



Communication on the future of the CAP

“The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future”

DG for Agriculture and Rural
Development
European Commission



European Commission
Agriculture and
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

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
- Very successful Conference in July: 600 participants
- Council, EP, EESC, CoR discussions and/or opinions

The Communication

- 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...

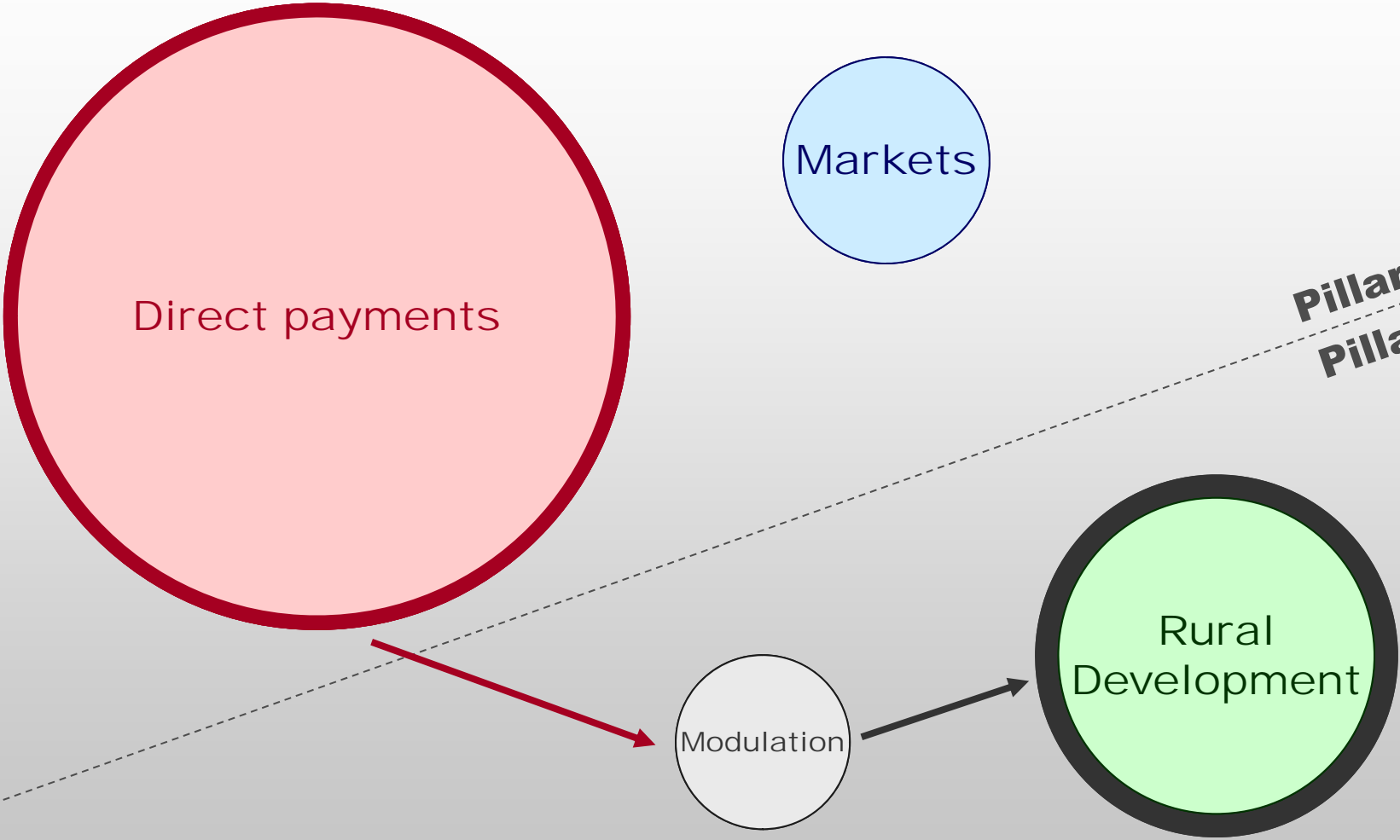
- Structured in two complementary pillars
- Farm support mainly decoupled and subject to cross-compliance
- Role of market intervention mechanisms significantly reduced to safety net level
- Rural development policy strengthened with funds and new policy instruments

... better performing...

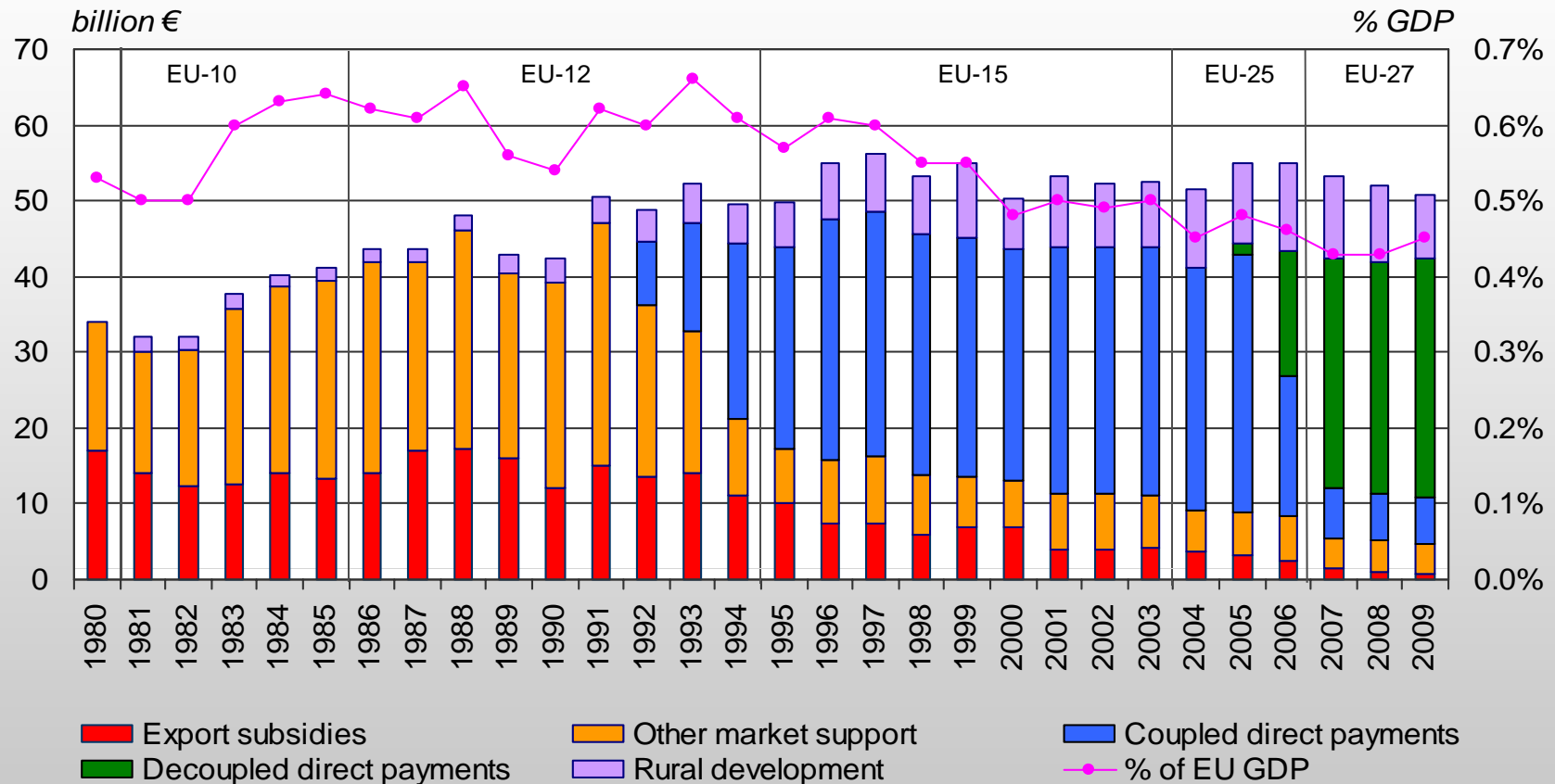
- Surpluses belong to the past
- Competitiveness improved
- Improved transfer efficiency
- More sustainable farming
- Integrated approach for rural areas
- Contribution to EU budget stability

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

The CAP today – budget relevance



CAP expenditure and CAP reform path (2007 constant prices)



Source: European Commission - DG Agriculture and Rural Development

3. Why do we need a reform?

To respond to challenges ahead

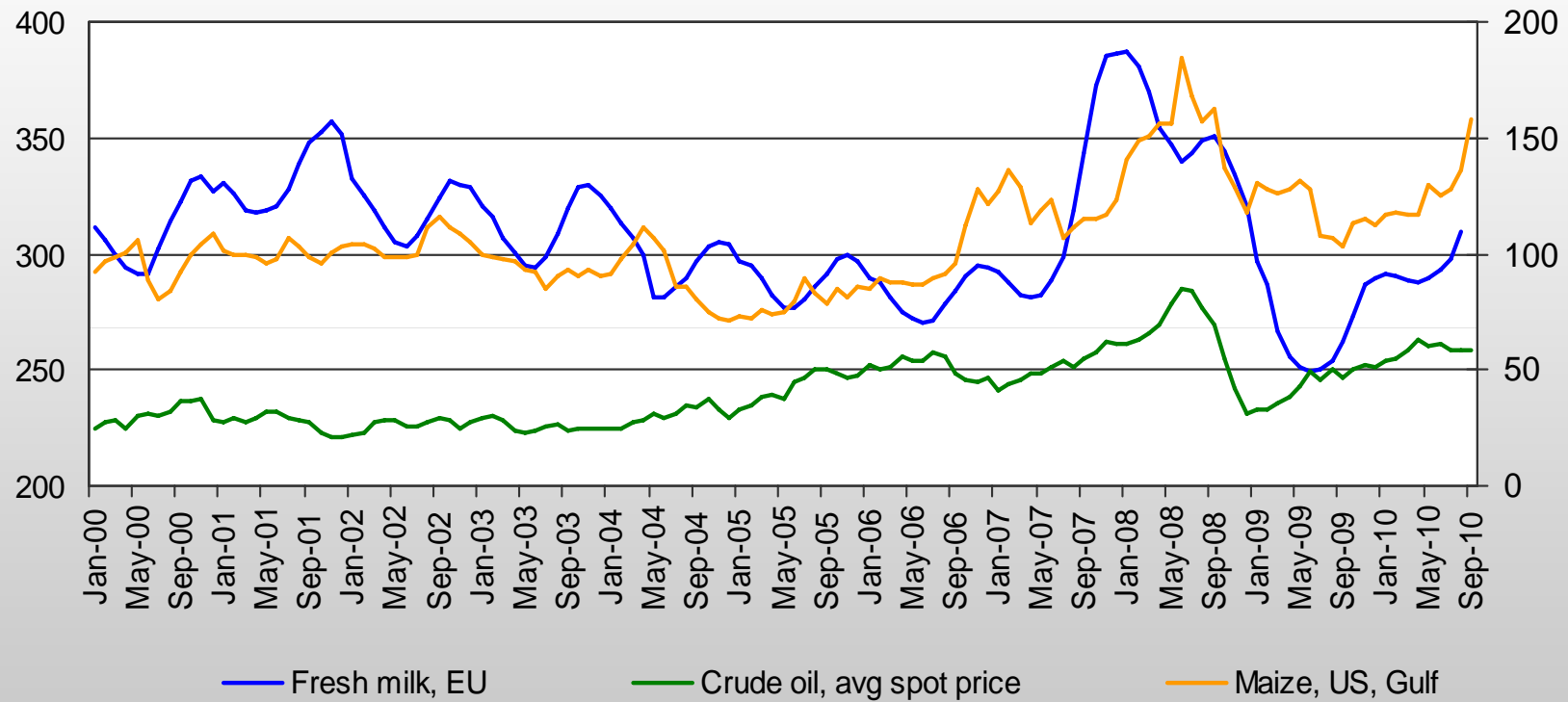
Economic challenges

- Food security
- Price variability
- Economic crisis

Recent trends in some commodity market prices

EUR/t for fresh milk

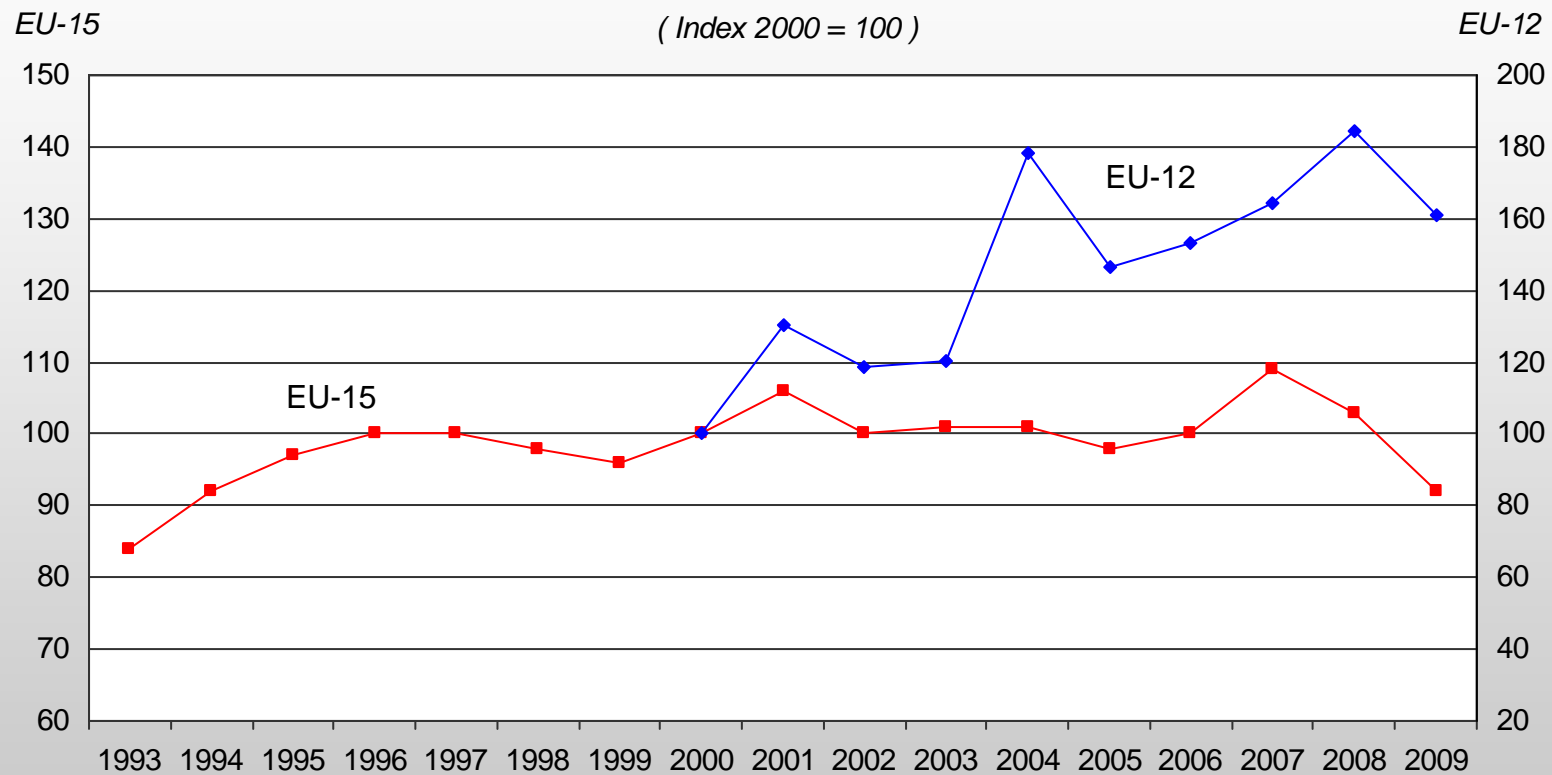
EUR/t for maize; EUR/bbl for crude oil



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

EU developments in agricultural income

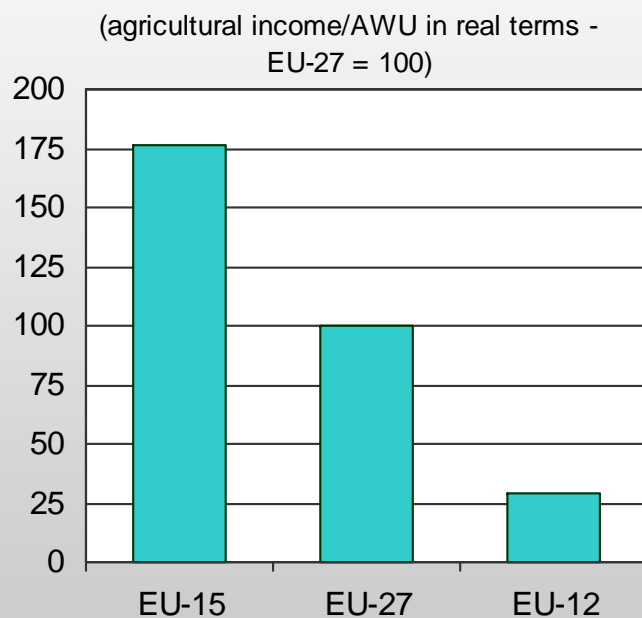
(agricultural income/AWU in real terms)



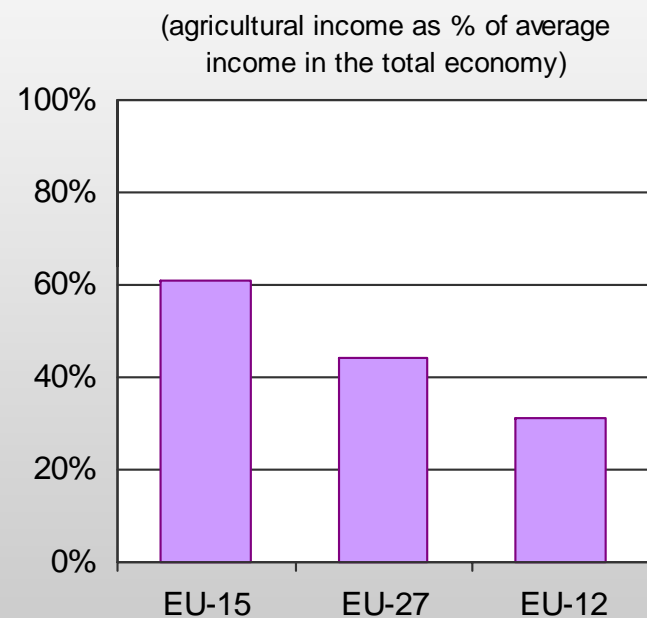
Source: Eurostat

Relative situation of agricultural income in the EU

Agricultural income level between Member States (2009)

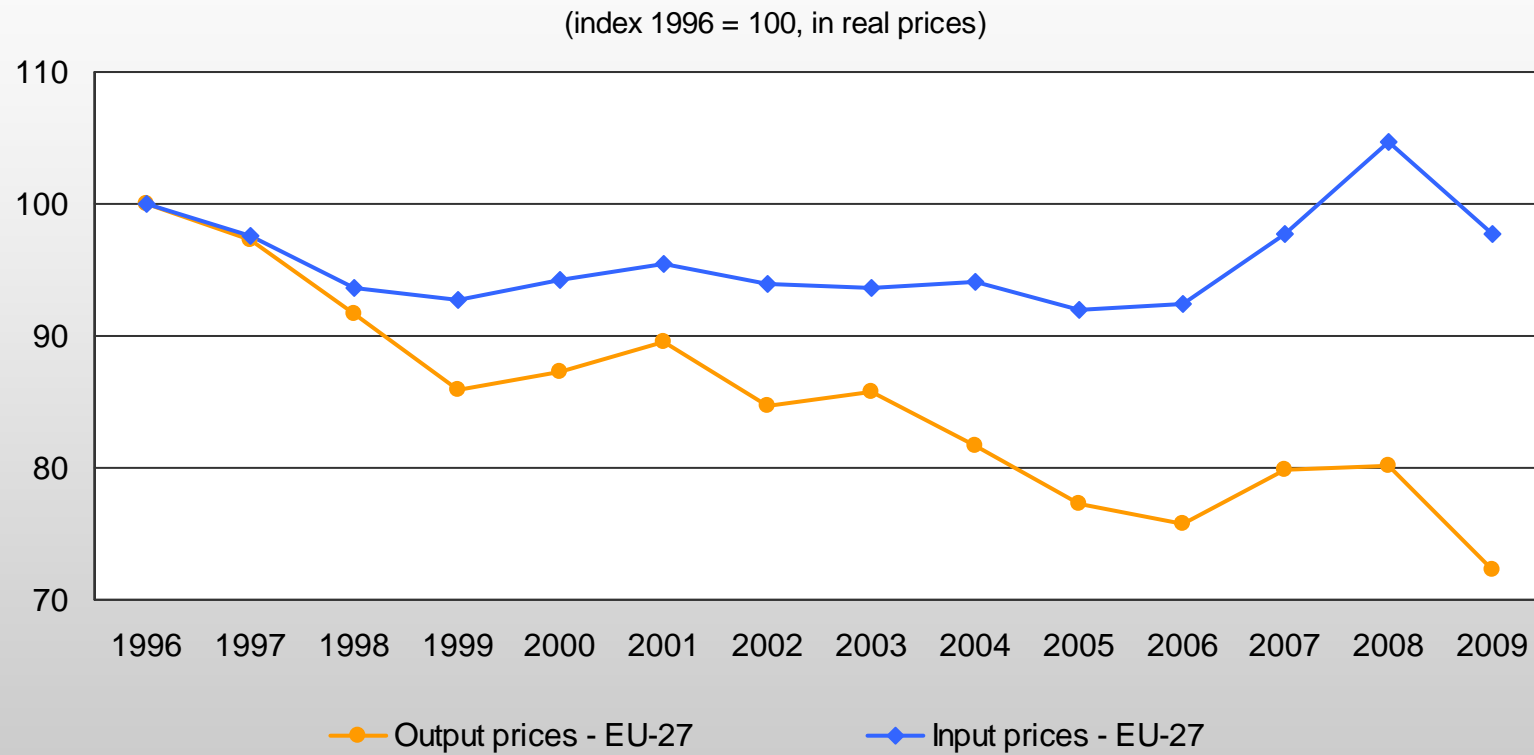


Income gap with the rest of the economy (average 2005-2007)



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

Recent evolution of agricultural input and output prices



Source: Eurostat

3. Why do we need a reform?

To respond to challenges ahead

Economic challenges

- Food security
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Environmental challenges

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

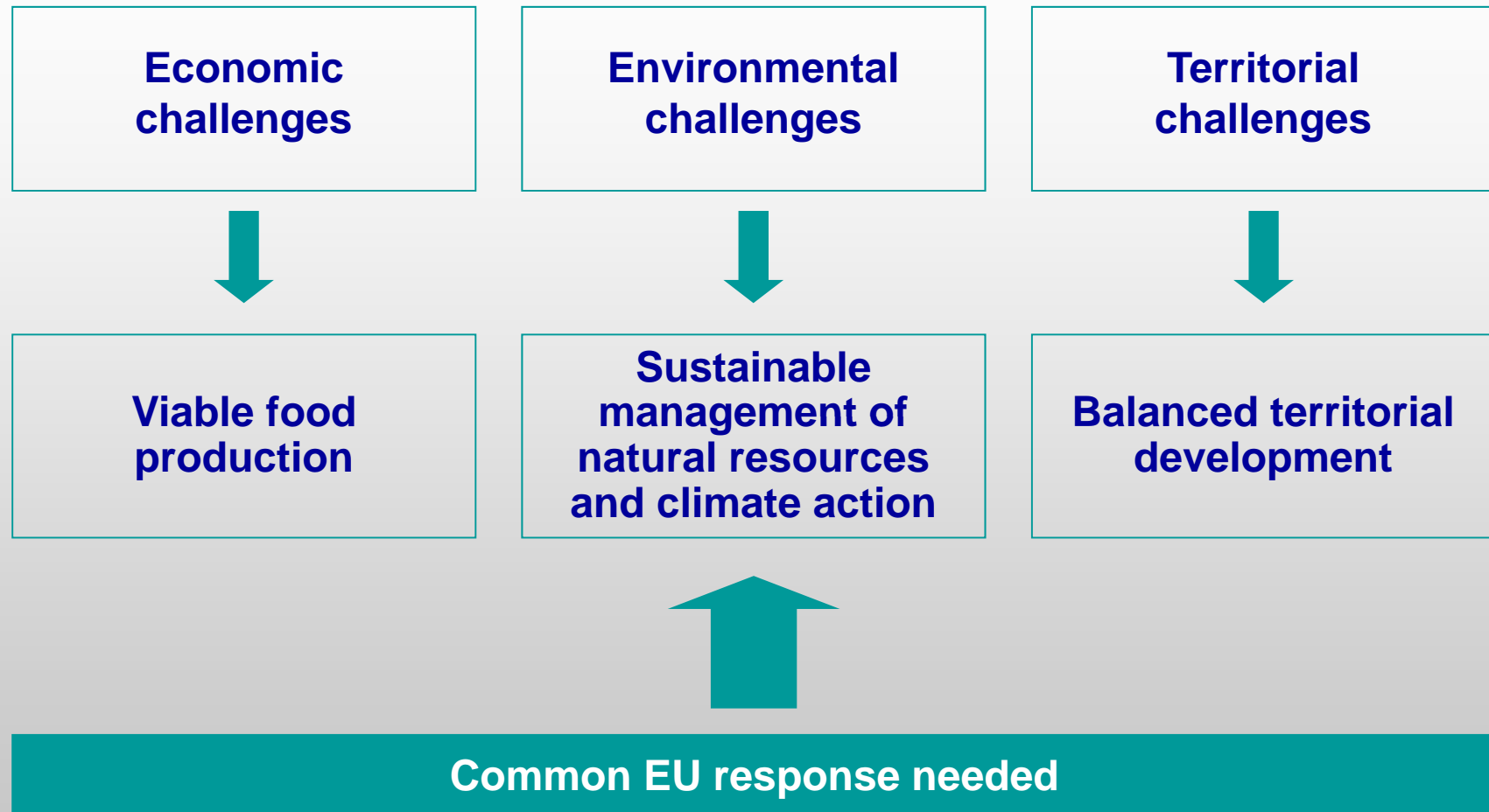
Territorial challenges

- Vitality of rural areas
- Diversity of EU agriculture

Equity and balance of support

Contribution to Europe 2020 strategy

4a. What are the objectives with the reform?



4b. What policy instruments?

Better targeted to objectives

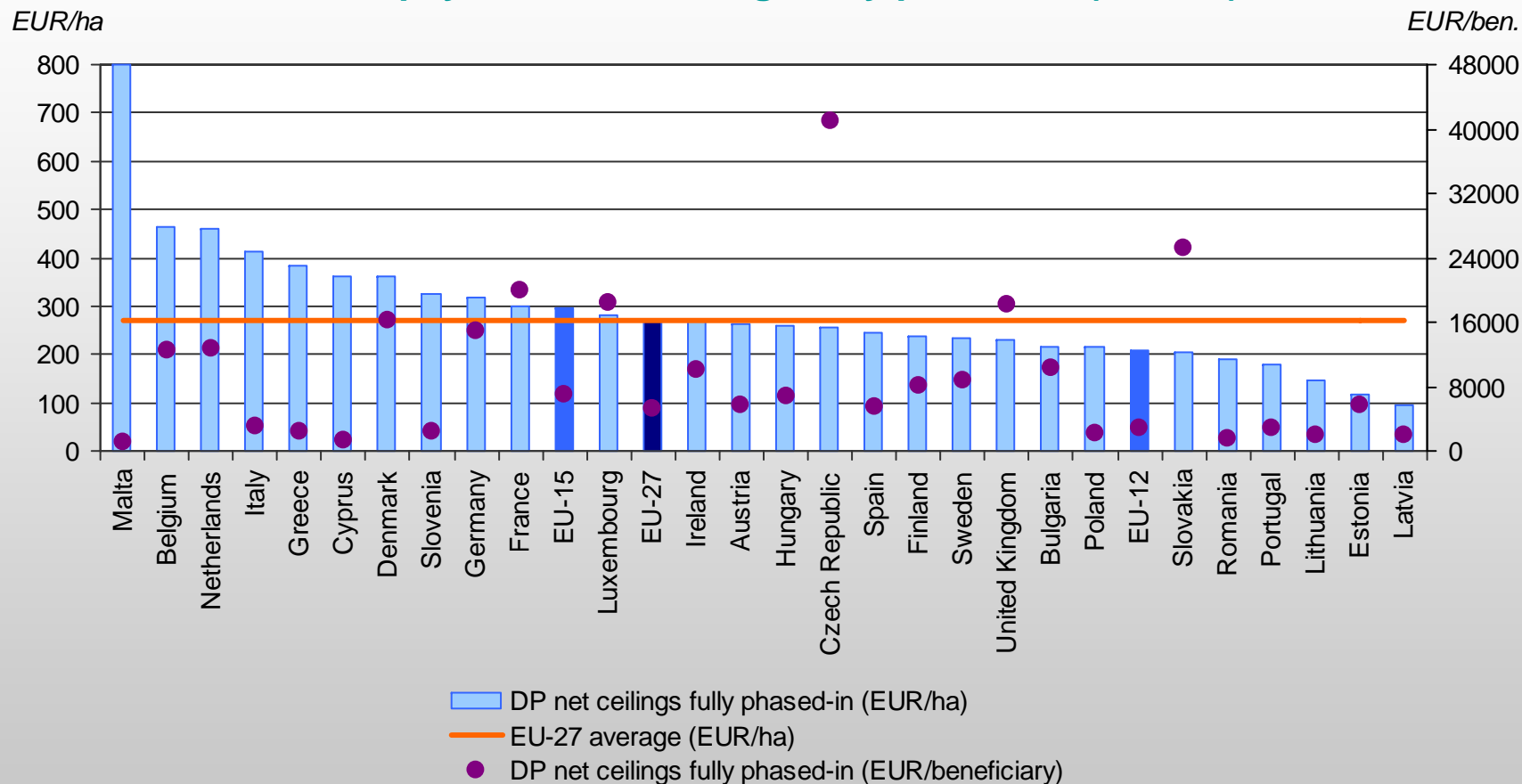
Based on two pillar structure

Direct payments

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

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

4b. What policy instruments?

Better targeted to objectives

Based on two pillar structure

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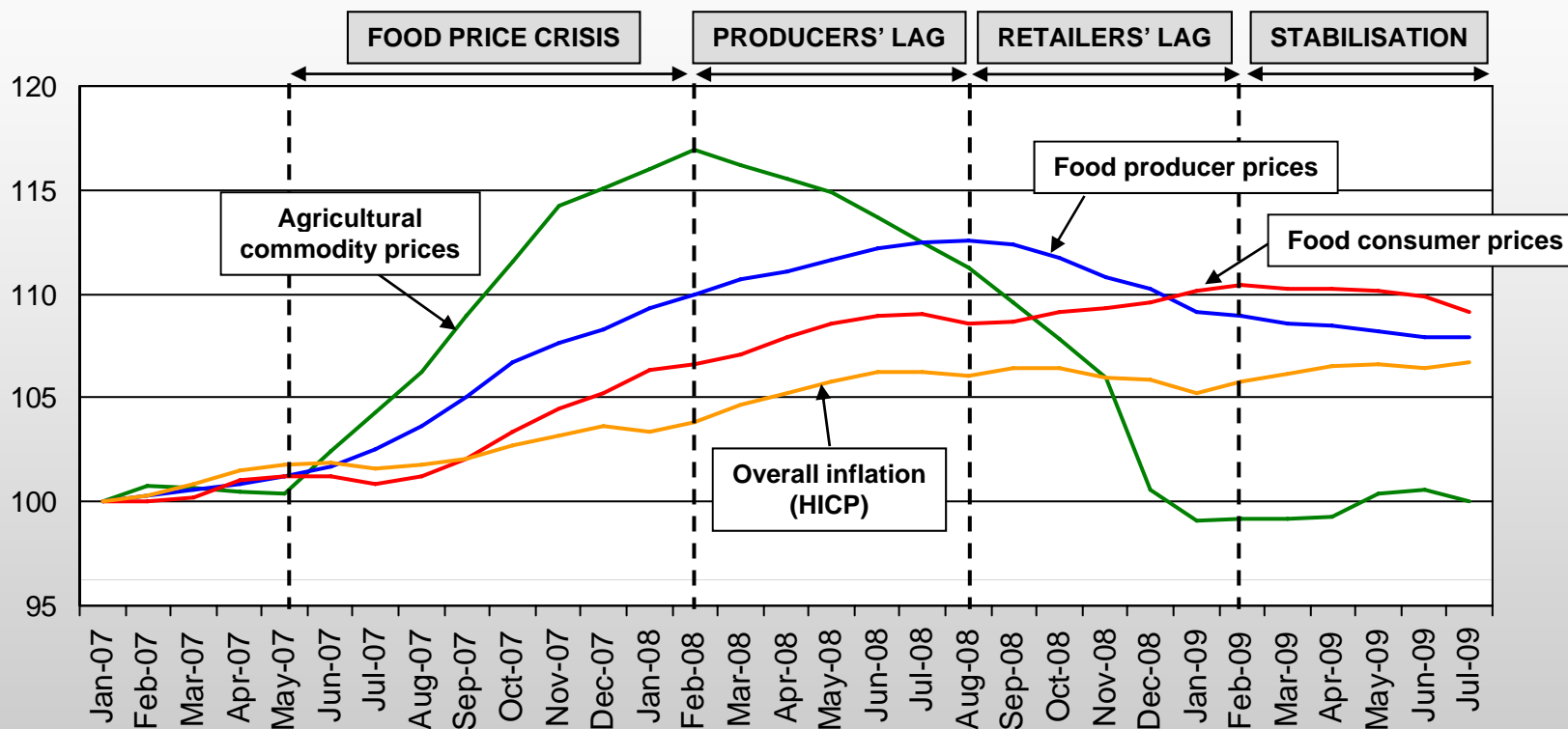
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Market measures

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



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



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

4b. What policy instruments?

Better targeted to objectives

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Based on two pillar structure

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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

4c. What policy options?

Option 1

- Continue the gradual reform process
- Adjust the most pressing shortcomings (e.g. more equity in the distribution of direct payments)

Option 2

- Capture the opportunity for reform
- More sustainable and balanced CAP (between policy objectives, MS and farmers)
- More 'green' targeted measures

Option 3

- More fundamental reform
- Focus on environmental and climate change objectives through rural development
- Move away from income support and most market measures

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

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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