



European Commission  
Agriculture and Rural Development



# ***Public Support and Agriculture: The European Experience***

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Delegation of the European Commission to the U.S.***

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# The European Union

**25 Member States**

**460 million consumers**

**11 million farmers**



## ***Common Agricultural Policy = EU Farm Bill***

- Europeans' expectations***
- CAP reform - objectives and measures***
- Budget and trade impact***
- Public perception***



# *Europeans' expectations about farm policy*

*2001-2003 surveys*

## *Top 3 roles (> 88% responses)*

- #1: ensure that ag products are healthy and safe*
- promote the respect of the environment*
- ensure that the well-being of farm animals is respected*

## *Other key roles (75% < - < 83%)*

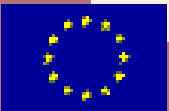
- protect medium and small sized farms*
- favor and improve life in the countryside*
- protect the specificity and taste of EU ag products*



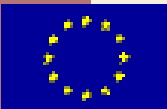
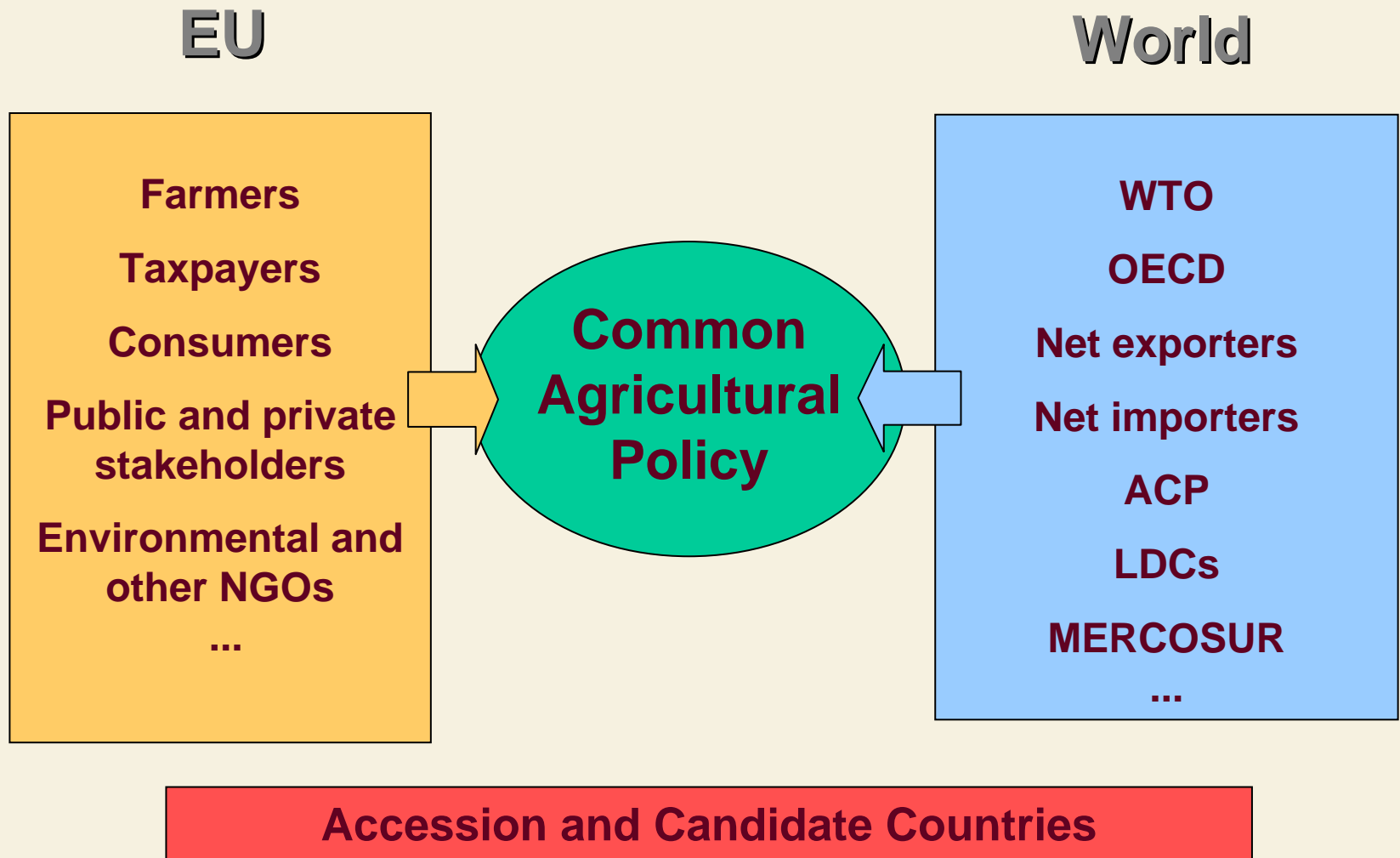
# ***Consumer concerns, a driving force for policy reform***

## ***Europeans want food safety, quality and choice***

- Food safety crises in 1990's undermined public confidence in food industry and authorities***
- Need to establish and keep consumer trust; emphasis on assuring safety and providing information***



# CAP reform process – key actors



# ***2003 CAP reform – key objectives***

## ***European model of agriculture:***

- ✓ ***a competitive EU agricultural sector***
- ✓ ***environmentally friendly production methods***
- ✓ ***quality products***
- ✓ ***enhanced landscapes***
- ✓ ***dynamic sustainable rural economy***



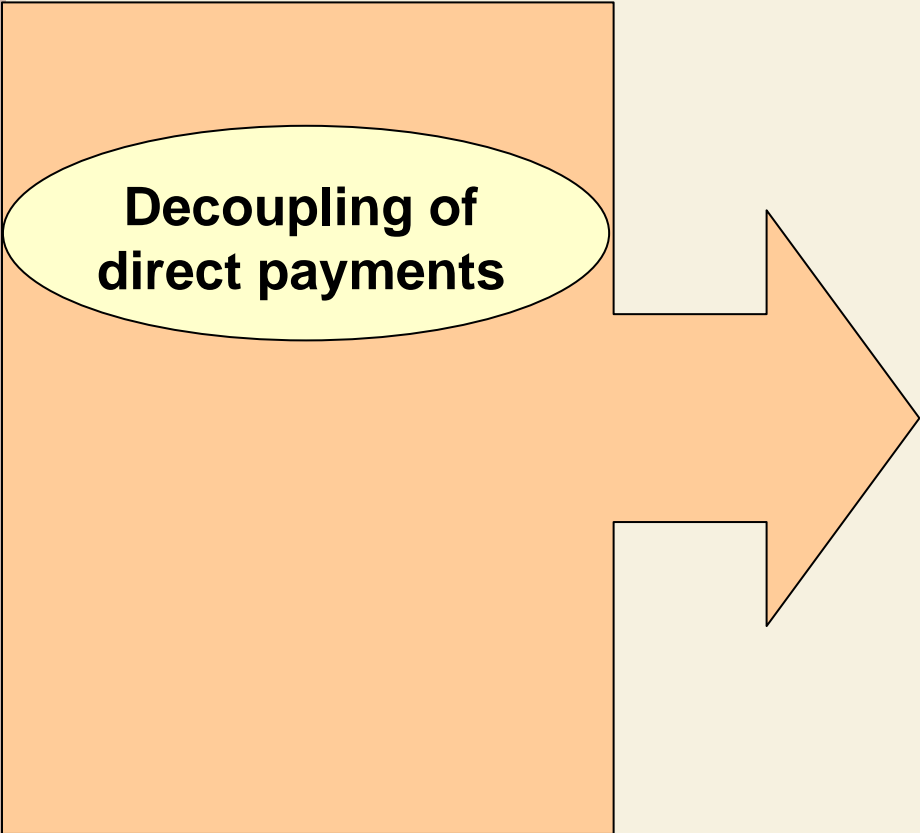
# CAP: evolution of objectives over 40 years

Productivity →  
 Competitiveness →  
 Sustainability →

The Early Years (1960s)	The Crisis Years (1980s)	The 1992 Reform	Agenda 2000	CAP Reform 2003
Food security Improving productivity Market-stabilisation Income support	Over production Exploding expenditure International friction Structural measures	Reduced surpluses Environment Income stabilisation Budget stabilisation	Deepening the reform process Competitive-ness Rural development	Market orientation Consumer concerns Farm income Rural development Environment



# 2003 CAP reform – objectives and measures

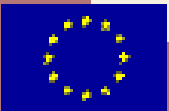


The diagram consists of an orange rectangular box on the left. Inside this box is a yellow oval containing the text 'Decoupling of direct payments'. A large orange arrow points from the right side of the box towards the right-hand side of the slide, where it points to a green box containing a list of bullet points.

## Decoupling of direct payments

## Reinforcing market orientation and Improving the transfer- efficiency of direct payments

- Farmers receive **payment entitlements** based on historic reference amounts.
- A **payment entitlement** triggers a payments only, if accompanied by an **eligible hectare** (all agricultural land, except permanent crops)
- **Eligible hectares** may be used for any agricultural activity but not for growing fruit, vegetables, or table potatoes (except with regionalisation option and under strict conditions).
- Establishment of a **national reserve** for dealing with **hardship cases and transitional problems**.
- Entitlements not used during 3 years go to the **national reserve**.



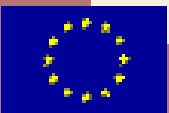
# 2003 CAP reform – objectives and measures



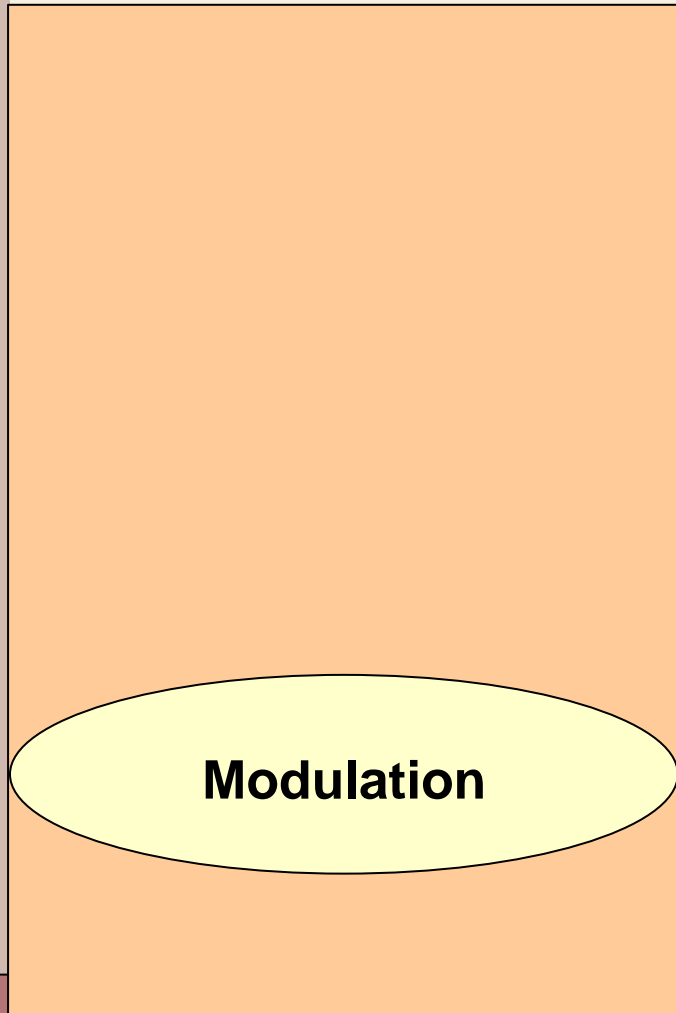
## Cross-Compliance

Improving the respect of standards (environment, food safety, animal welfare)

- Introduction of **Cross-Compliance** as a **sanctioning mechanism**
- **18 statutory European standards** (environment, food safety, plant and animal health, and animal welfare) subject to cross-compliance sanctions
- Application of “**Good Environmental and Agricultural Conditions**” targeted towards: combating erosion, avoiding the loss of soil organic matter, preserving soil structure, ensuring a minimum level of maintenance
- Maintenance of **permanent pasture** at current levels



# 2003 CAP reform – objectives and measures

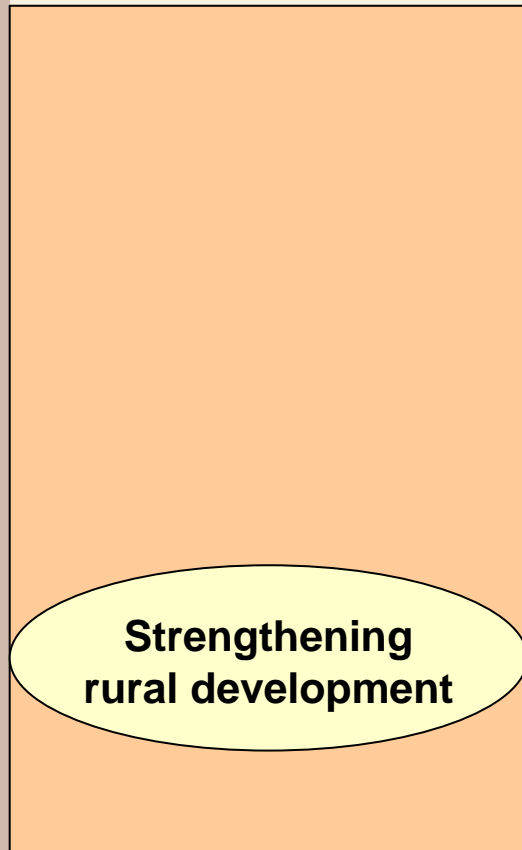


## Reinforcing rural development

- Modulation starts in 2005 with a rate of 3 %, increasing in two steps up to 5 % where it will stay from 2007 onwards.
- Cuts in direct payments at the aforementioned levels will be applied with a franchise of 5000 €.
- Modulation amounts will be used for rural development measures for which they will be available from 2006 onwards;
- Modulation amounts will be allocated according to objective criteria. However, any Member State shall receive at least 80 % of the modulation funds collected in the Member State concerned.



# 2003 CAP reform – objectives and measures



## Reinforcing rural development

- Meeting new statutory standards;
- Support for participation in food quality schemes as well as the voluntary farm advisory system;
- Support for *young farmers* (higher setting-up aid and high aid intensity for investment);
- Investment in state owned forests for ecological and social reason;
- New animal welfare measure with payments covering income foregone and costs incurred resulting from related commitments
- Reinforcing agri-environment measures by increasing Community support to 85 % in objective 1 areas and 60 % (rates represent now upper limit, no application of fixed rates anymore).



# 2003 CAP Reform – objectives and measures

**Adjustment of  
intervention level**

**Decoupling of  
direct payments**

**Cross-Compliance**

**Degressivity  
Modulation**

**Strengthening  
rural development**

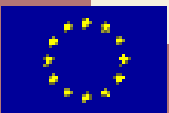
**Reinforcing farmers'  
market orientation and  
entrepreneurial role**

**Improving the transfer-  
efficiency of direct  
payments**

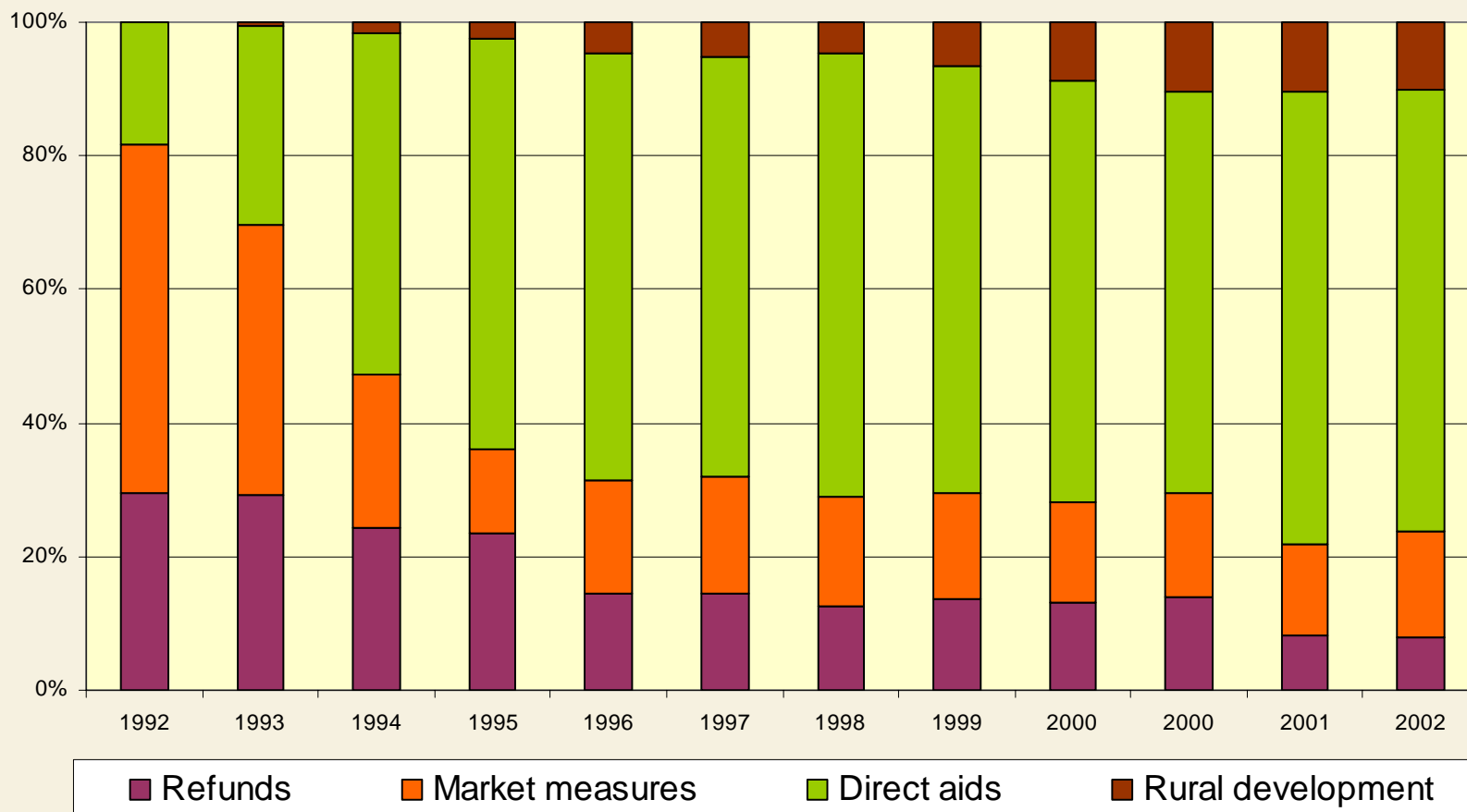
**Improving the respect  
of standards  
(environment, food  
safety, animal welfare)**

**Consolidation of the  
CAP within strict limits  
of financial discipline**

**Reinforcing rural  
development**



# Post-1992 CAP evolution – budget allocation



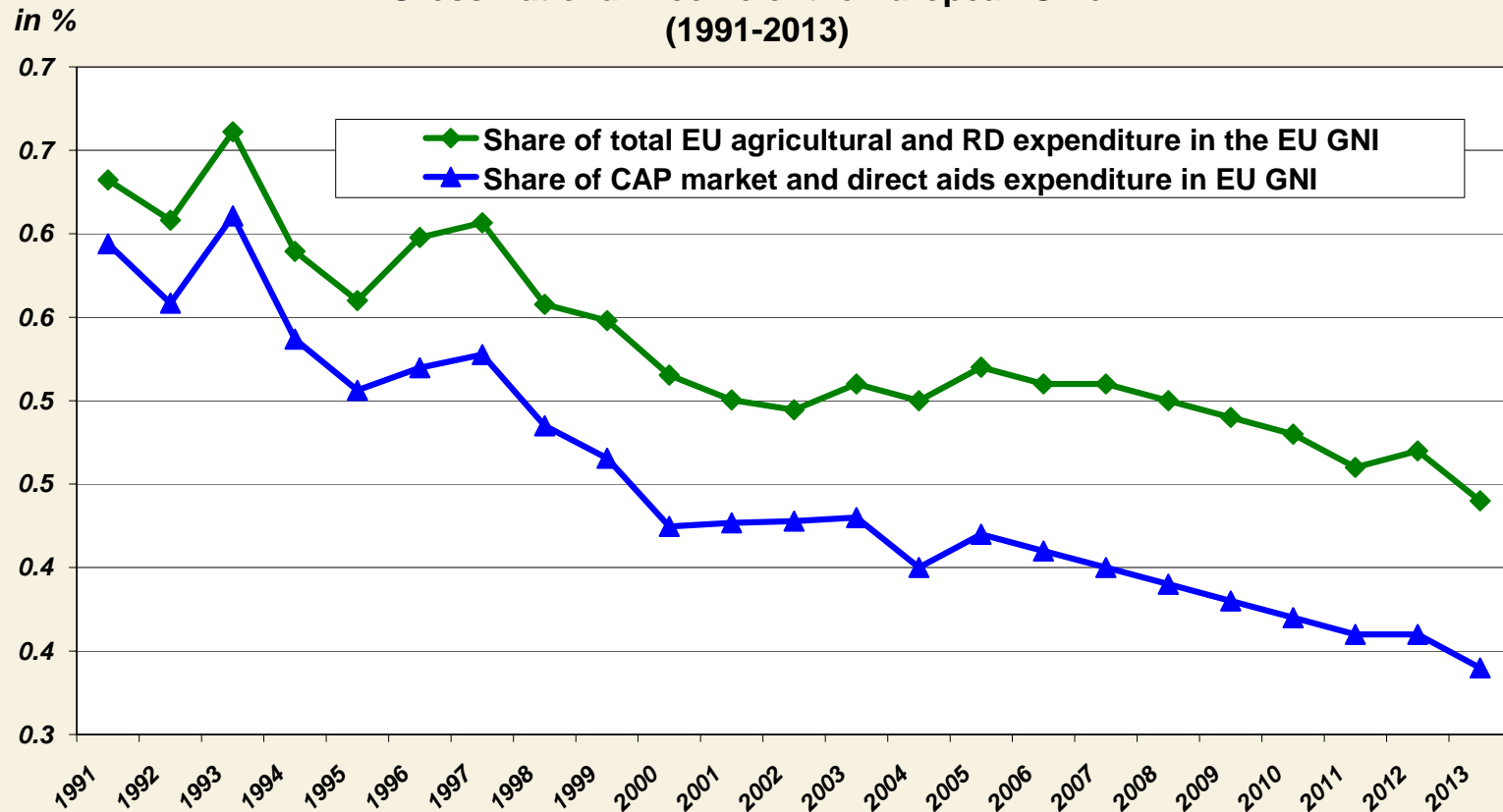
**EAGGF Guarantee section**



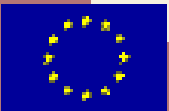
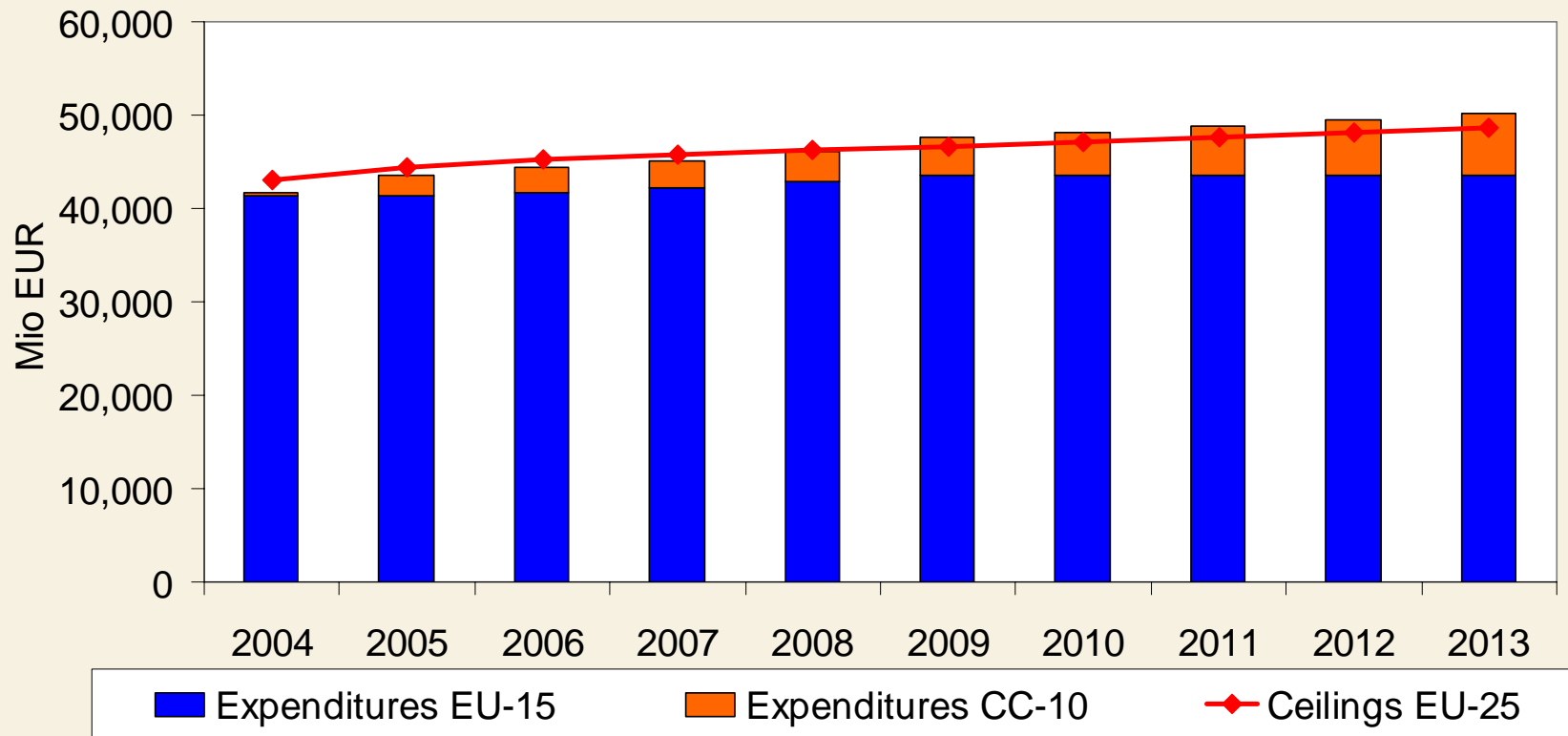
# CAP's shrinking share of EU Gross National Income

Agricultural budget: *from 0.63% in 1990/92 to 0.49% in 2000/02 and 0.33% in 2013*

Share of the EU agricultural and rural development expenditure in the Gross National Income of the European Union (1991-2013)



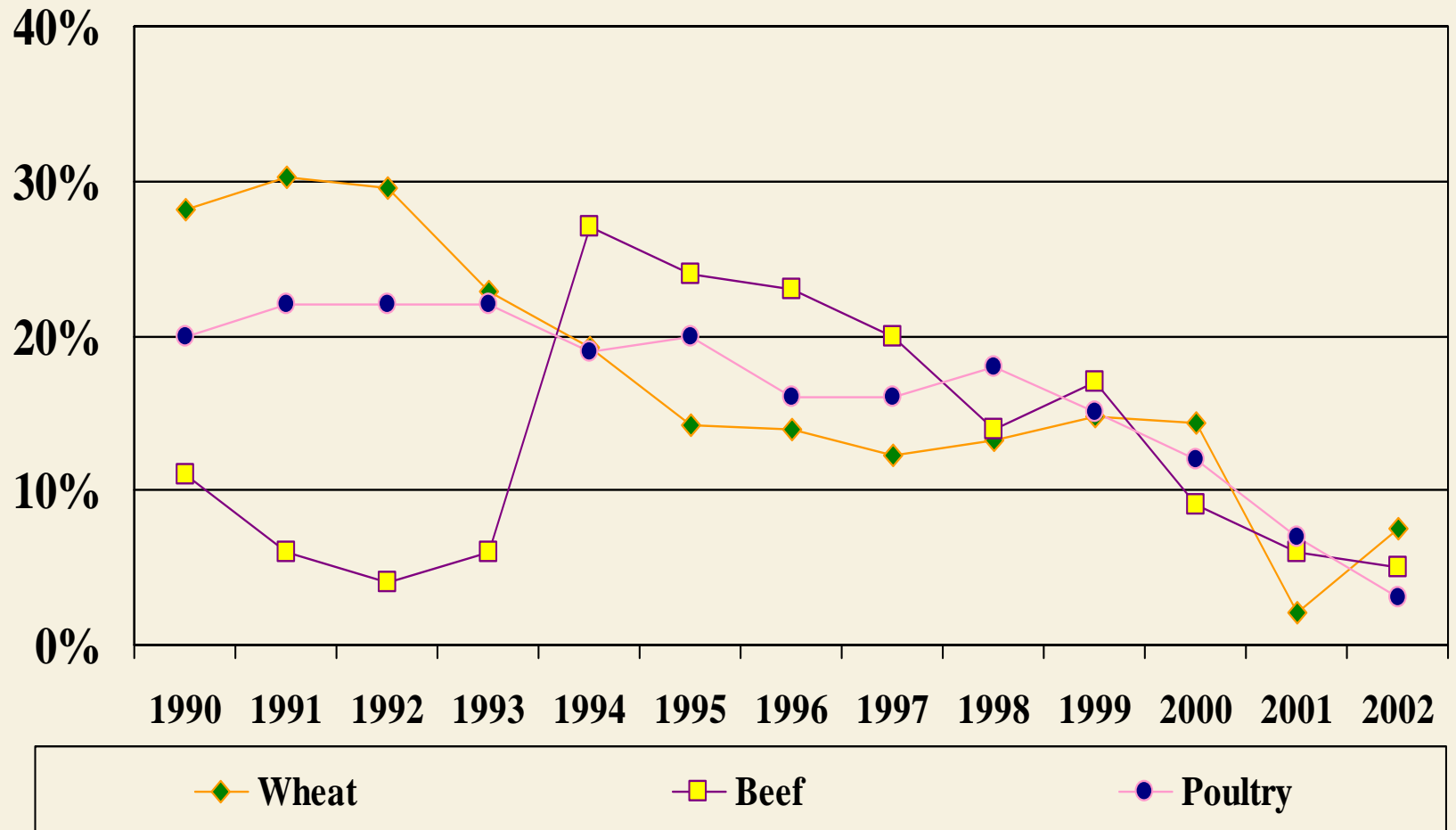
# Next: 2004-2013 CAP expenditure and ceiling



# Reduction of export subsidies since 1992



# Previous CAP reforms and EU net export share



# ***What do Europeans think about the CAP reform?***

- 66% of EU citizens believe that granting more funds for the protection and development of the overall rural economy and for direct support to farmers as a good thing***
- 57% believe that the CAP is doing a good job in ensuring that ag products are healthy and safe***
- 55% think that the CAP plays its role fairly well in promoting the environment***



# ***Conclusion***

***Strong overall support - Europeans agree with CAP's new directions***

***Farm policy designed as a contract between farmers and society, to translate citizens' demands beyond food production***

⇒ ***Keyword = sustainability***  
***environmental, economic and political***



***Thank you for your attention !***

