



Working Group
Agriculture and Rural Development

Reform of the Common Agricultural Policy: Background

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Milestones of the CAP

1957: Treaty of Rome

1968: Common Market Organizations

1984: Supply control (dairy quota, set aside)

1992: Mac Sharry reform: price reductions and
compensatory payments (area; livestock)

2003: Single Payment Scheme, Cross Compliance;
Rural Development Policy



Reasons for ongoing CAP reform

EU net agricultural importer > net exporter

Surpluses and increasing expenditure in 1970s & 80s

Changing needs and wants of society

Other roles of private and public sectors

WTO-negotiations and EU-enlargements



Changing needs and wants of society

During the establishment of the CAP

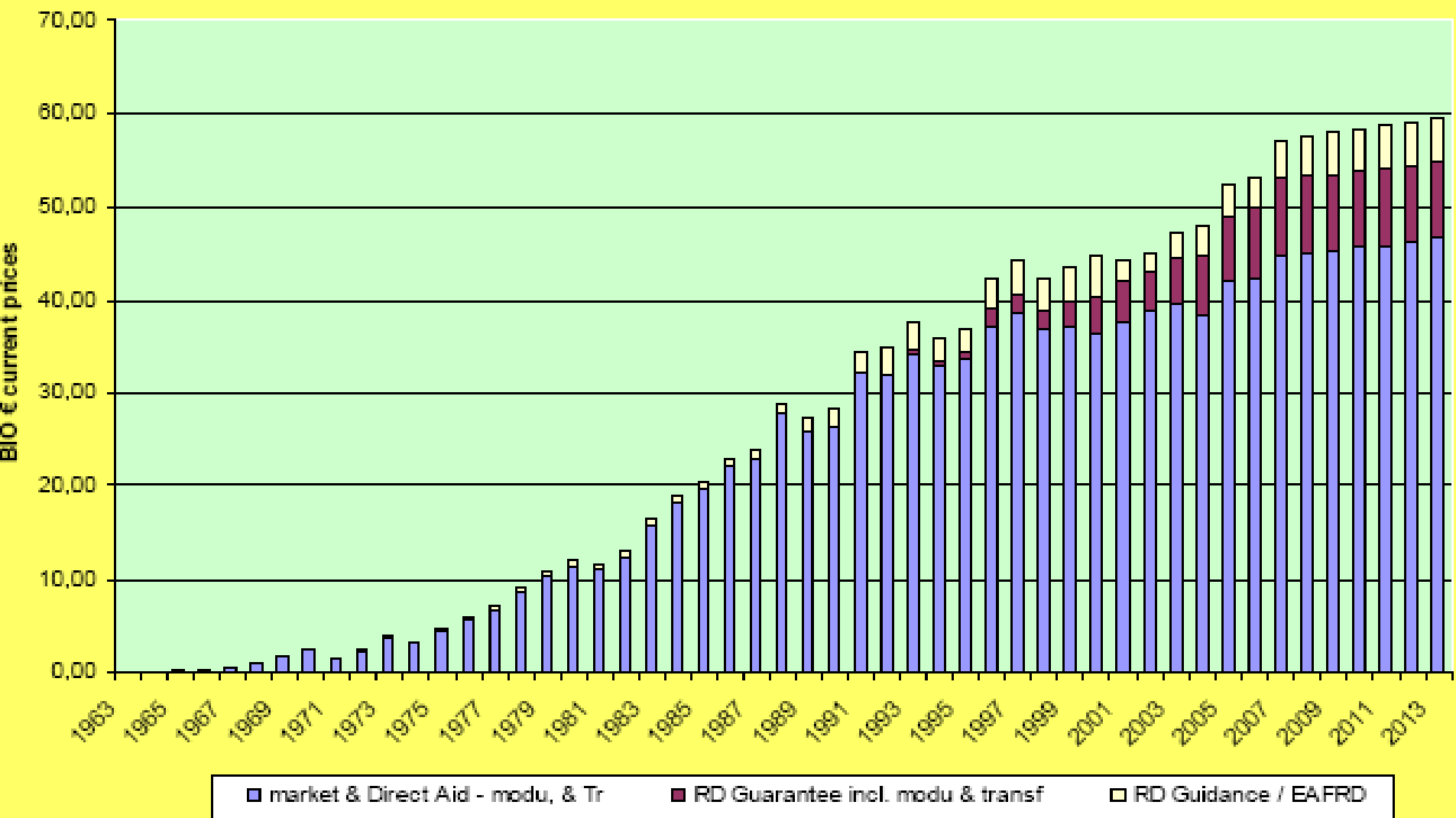
- Food security
- Balance of payments
- Farm prices and income
- Labor scarcity: increasing labor productivity

Nowadays

- Food safety and food quality
- Landscape and nature; animal welfare
- Environmental scarcity: sustainable development
- Preferential treatment of developing countries



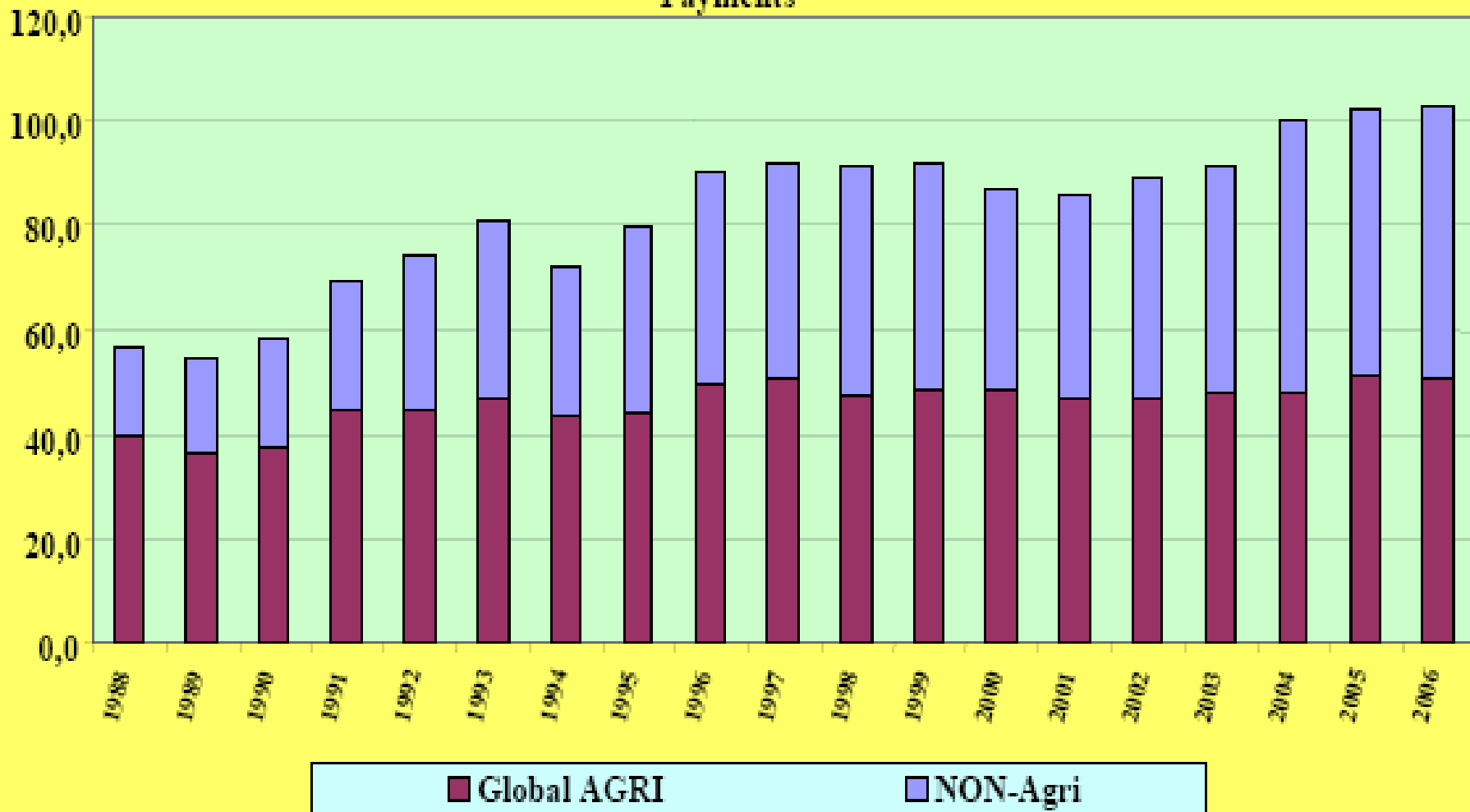
EU agricultural payments, 1963-2013





EU expenditure, 1988-2006

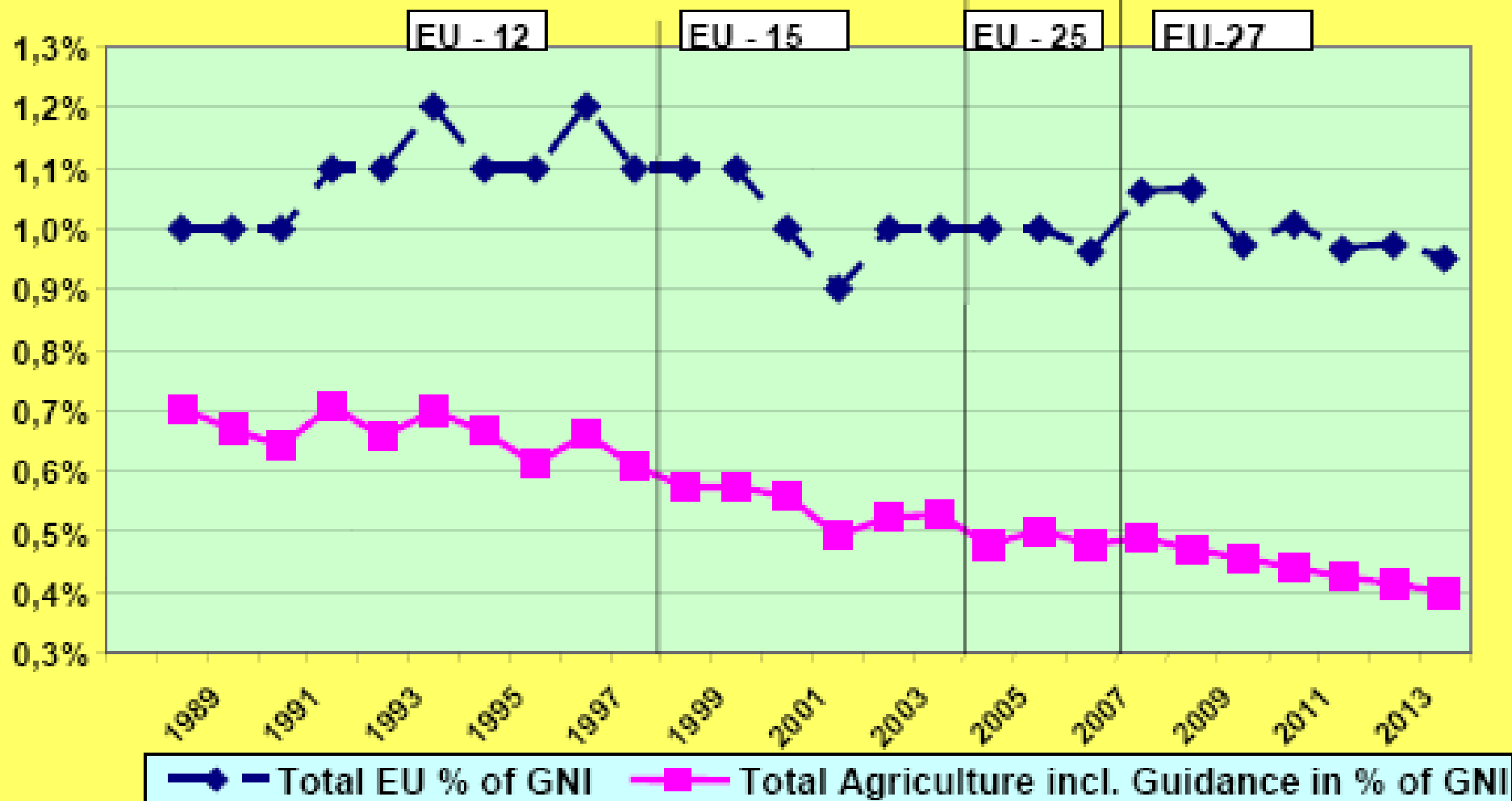
EU global budget & global agricultural budget Payments





EU expenditure in % of GNI, 1988-2013

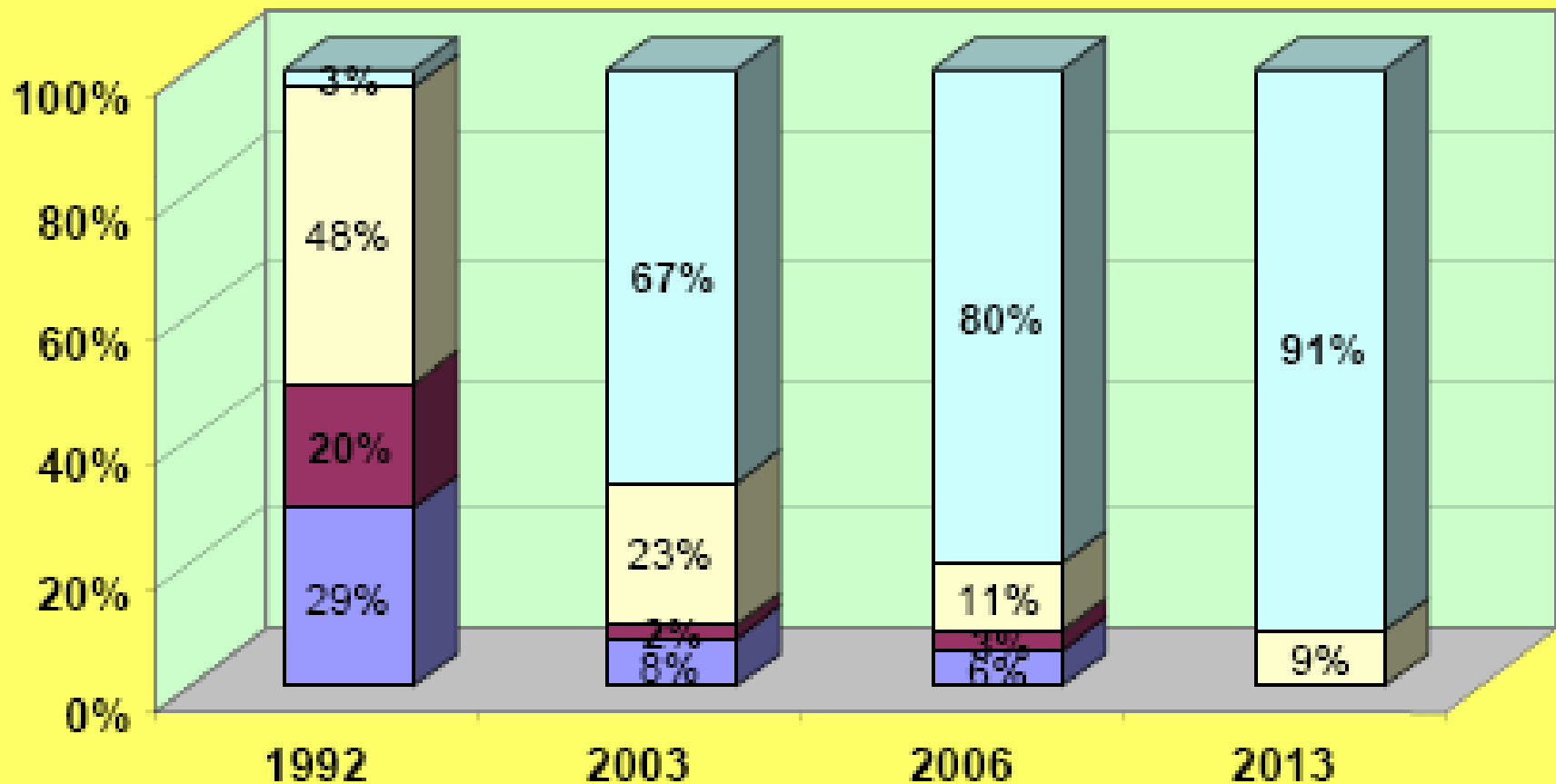
Payments





Change in agricultural expenditure

Market and direct aid



Export refund

Intervention

Other Market expenditure

Direct aid



Financial Perspectives EU-27 (prices 2004)

	2007	2013
EU total	121	127
EU agriculture	54	50
<i>1. Market and direct aid</i>	<i>43</i>	<i>41</i>
<i>2. Rural development</i>	<i>11</i>	<i>9</i>



European agenda

2008: Health Check of the 2003 CAP Reform

- market developments!
- results of WTO Round (DDA)
- distribution of direct payments
- abolishment of dairy quota before 2015?

2009: Debate on EU-Financing after 2013



Timetable Health Check

November 20, 2007	Communication European Commission
January – March, 2008	Discussions in Council and Parliament
May 20, 2008	Formal proposals European Commission
Autumn 2008	Decisions Council and Parliament
Winter 2008/09	National choices
July 2009	Implementation



CAP Health Check Communication

Single Farm Payment	Towards a “flatter rate” system More decoupling Capping (>100.000 euro) Review cross compliance
Common Market Organisation	Abolishment of set-aside ‘Soft landing’ of dairy quota expiry
Rural Development	New challenges: risk, climate change, water management, bio-fuels, biodiversity To be financed by RDP (2 nd pillar) Modulation: from 5% > 13% in 2013



CAP

pillars 1 & 2

Pillar 1 (43 billion euro 2007, prices 2004)

Market Organisations

Price policies
Supply Control

Direct Payments

Coupled
Decoupled
Cross compliance

Pillar 2 (11 billion euro 2007, prices 2004)

Rural Development Policies

- 1: Competitiveness
- 2: Environment and landscape
- 3: Quality of life and diversification

LEADER

Modulation



Modulation – additional* cut (%) in SFP

SFP receipts	2009	2010	2011	2012
0 < 5 000	0	0	0	0
5k < 100k	2	4	6	8
100k < 200k	5	7	9	11
200k < 300k	8	10	12	14
300k <	11	13	15	17
Funds (million euro)	549	974	1 415	2 007

*) In addition to the 5% already applicable for amounts above 5 000 euro

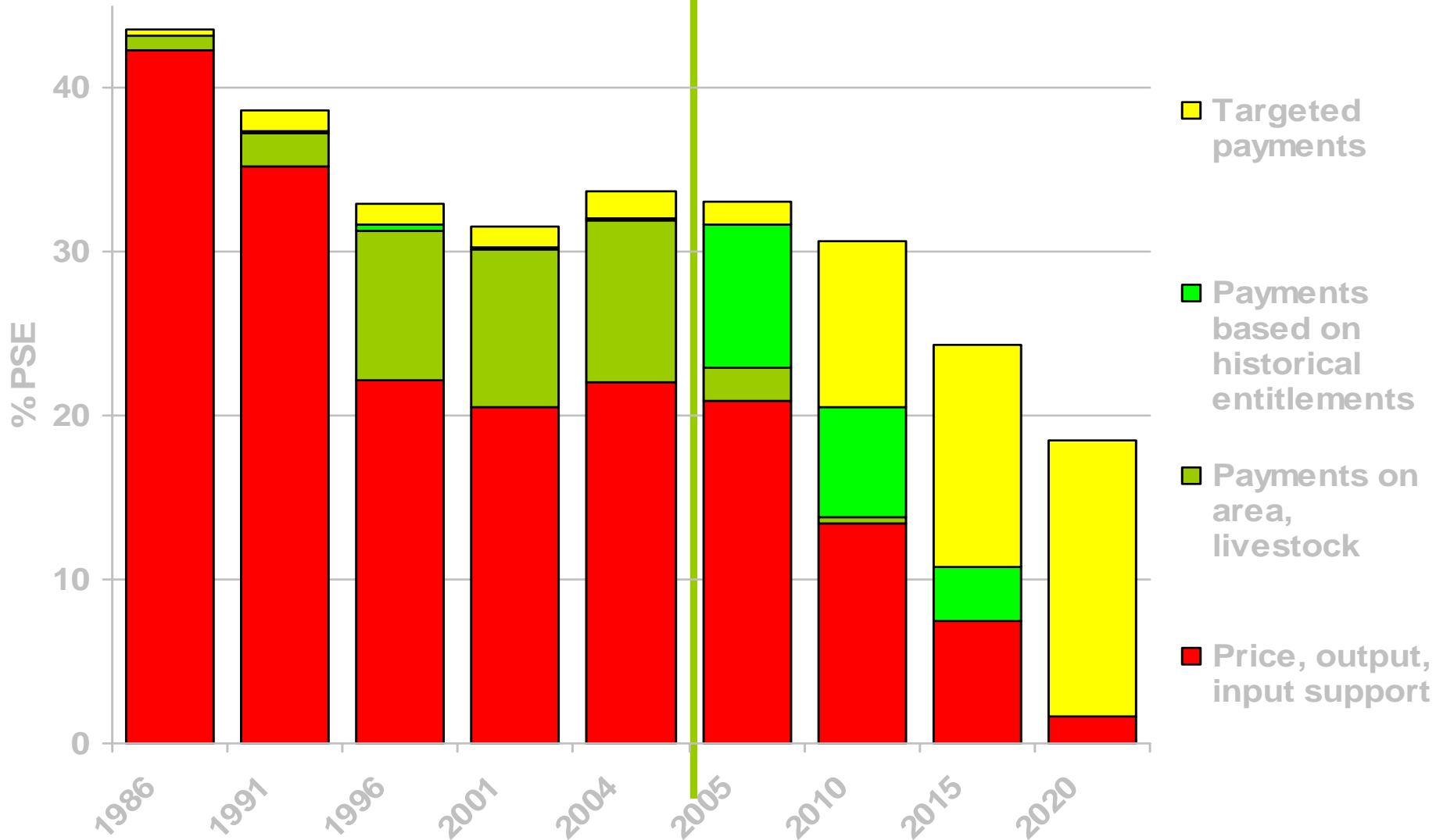


EU agricultural support in transition

(Source: Tangermann)

History

Future?





Conclusions

- The CAP reform is reflecting changing expectations of agriculture
- 'Protection and support' policies are generally viewed as outdated, but are still reflected in broad based 'decoupled' payments
- Targeting as new paradigm may better express
... society's responsibility towards agriculture
... and farmers' responsibility towards society