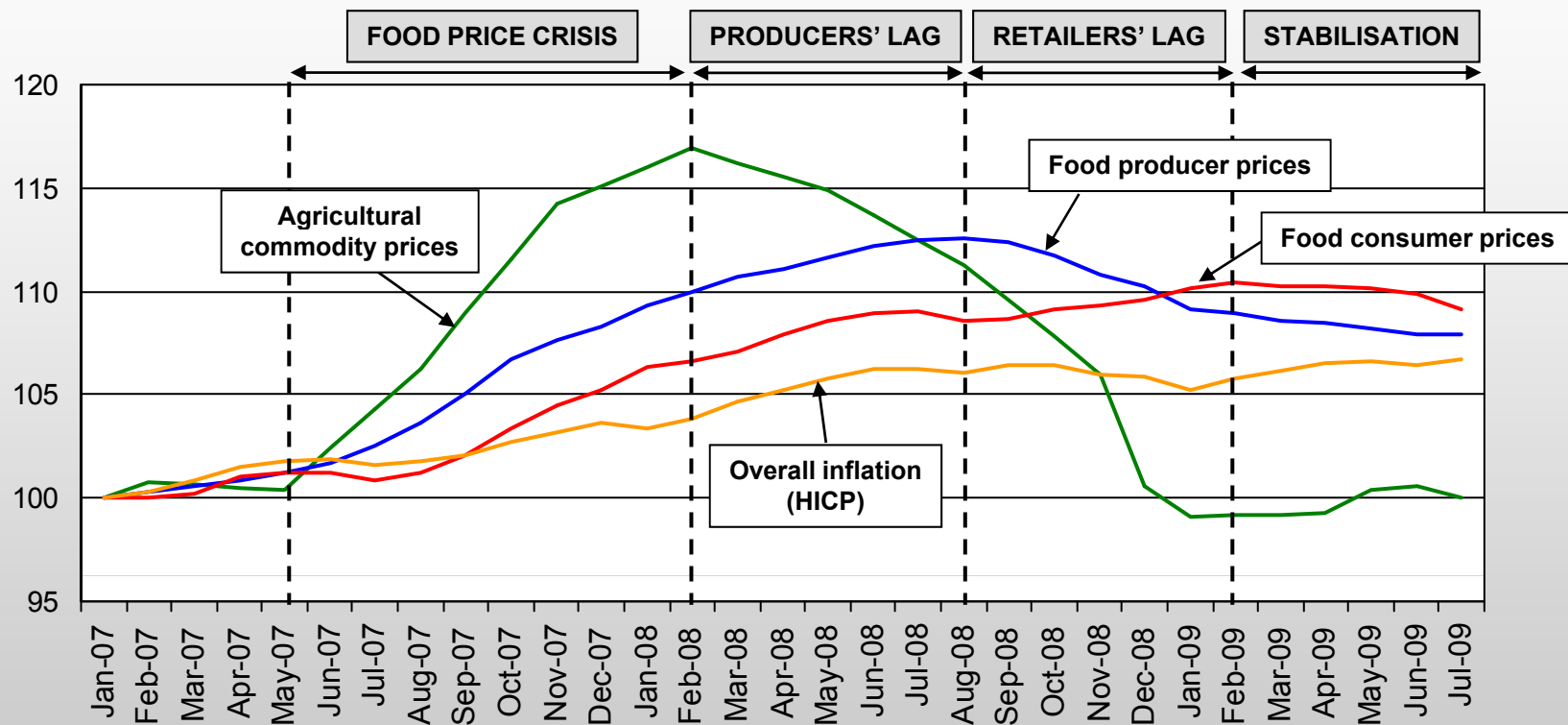


Source: EEA



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Slow, limited, asymmetric price transmission along the food supply chain



Source: European Commission – DG Economic and Financial Affairs, based on Eurostat data