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

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Agriculture and
Rural Development

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Outline

1. The context

2. The CAP today

3. Why do we need a reform?

4. New objectives, future instruments and policy options

5. Concluding remarks

6. 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

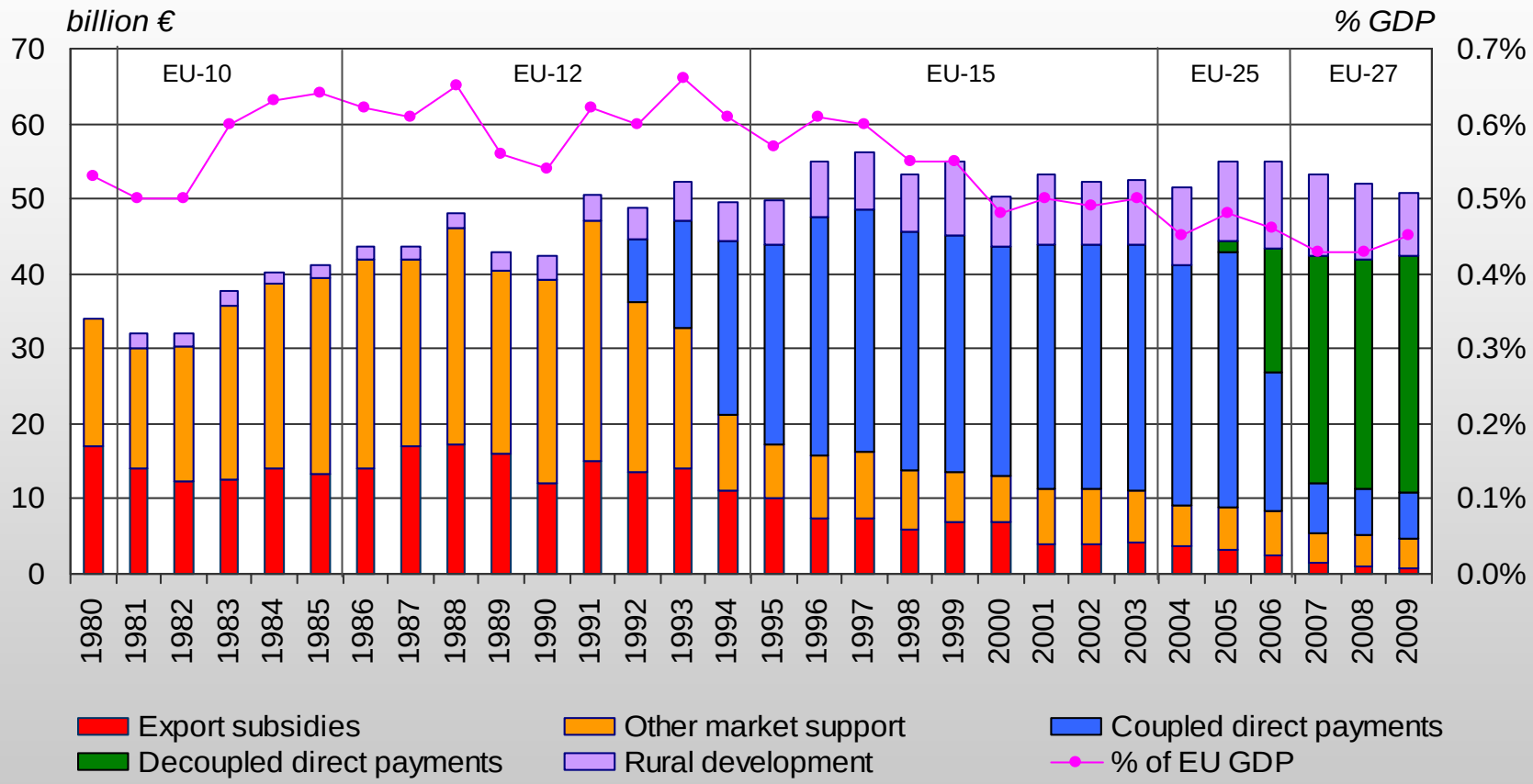
… better performing…

- 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

CAP expenditure and CAP reform path

(2007 constant prices)



Source: European Commission - DG Agriculture and Rural Development

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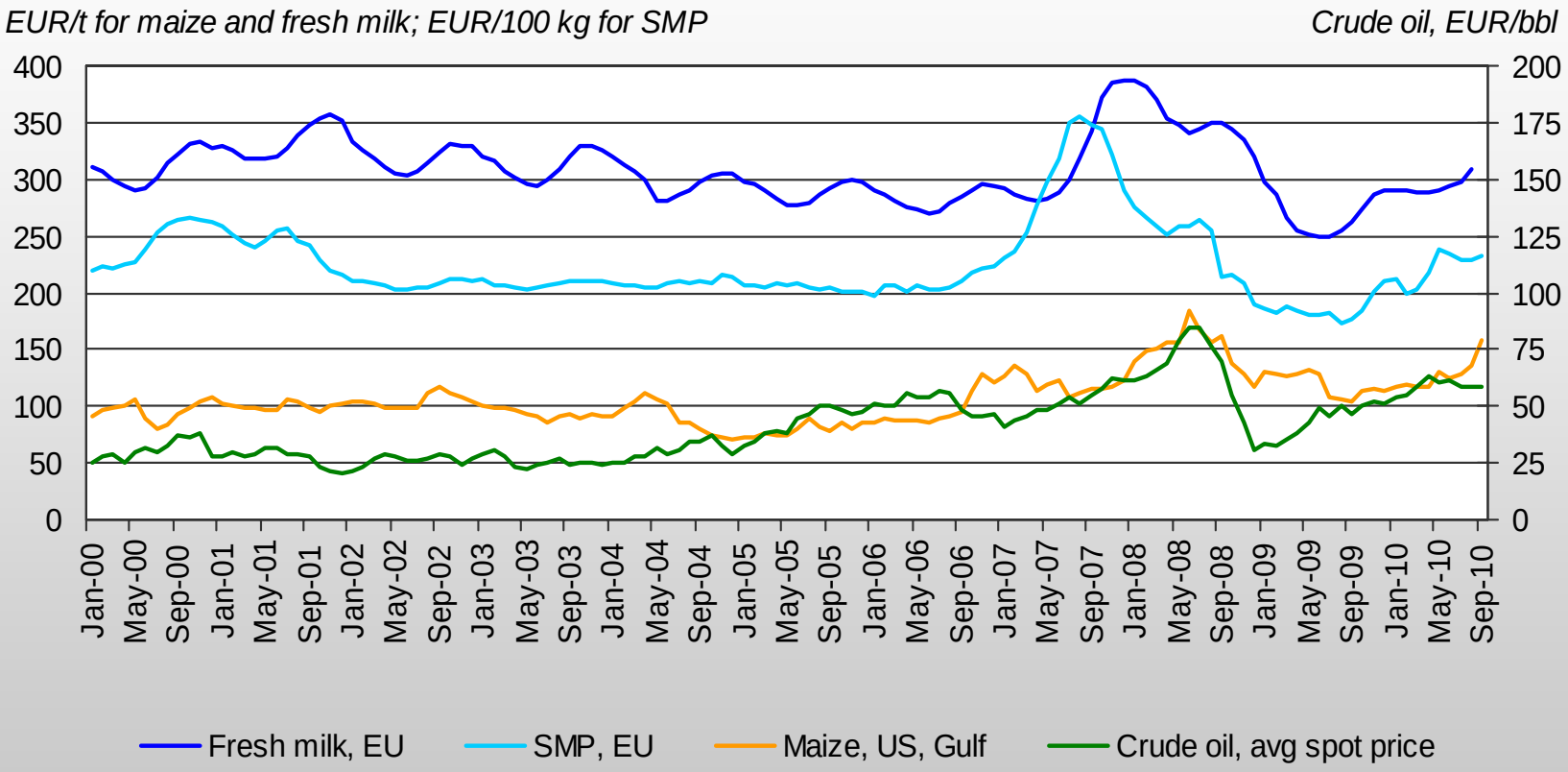
3. Why do we need a reform?

To respond to challenges ahead

Economic challenges

- Food security
- Price variability
- Economic crisis

Recent trends in some commodity market prices



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

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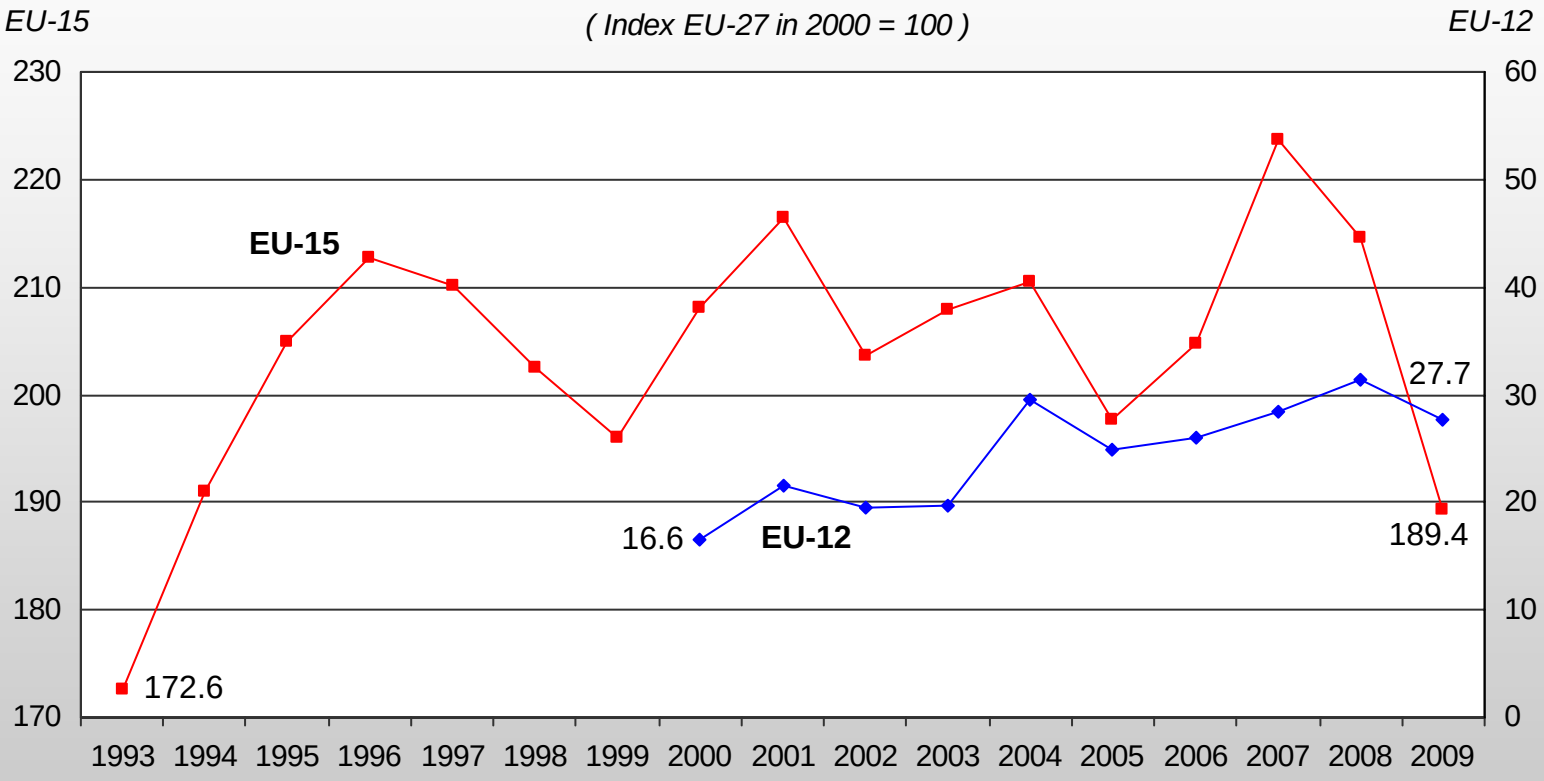
EU developments in agricultural income

(agricultural income/AWU in real terms)



Source: Eurostat

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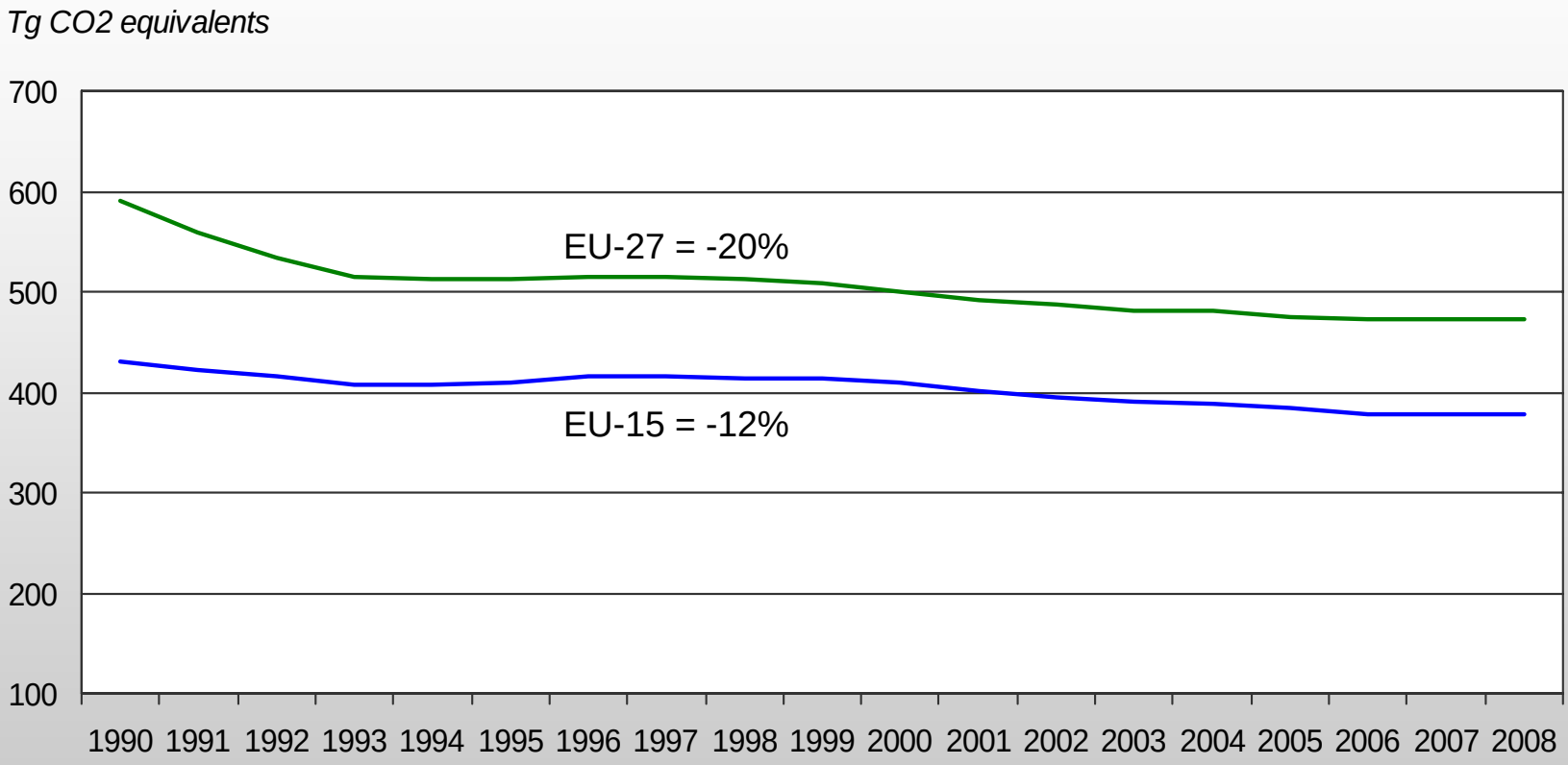
Environmental challenges

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

Declining trend of GHG emissions in EU agriculture since 1990



Source: EEA

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3. Why do we need a reform?

To respond to challenges ahead

Economic challenges	Environmental challenges	Territorial challenges
• Food security • Price variability • Economic crisis	• GHG emissions • Soil depletion • Water/air quality • Habitats and biodiversity	• 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?

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

4b. What policy instruments?

Better targeted to objectives

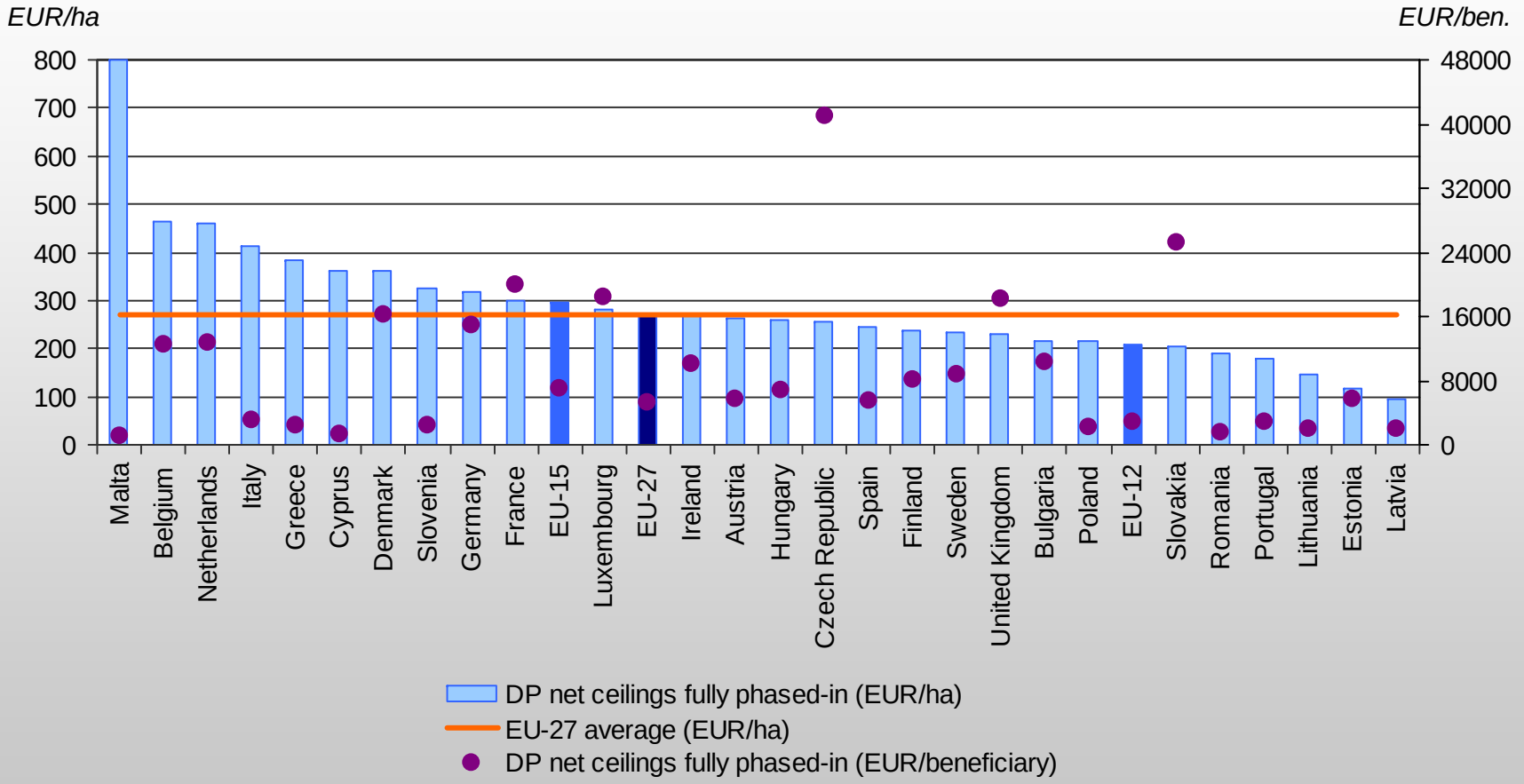
Based on two pillar structure

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

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Market measures

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

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 reform process by introducing further gradual changes while adjusting the most pressing shortcomings (e.g. more equity in the distribution of direct payments)
Option 2	Capture the opportunity for reform ensuring that CAP becomes more sustainable and balanced (between policy objectives, MS and farmers) through more 'green' targeted measures
Option 3	More fundamental reform focusing entirely on environmental and climate change objectives through rural development, moving away from income support and most market measures

4c. What policy options?

	Option 1	Option 2	Option 3
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

5. Concluding remarks

With reform, the CAP needs to:

better respond to the economic, environmental and territorial challenges

be more sustainable, balanced, better targeted, simpler, effective and more accountable

improve current CAP instruments and design new ones

6. 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