



# Future direction of EU agricultural policies

## *The CAP towards 2020*

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European Commission  
Agriculture and  
Rural Development

# CAP reform objectives at a glance

## Future challenges

### Economic challenges

- Food security
- Price volatility
- Economic crisis

### Environmental challenges

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

### Territorial challenges

- Vitality of rural areas
- EU rural diversity
- Regional growth

## CAP2020 reform objectives

*Viabile food production*

*Sustainable management  
of natural resources*

*Balanced territorial  
development*

*Equity and balance of support*

*Contribution to Europe 2020 strategy*

# The wider context of CAP reform

The future of the CAP is debated within the context of:

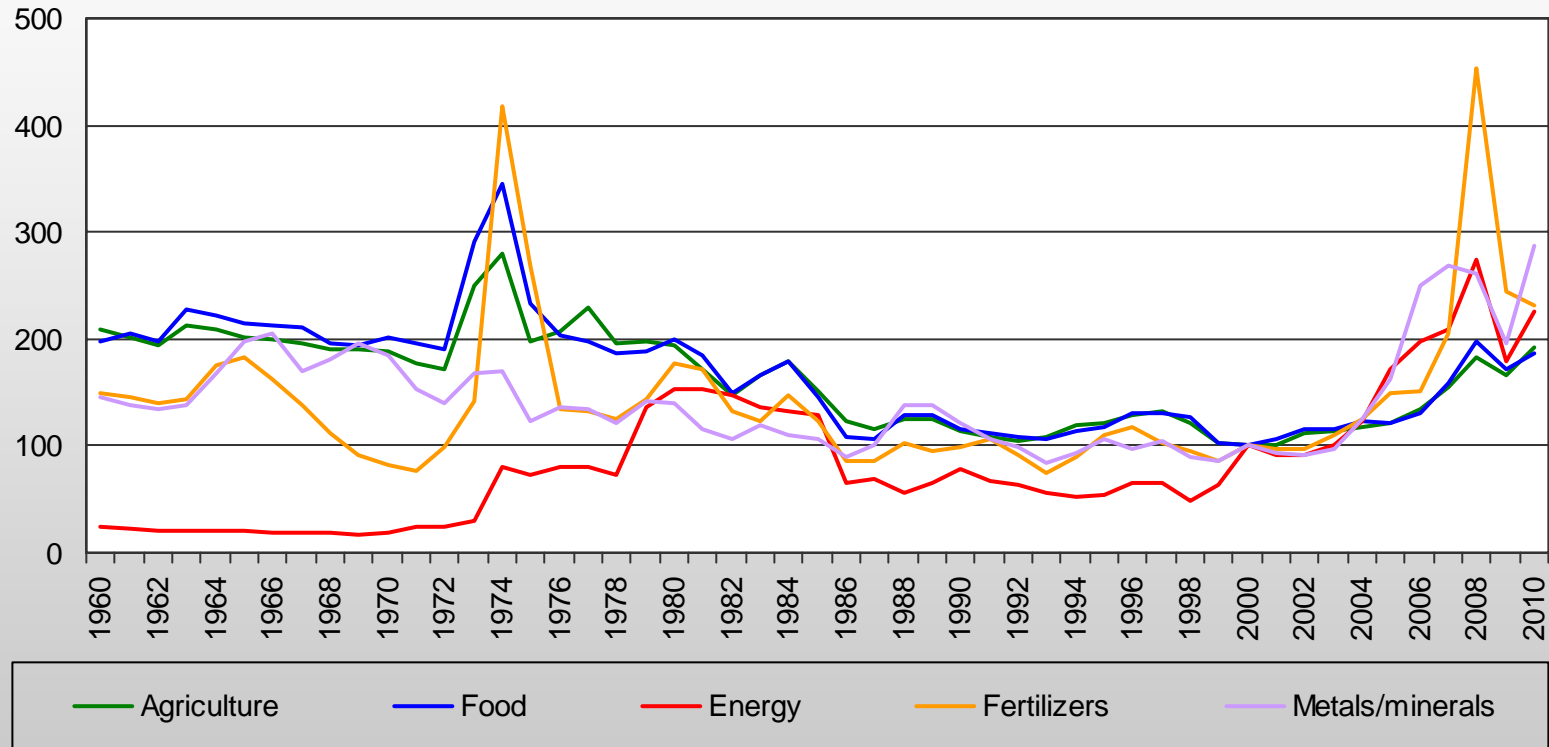
- **A cost-driven commodity price boom**
  - *the “baseline” to assess the impact of potential policy changes is full of major uncertainties, mostly of uncertainties outside agriculture*
- **A new set of EU institutional realities**
  - *co-decision after the Lisbon Treaty increases the role not just of the EP in the decision process, but also of the wider public in the consultation process*
- **A parallel process of multiple EU policy decisions**
  - *CAP reform is linked to the debate about the future EU budget and the wider EU 2020 strategy of “smart, sustainable and inclusive growth”*

# The future CAP – the challenges

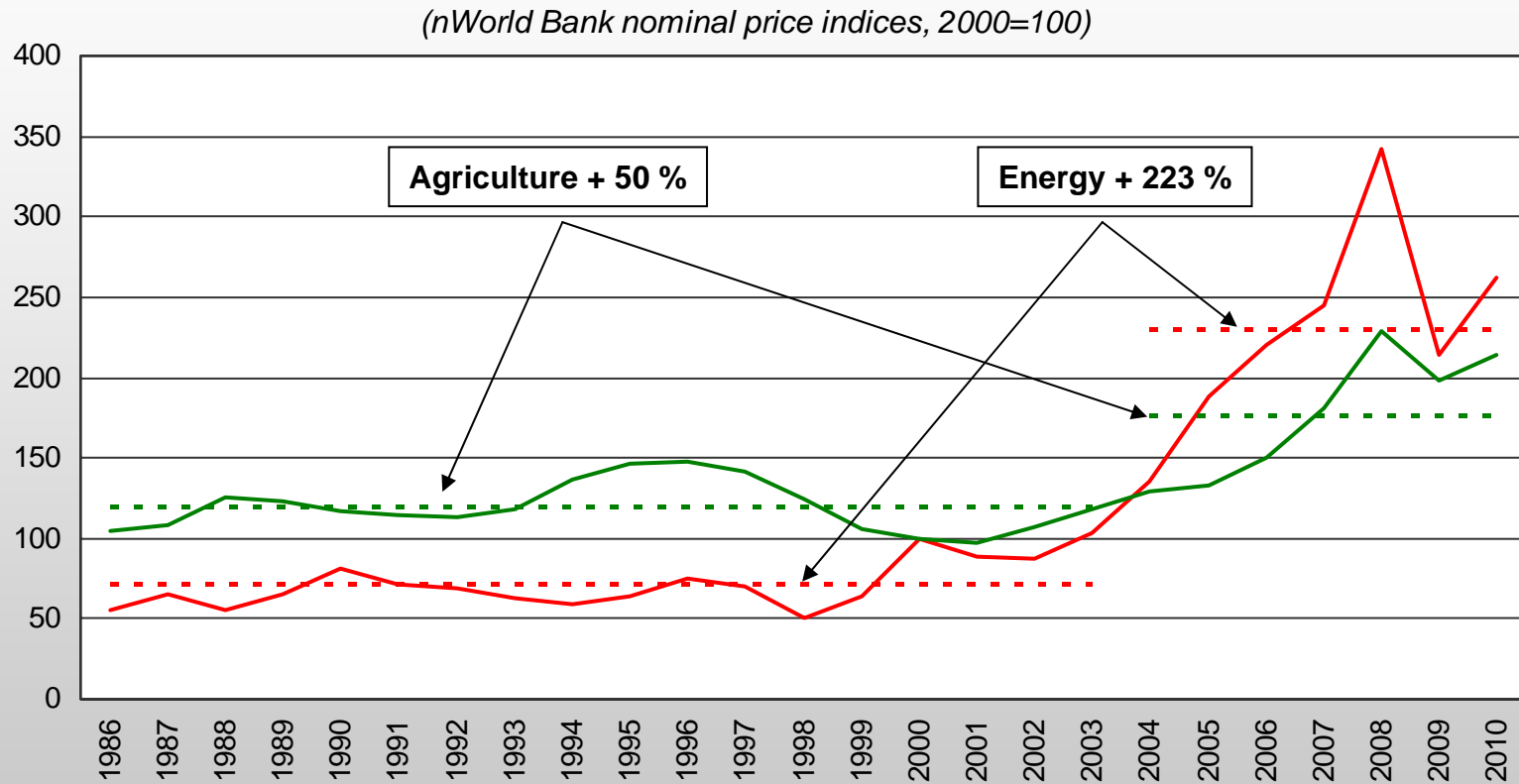
- **Agriculture and the commodity boom**
  - *Food security concerns about food production and distribution*
  - *Excessive price volatility*
  - *Slow-down in productivity and deterioration in terms of trade*
- **Economic crisis and climate change introduce major uncertainties**
  - *Impacts on costs and prices affect food users and producers*
  - *Price changes are not equally reflected across food chain*
  - *High prices risk intensifying production and harm environmental needs*
- **Both market and policy failures need to be addressed**
  - *Markets need more transparent signals*
  - *Policies need to target new challenges*
  - *Productivity and innovation should aim at sustainable growth*

# Real commodity prices

(World Bank real price indices, 2000 = 100)

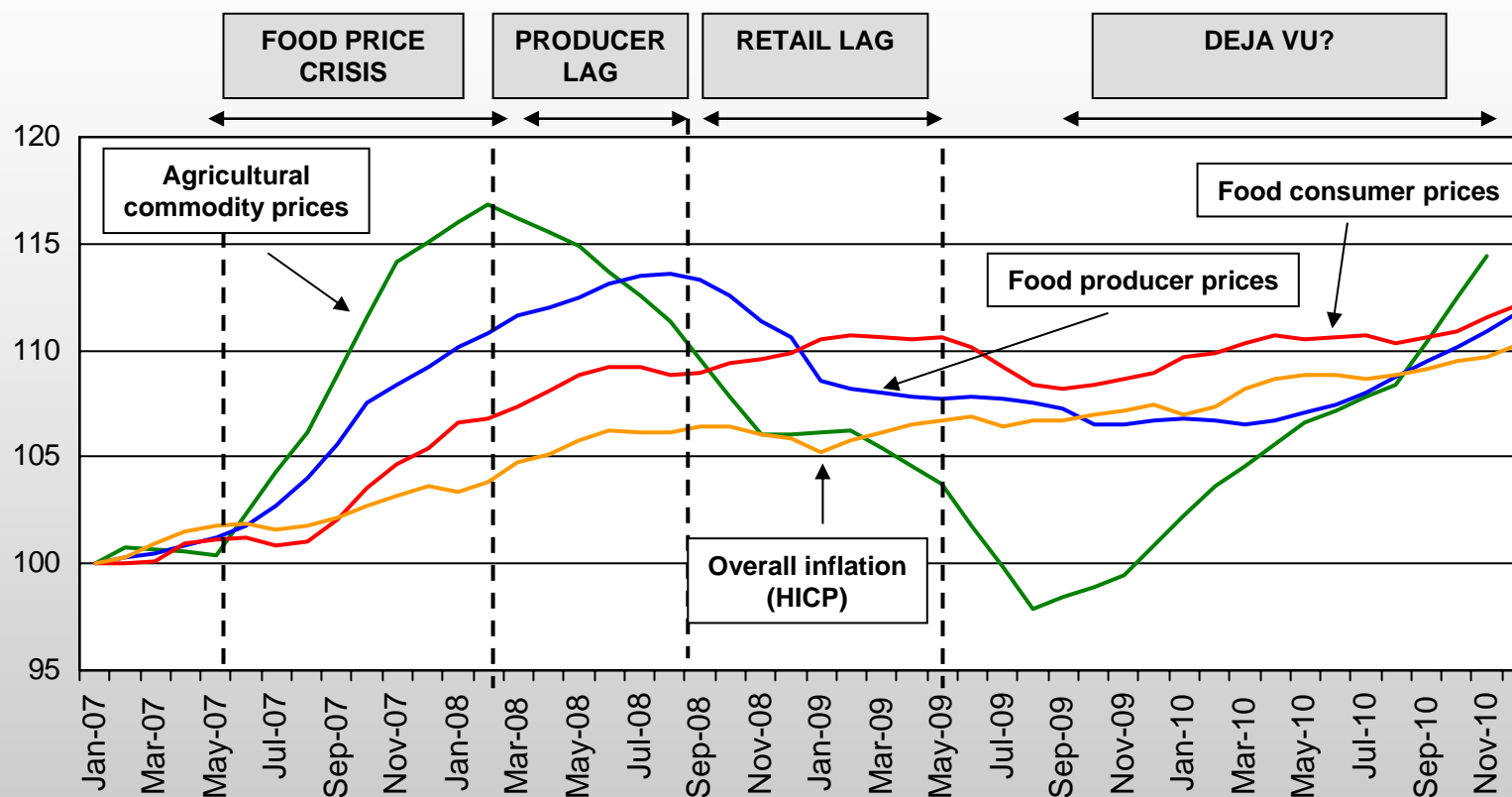


# Energy and agricultural prices



Source: World Bank.

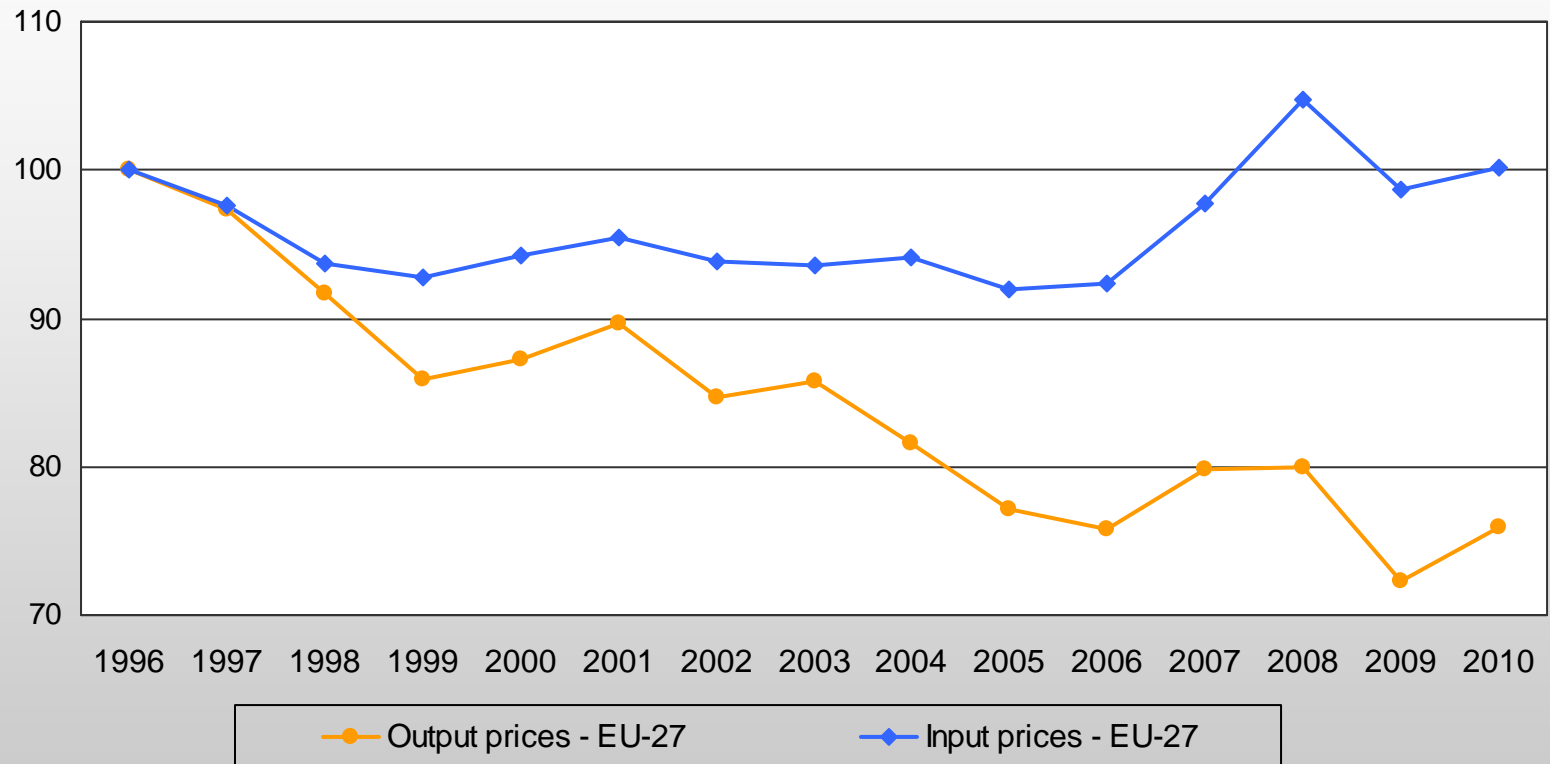
# Price developments in the EU food chain



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

# EU agricultural prices

(real price index, 1996 = 100)

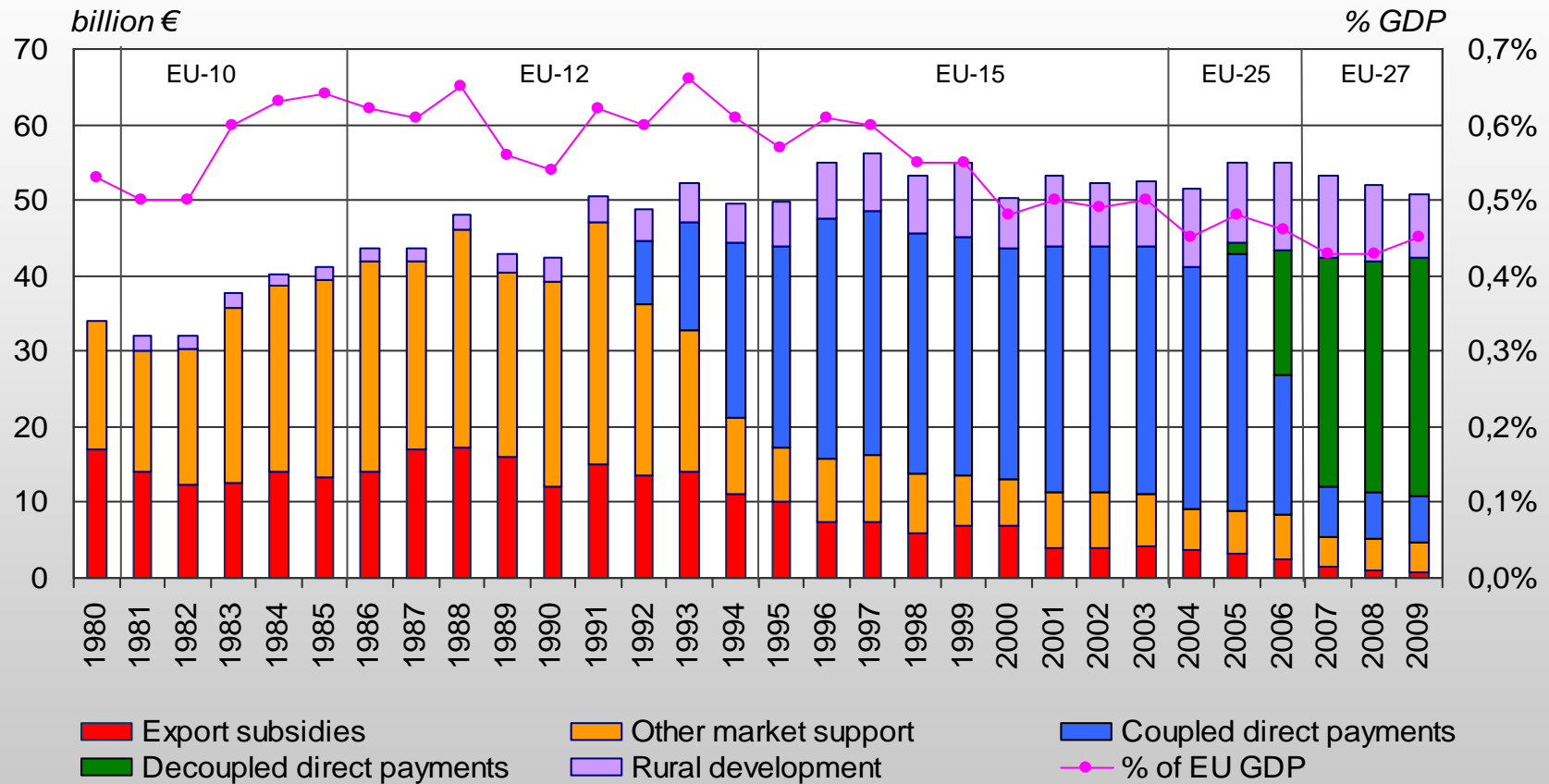


Source: Eurostat



# The policy outcome of CAP reform...

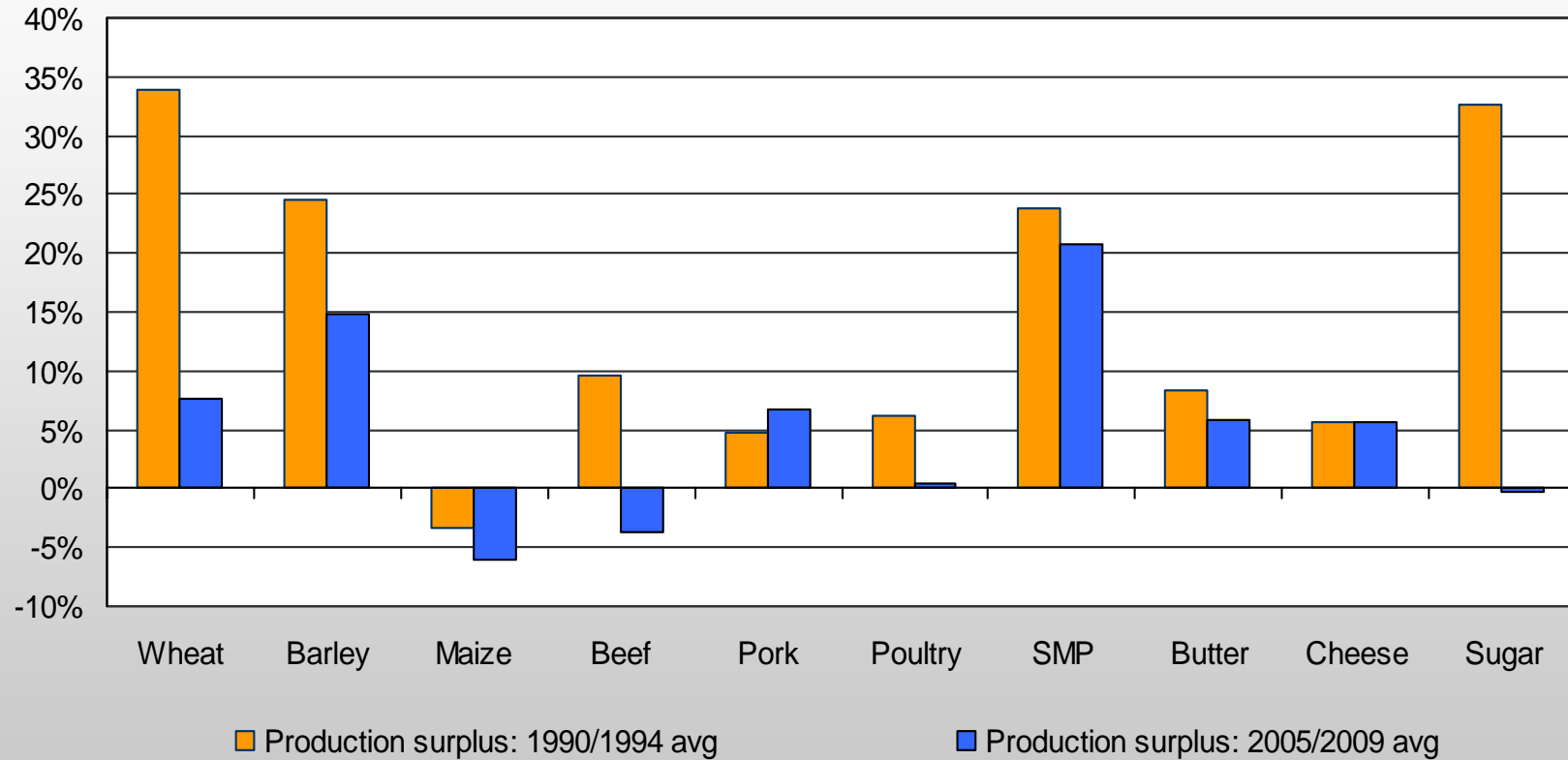
CAP expenditure and CAP reform path (2007 constant prices)



Source: European Commission - DG Agriculture and Rural Development

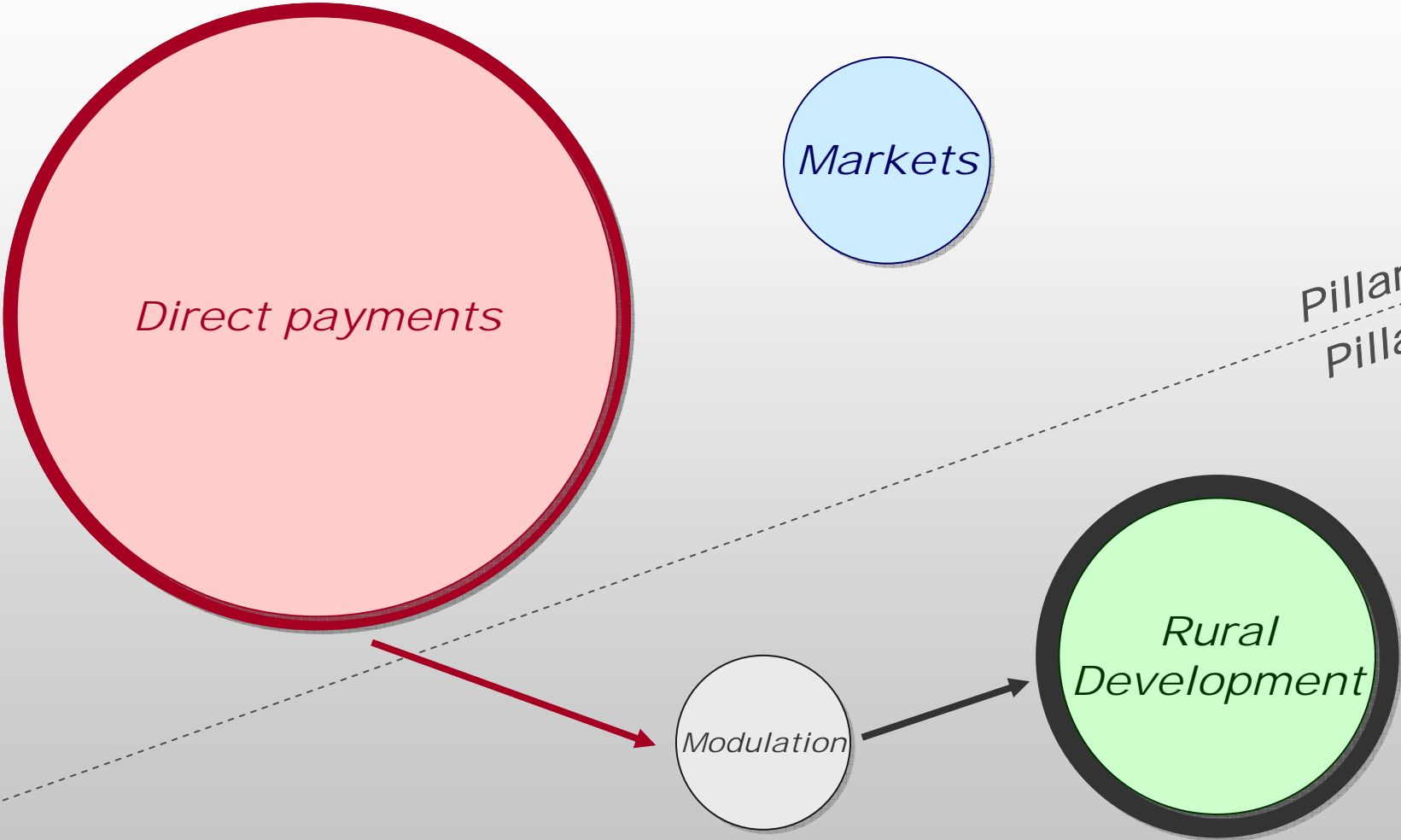
# ...and its market impact

*EU production surplus as % of consumption*



Sources: European Commission – Eurostat and DG Agriculture and Rural Development

# The CAP today – budget relevance



# The future CAP – the opportunities

- **Better targeting**
  - *DP target better and more equitable distribution among and within Member States*
  - *Market orientation continues; market failures addressed by safety-nets*
  - *RD focus shifts on EU 2020 priorities of climate change, sustainability, innovation*
- **Greening**
  - *Support shifts focus from farm (2% of economy) to land (50% of territory)*
  - *Resource efficiency contributes to both economy and climate change*
  - *Diversity protects employment and includes all territories*
- **Innovation**
  - *Competitiveness in all farm levels at the core of new CAP*
  - *Innovation bridges gap between knowledge (old and new) and needs*
  - *“more with less” maintains the production base for food, feed, renewable energy*

# The debate about policy instruments

## Better targeted to objectives

## Based on two pillar structure

### Direct payments

- Redistribution
  - *among MS*
  - *within MS*
- Redesign
  - *basic uniform rate*
  - *“greening” of direct payments*
  - *coupled support provisions*
- Better targeting
  - *areas with specific natural constraints*
  - *capping payments*
  - *small farmers*

### Market measures

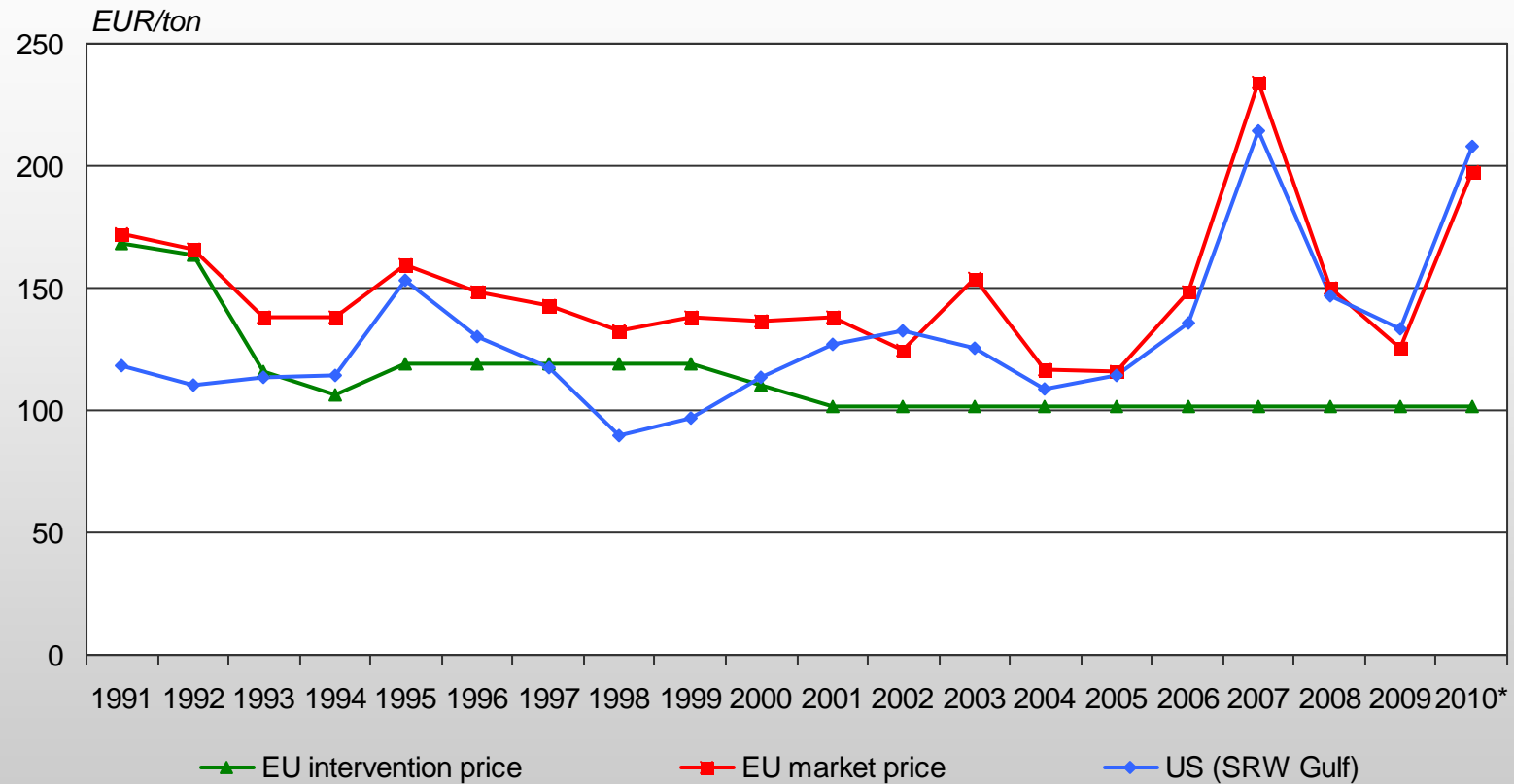
- Continue market orientation
- Streamline and simplify safety nets
- Improve food chain functioning

### Rural development

- Main guideline themes
  - *environment*
  - *climate change*
  - *innovation*
- Improvements in
  - *coherence with other policies*
  - *delivery mechanisms*
- Address risk management
- New distribution criteria

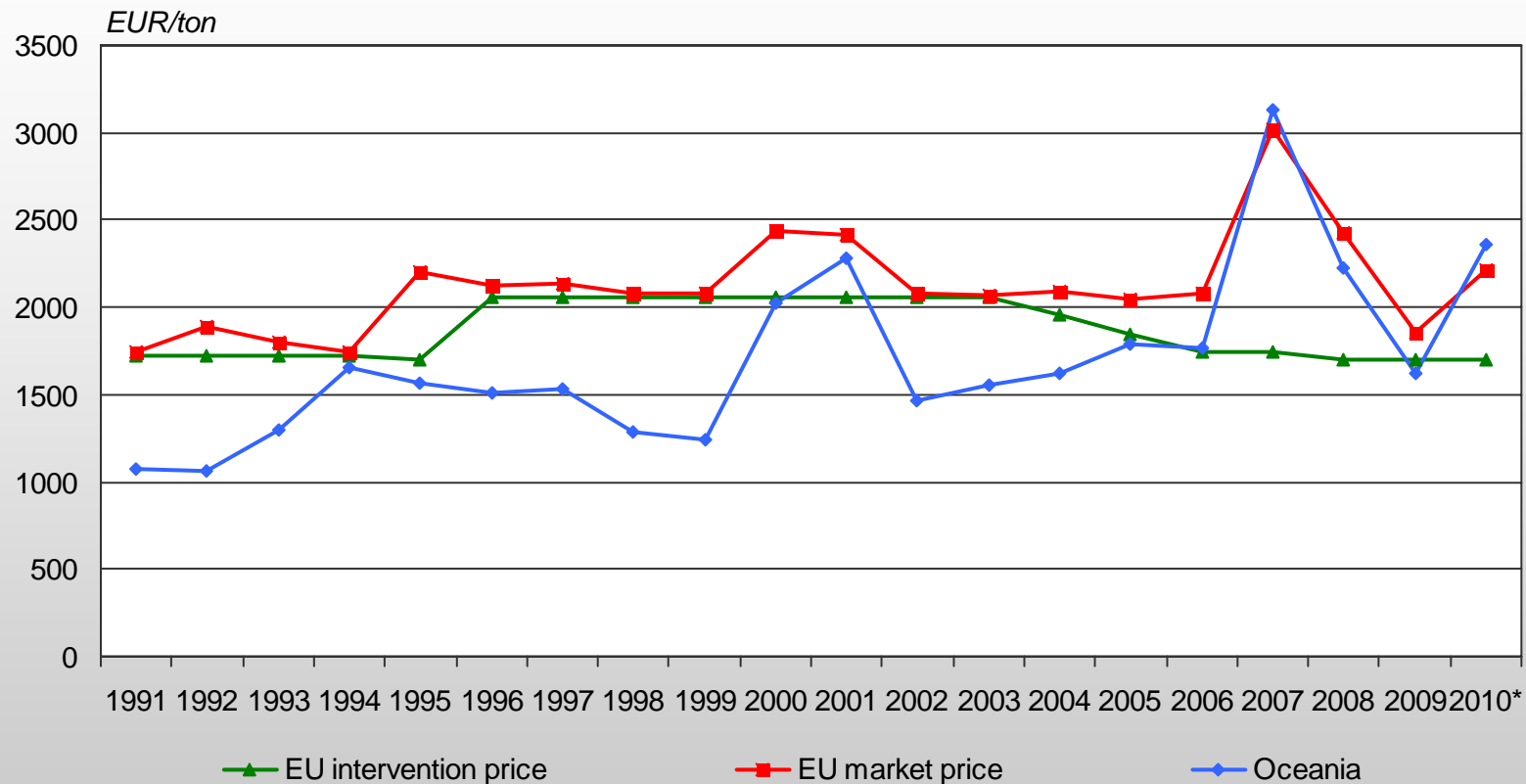


# The evolving role of EU support prices - wheat



Sources: European Commission - DG Agriculture and Rural Development and World Bank  
 Note: years are market years July-June. 2010\* = average July 2010-January 2011.

# The evolving role of EU support prices - SMP



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

# Thank you

<http://ec.europa.eu/agriculture/cap-post-2013>



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