European Commission
Agriculture and Rural Development

32nd UNITAB Congress

Stakes and orientations of the future CAP

Krakow, Poland, 14-16 October 2010

Kieran Dooley, Deputy Head of Unit
DG AGRI-C.3 Wine, Alcohol, Tobacco, Seeds and Hops

1. The CAP
   prior to and post HEALTH check

2. The CAP beyond 2013

1. The CAP prior to and …

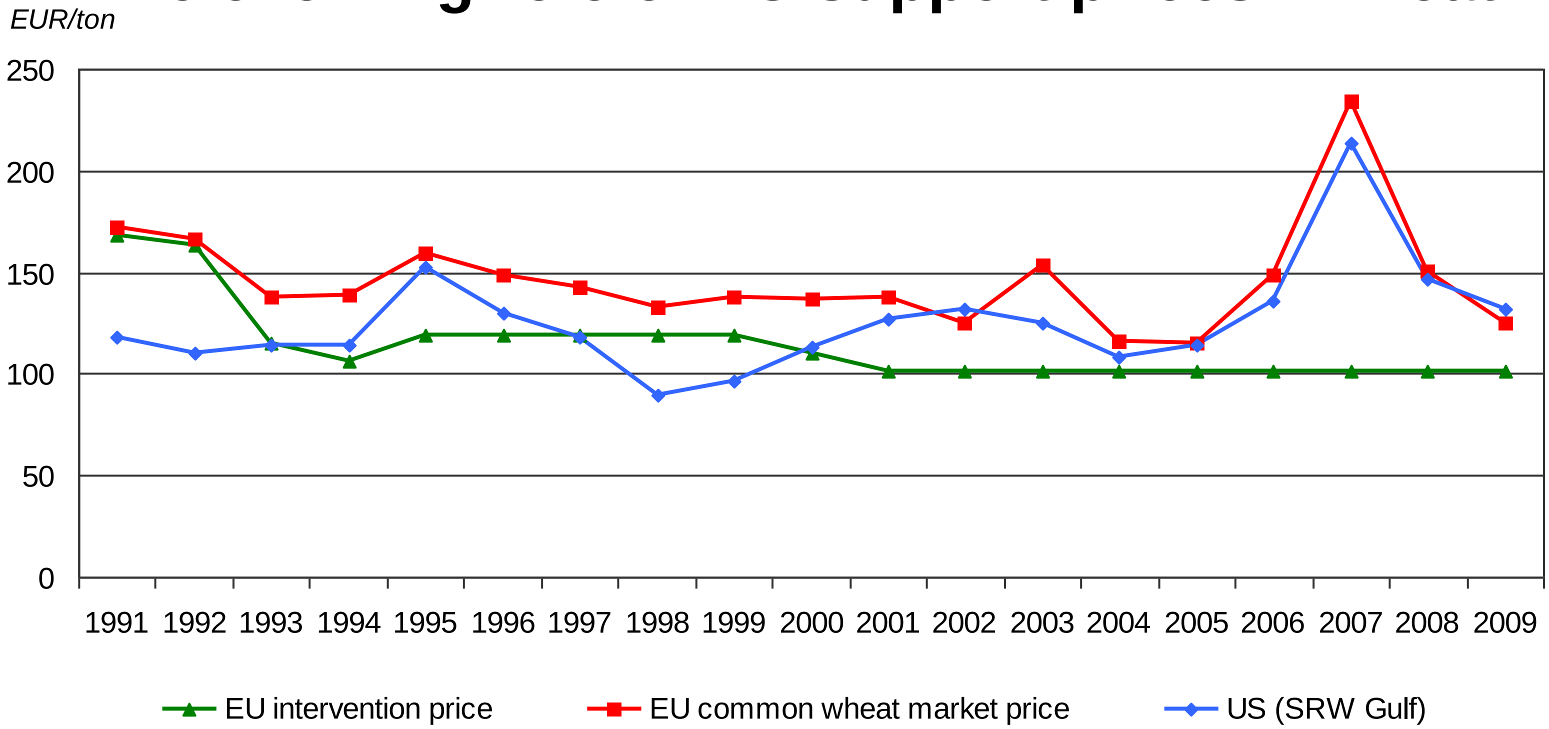
- A substantially reformed policy …
  - Farm support is mainly decoupled and subject to cross-compliance
  - Role of market intervention mechanisms is significantly reduced to safety net level
  - Rural development policy is strengthened with funds and policy instruments
- … and better performing
  - Surpluses belong to the past
  - Competitiveness is improved
  - Better value for money and contribution to EU budget stability
  - More sustainable farming

2. … until 2013

… post "Health Check" – fine tune until 2013

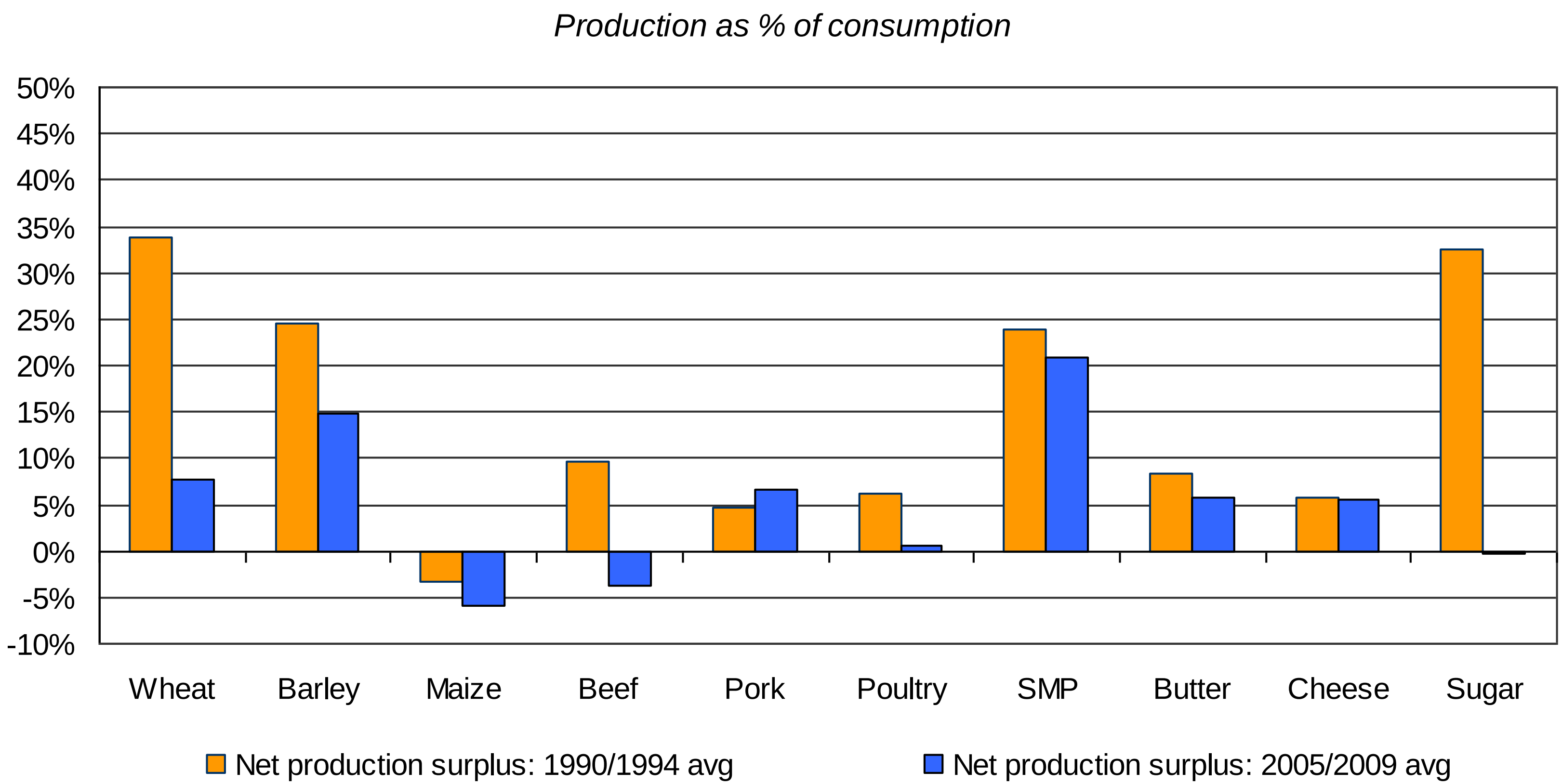
- Direct aids
  - Further decoupling
  - MS allowed to move to flatter rates of support
  - New article "68"
    - Targeted measures to economic/environmental disadvantages in certain regions/sectors
    - Risk management measures
- Market mechanisms
  - Increase milk quotas by 1% annually
  - Intervention streamlined and simplified
- Rural development
  - "New challenges" (Climate change, bioenergy, water management, biodiversity, innovation, dairy)
  - Modulation increase

The evolving role of EU support prices - wheat



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

Impact of CAP reforms on EU net production surplus



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

CAP expenditure and CAP reform path (2007 constant prices)

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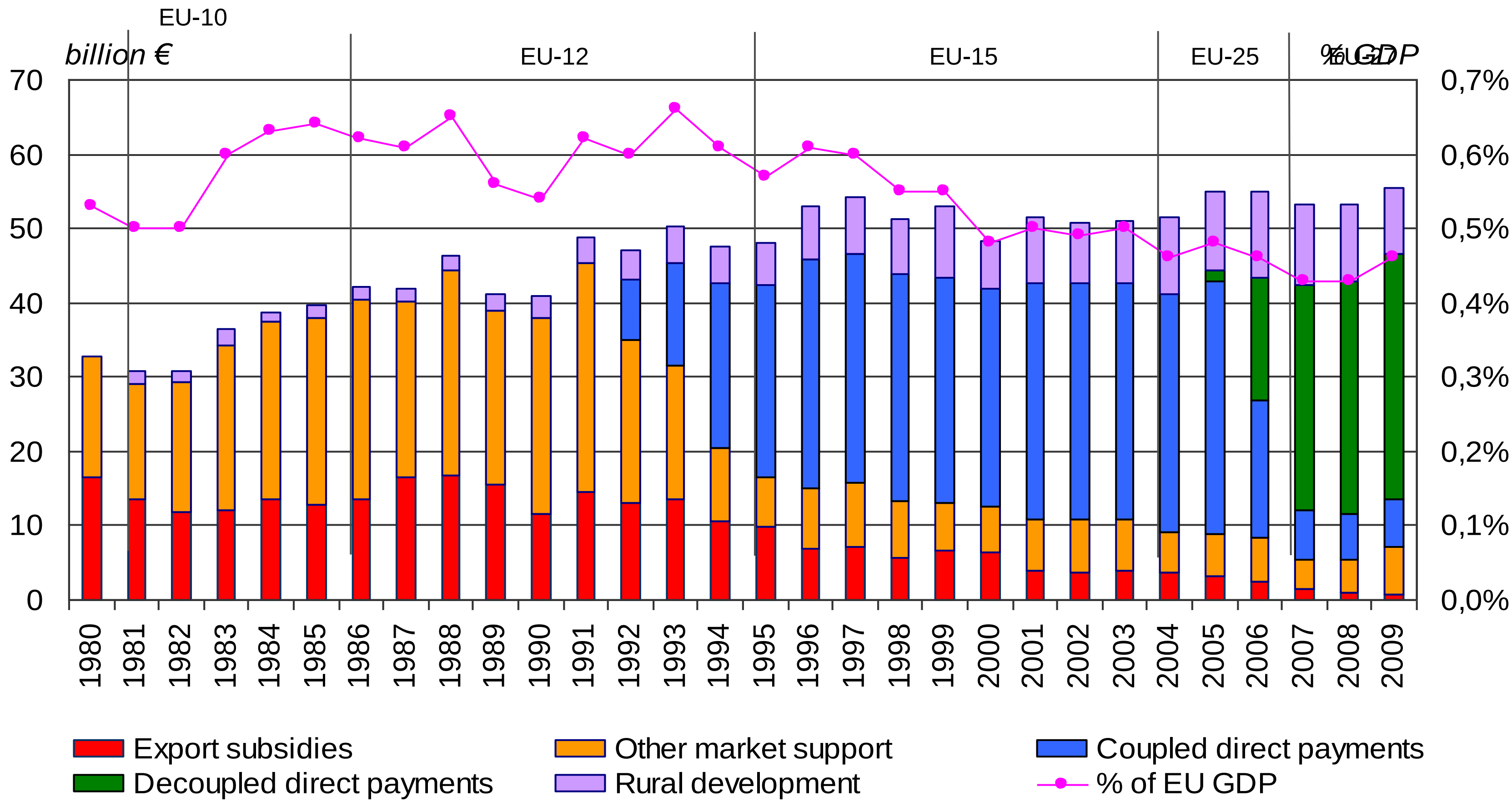

Source: European Commission - DG Agriculture and Rural Development

… and alternative views on its cost

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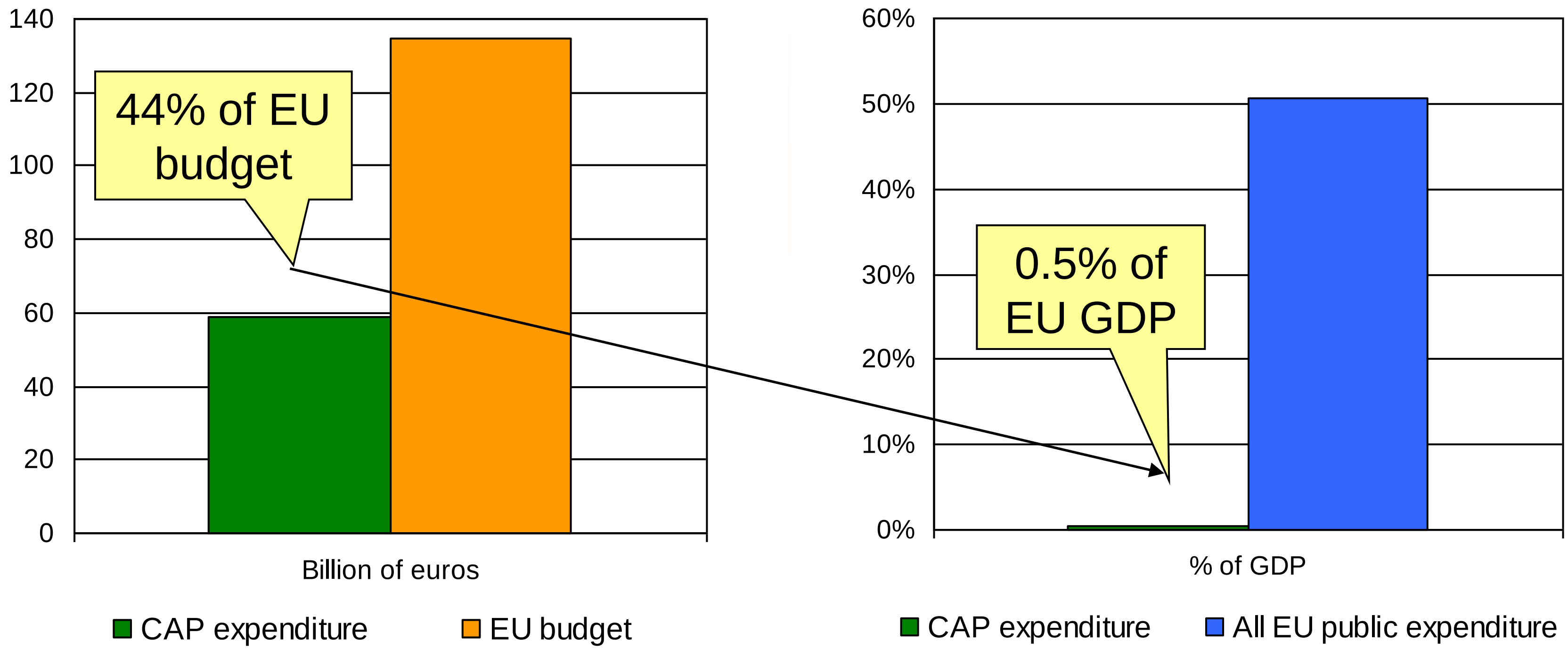
CAP cost in 2009
(in absolute terms)

CAP cost in 2009
(in relative terms)



Source: European Commission - DG Agriculture and Rural Development

2. The CAP beyond 2013

- Institutional context
  - Lisbon Treaty
  - WTO
  - New financial perspectives
    - New priorities for EU budget
    - Budget for CAP?

- CAP reform process: public debate, policy tools, budget

2. The CAP beyond 2013

12 April 2010	Launch of the public debate
3 June 2010	Advisory group on CAP
19-20 July 2010	Public conference
November 2010	Commission Communication
Summer 2011	Legal proposals

4 strategic questions on the future of the CAP:

1. Why do we need a European common agricultural policy?

2. What do citizens expect from agriculture?

3. Why reform the CAP?

4. What tools do we need for the CAP of tomorrow?

Public debate – participation and challenges

- ***Strong public interest for participation in the debate:***
  - 5 600 contributions (independent summary report)
  - Conference with over 600 participants
  - Opinions from Council, EP, EESC, CoR

- ***Convergence around challenges for the CAP to respond to:***
  - Food security
  - Globalisation and competitiveness
  - Price volatility, economic and financial crisis, increasing costs
  - Climate change and environmental challenges (limited resources)
  - Protection of diversity in EU agriculture
  - Viability of rural areas and territorial cohesion
  - Simplification

Public debate – broad policy conclusions

- ***An Agricultural Policy is needed to promote:***
  - a competitive agriculture that ensures food security
  - the provision of public goods
  - a dynamic rural countryside

- ***A Common Policy is needed to achieve:***
  - EU value added, level playing field, transnational objectives

- ***Reform is needed to respond to the identified challenges***
  - but views differ on the extent and sometimes direction of the reform

The CAP beyond 2013

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Public debate – ideas on policy instruments

- ***Two pillar structure:***
  - retain two pillar structure, but improve both pillars
  - redistribute support to achieve more fairness and equity
- ***Direct payments:***
  - strengthen the delivery of public goods and services
  - redistribute between and within MS
- ***Market measures:***
  - new instruments to address risk and crisis management needed
  - strong calls for improved food chain transparency
- ***Rural development:***
  - better delivery from existing tools

Many other views, debate is not over

2. The CAP beyond 2013

Policy tools

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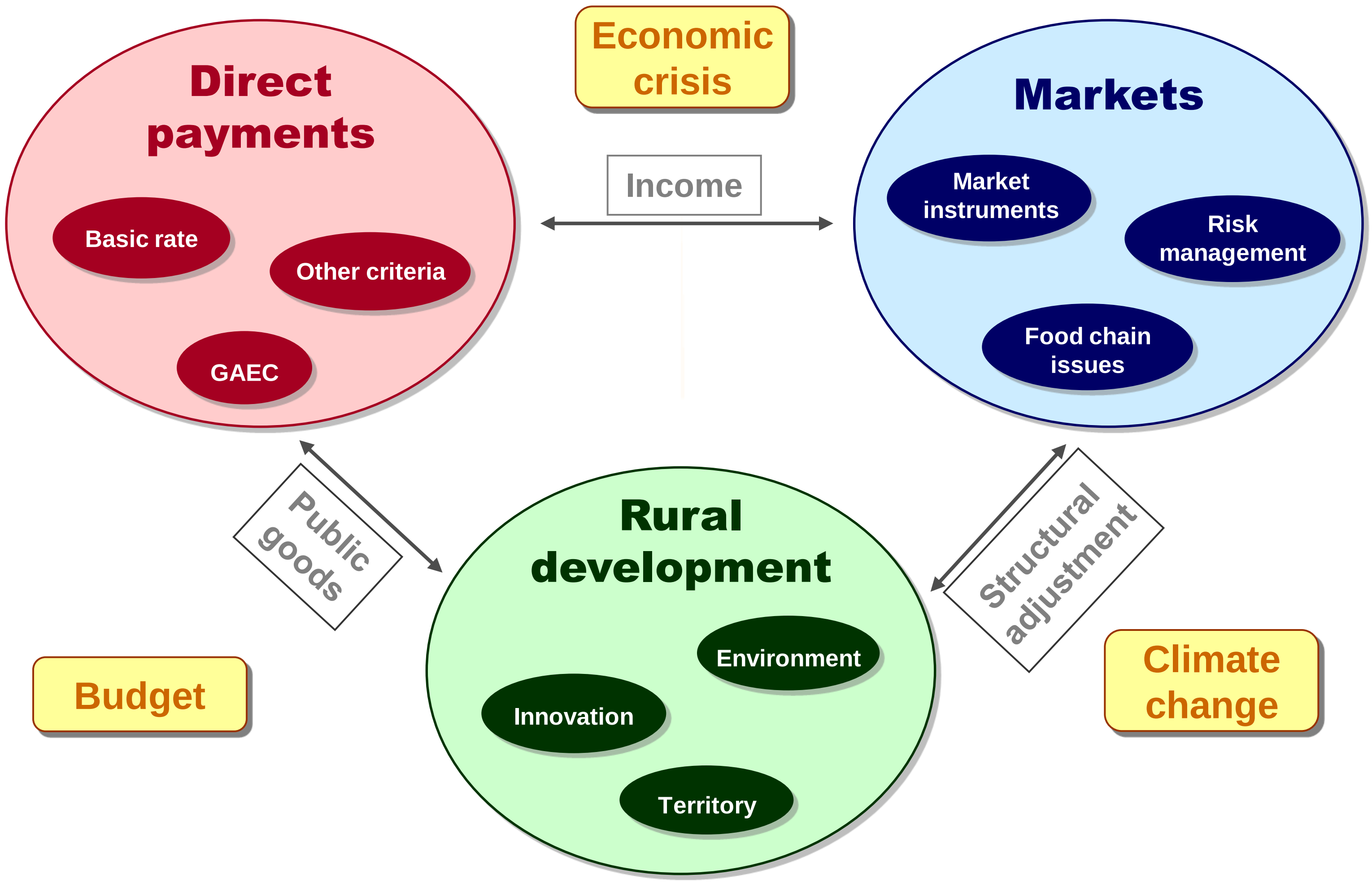

3. The CAP beyond 2013

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- Direct payments
  - Income support vs. public goods
  - Redistribution within and among Member States
- Market mechanisms
  - Safety net
  - Risk management
  - Food supply chain
- Rural development
  - Balance between competition, environm. and rural economy challenges
  - The 3rd axis of RD an integral part of the CAP reform?
- Financing
  - Distribution between pillars and areas
  - Co-financing

2. The CAP beyond 2013

Policy tools

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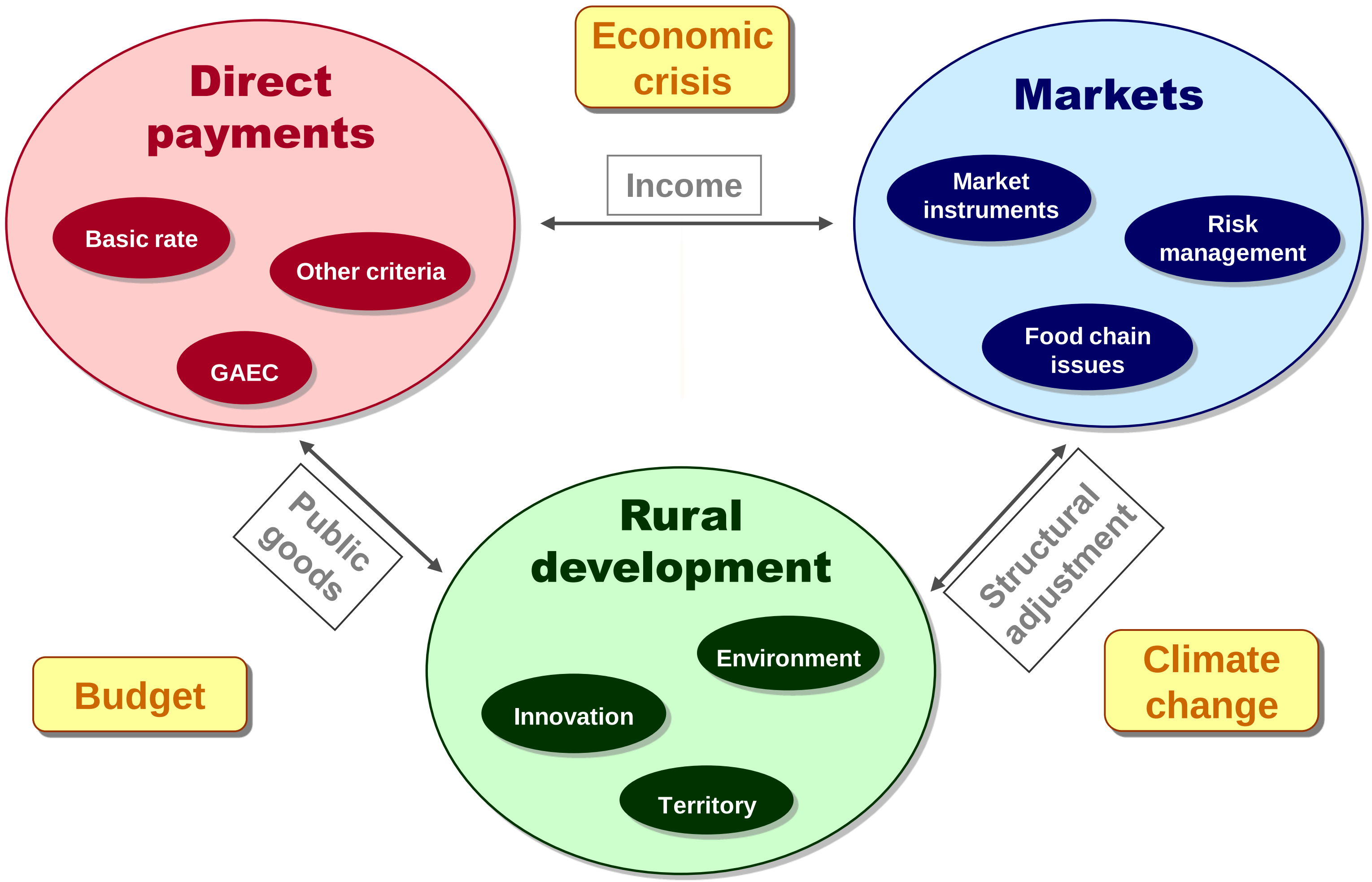
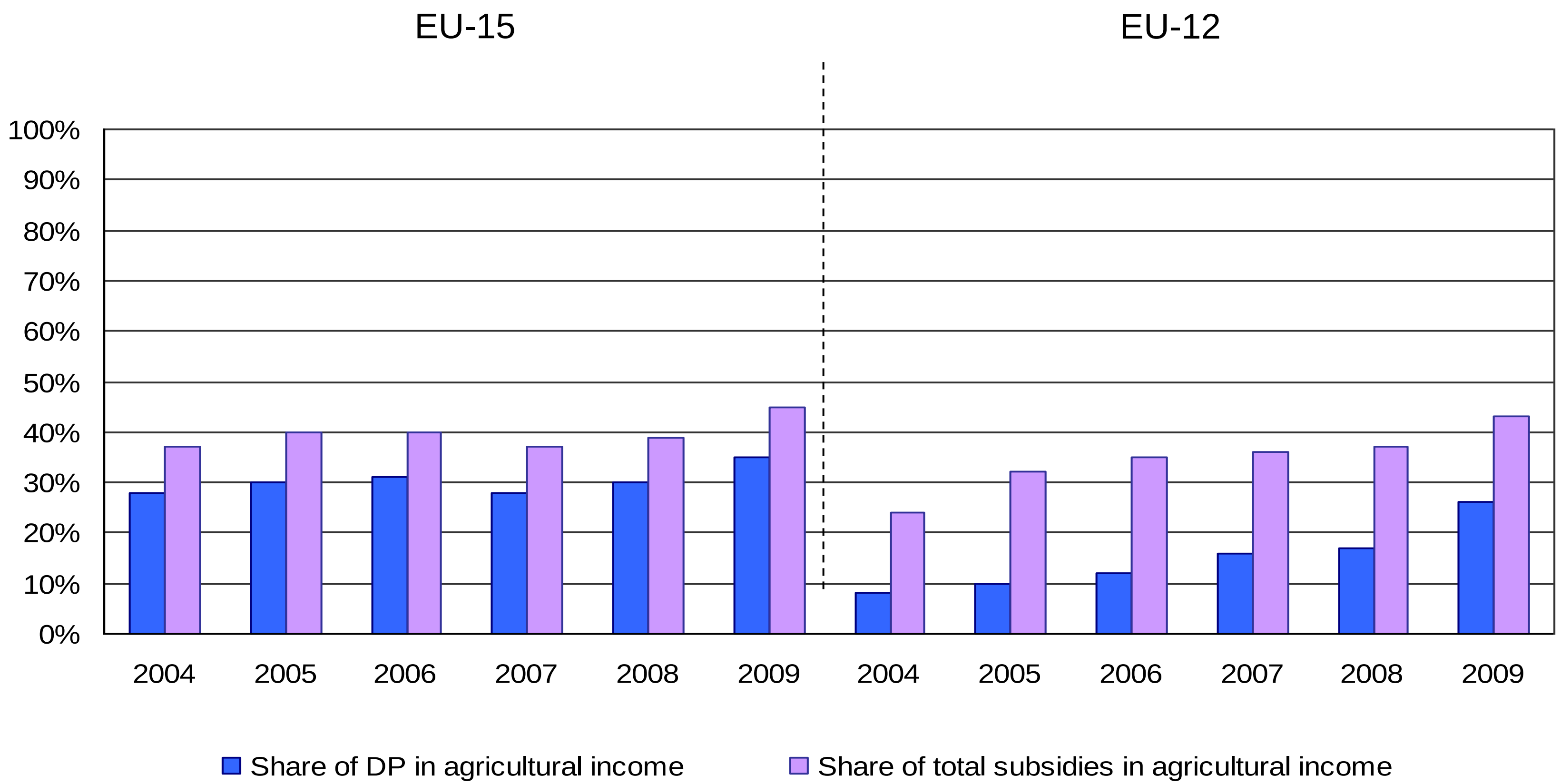
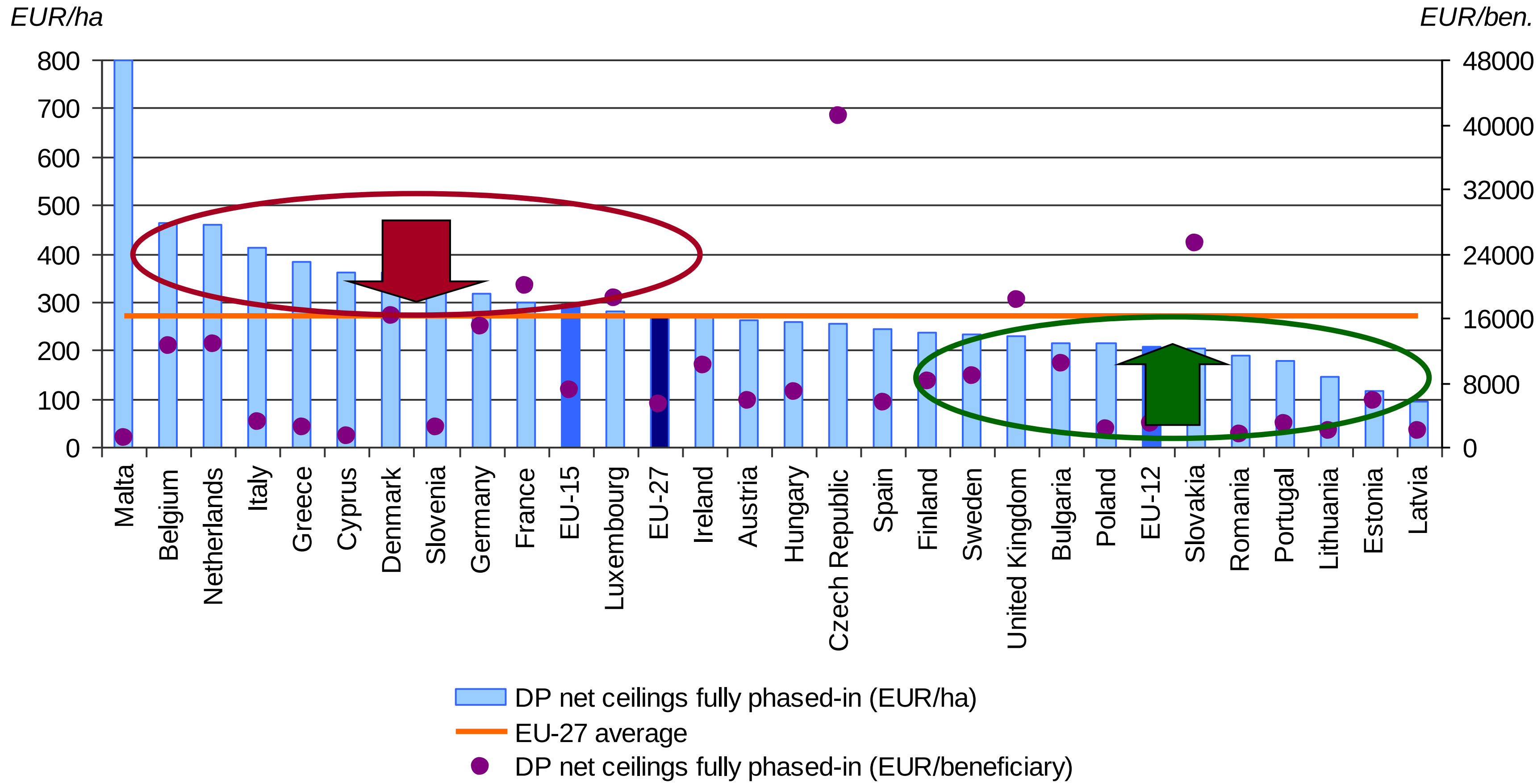


Share of DP and total subsidies in agricultural income



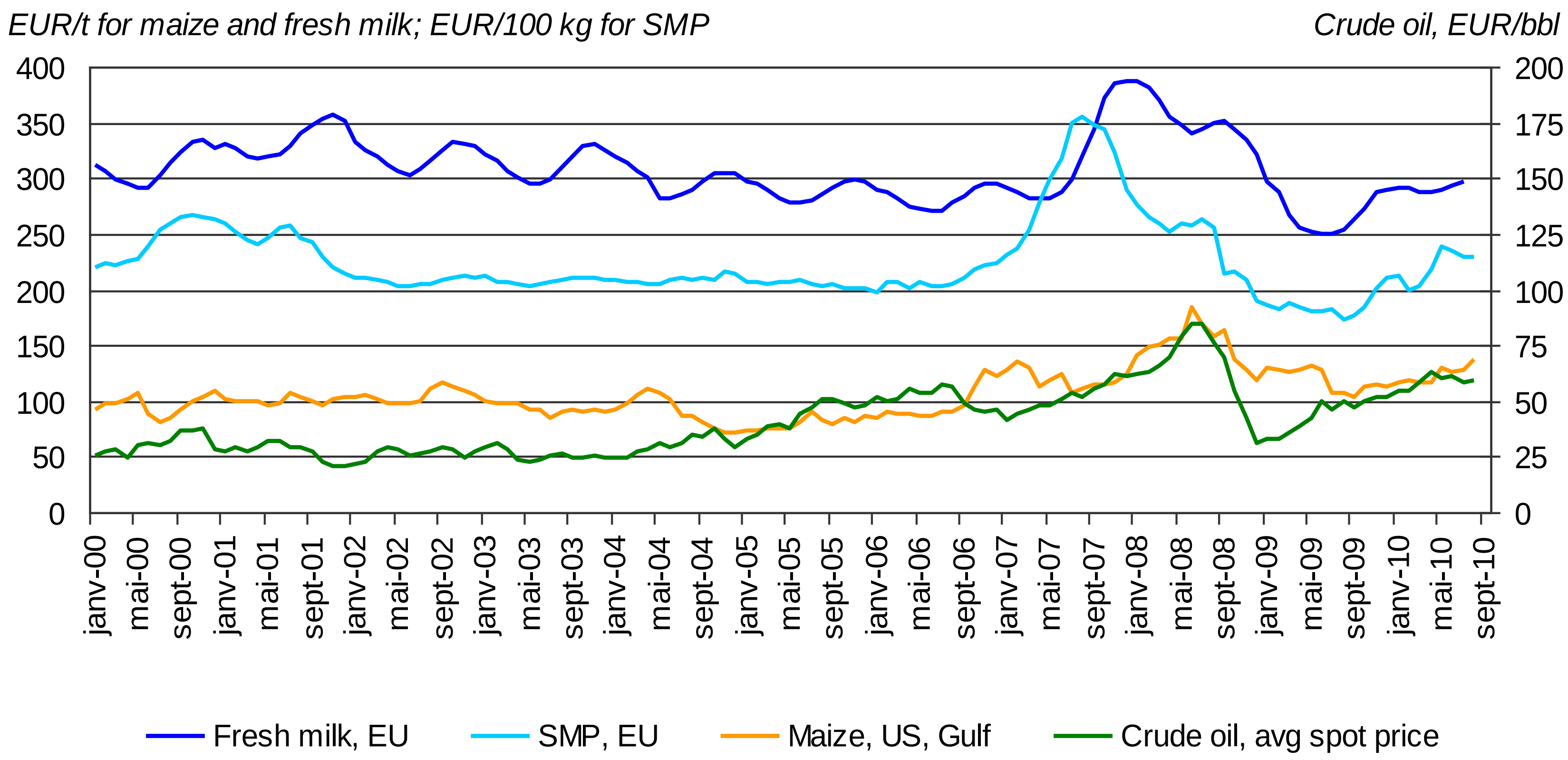
Source: European Commission - DG Agriculture and Rural Development

Average payments per eligible area and per beneficiary



Source: European Commission - DG Agriculture and Rural Development

Recent trend of some commodity market prices



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

Short-term price evolution along the food supply chain

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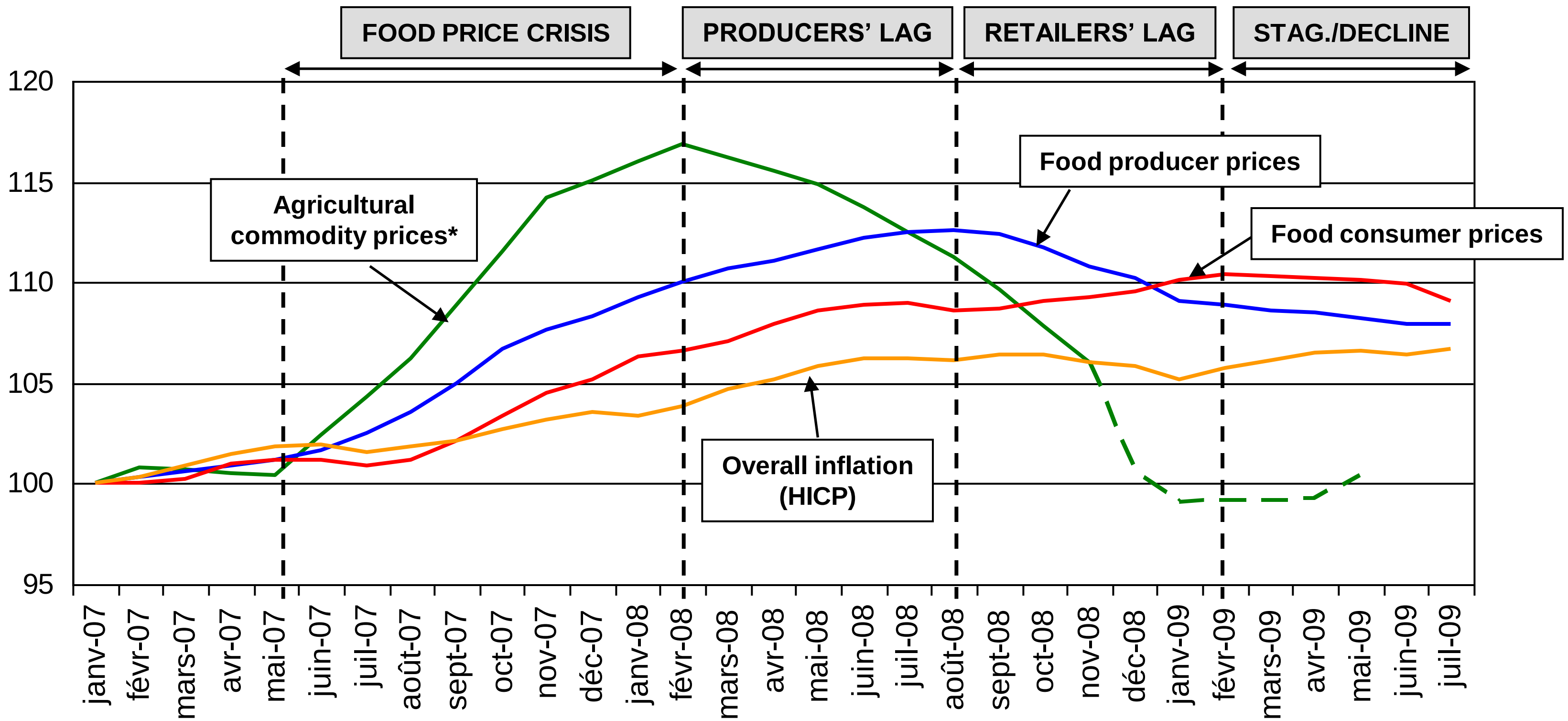

** Quarterly data for agricultural commodity price index; from January 2009, the index has been extrapolated based on price levels of major commodities available in Agriview's database*
Source: European Commission – DG Economic and Financial Affairs, based on Eurostat and Agriview data

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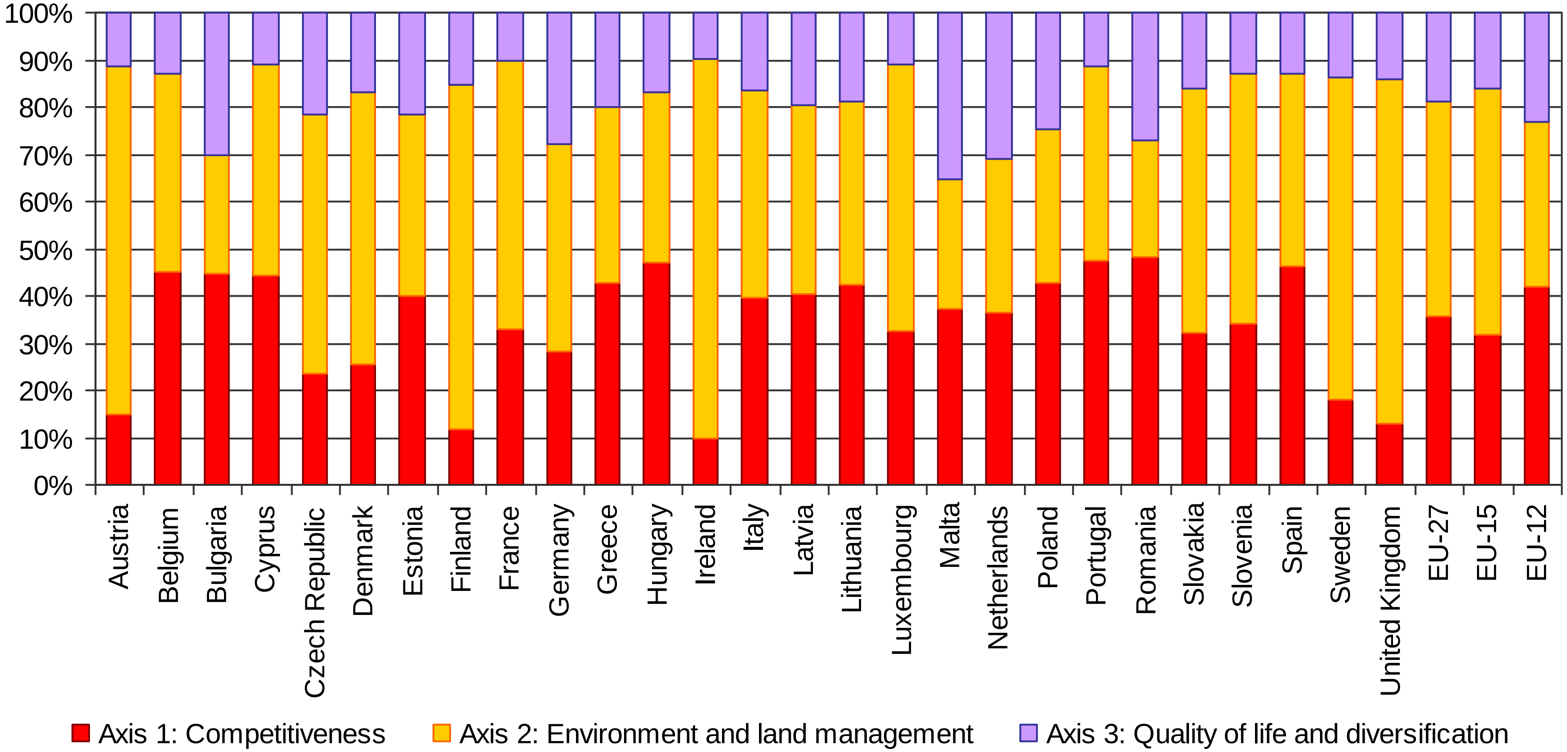
The three 2007-2013 RD thematic axes in the MS



Share of each axis of total EAFRD expenditure EU-27*

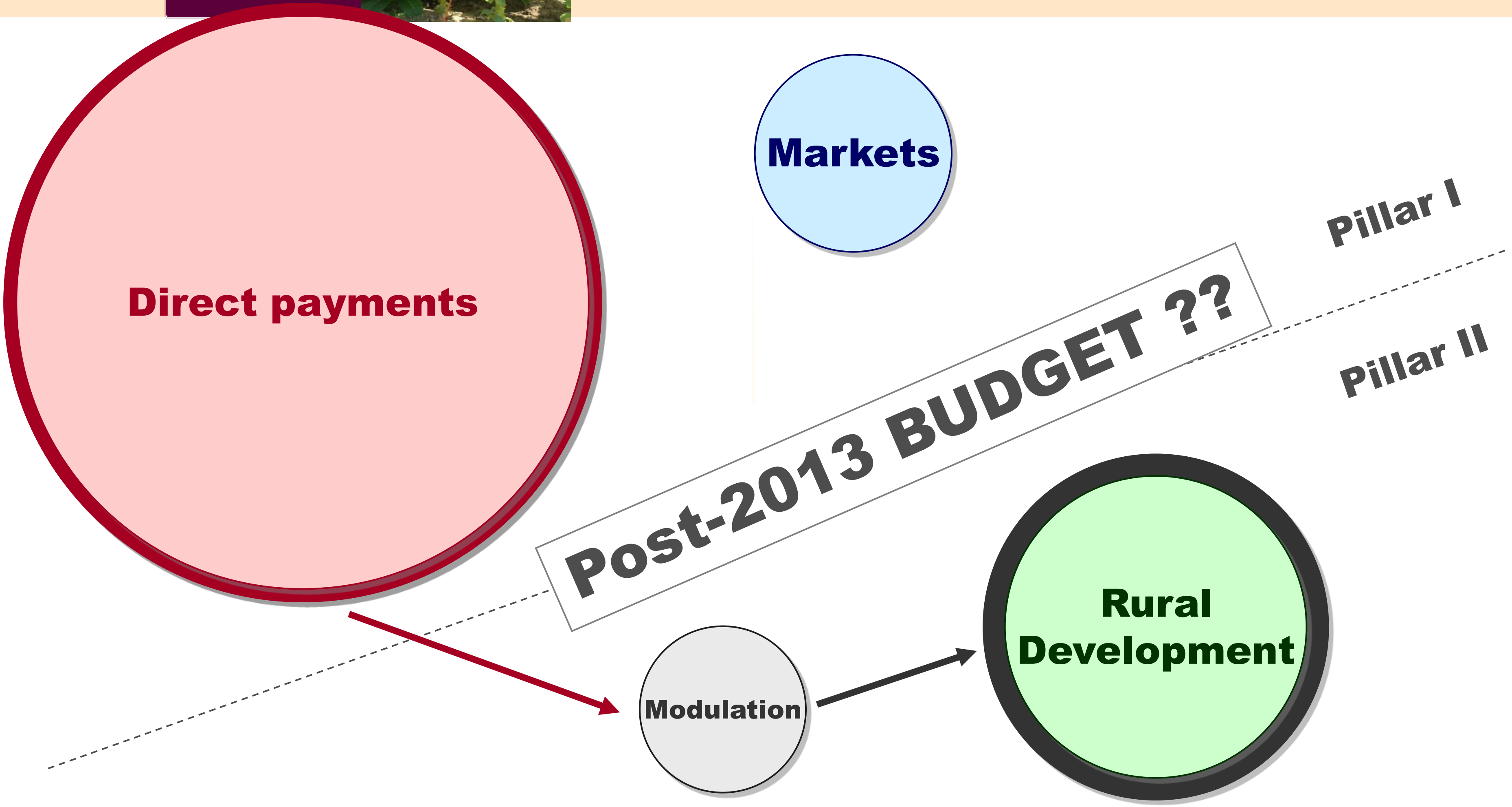
Axis 1: 35.8% **Axis 2: 45.4%** **Axis 3: 18.8%**

* Including funds allocated for Technical Aid and DP ROM

Source: European Commission - DG Agriculture and Rural Development

3. The CAP beyond 2013

Budget



Recent History (1)
Tobacco Policy Development : April 2004 reform

- Up to 31 December 2005: quotas + premiums (per kg)
- From 1 January 2006:
  - Single Payment scheme with possibility of max. 60 % coupled
  - SAPS + CNDP for New Member States
- From 1 January 2010
  - Full decoupling (50% of Budget)
  - Transfer of 50% to Rural Development programmes

Recent History (2)

After the Health Check:

- Confirmation of full decoupling as from 1 January 2010 (SPS or SAPS) and transfer to RD programmes (50%)
- « Article 68 » measures
- Specific RD measures for farmers losing in 2010 more than 25% of their Direct Support: a degressive annual aid from 4 500 € to 1 500 €
- Maintaining of decoupled CNDP measures.

Evaluation Report of CAP Measures in the raw tobacco sector

Recommendations

- Support for quality must be linked to eligibility criteria
- Address job losses mainly employed workers
  - Alternative occupations
  - Encourage mobility
  - Access to continued vocational education
  - Introduce some income protection measures for those who lost or about to lose their jobs

Evaluation Report of CAP Measures in the raw tobacco sector

Recommendations (cont'd)

Using amounts transferred to the 2nd Pillar

- Diminish institutional barriers
- Implement communication activities aimed at operators in the tobacco sector with respect to opportunities offered by Rural Development programmes

Recommendations (cont'd)

- Use to a larger extent integrated planning tools tht should facilitate access of former tobacco growers to financing opportunities offered by Rural Development programmes
- Member States communicate results of studies and experimental activities financed by the Community Tobacco Fund.

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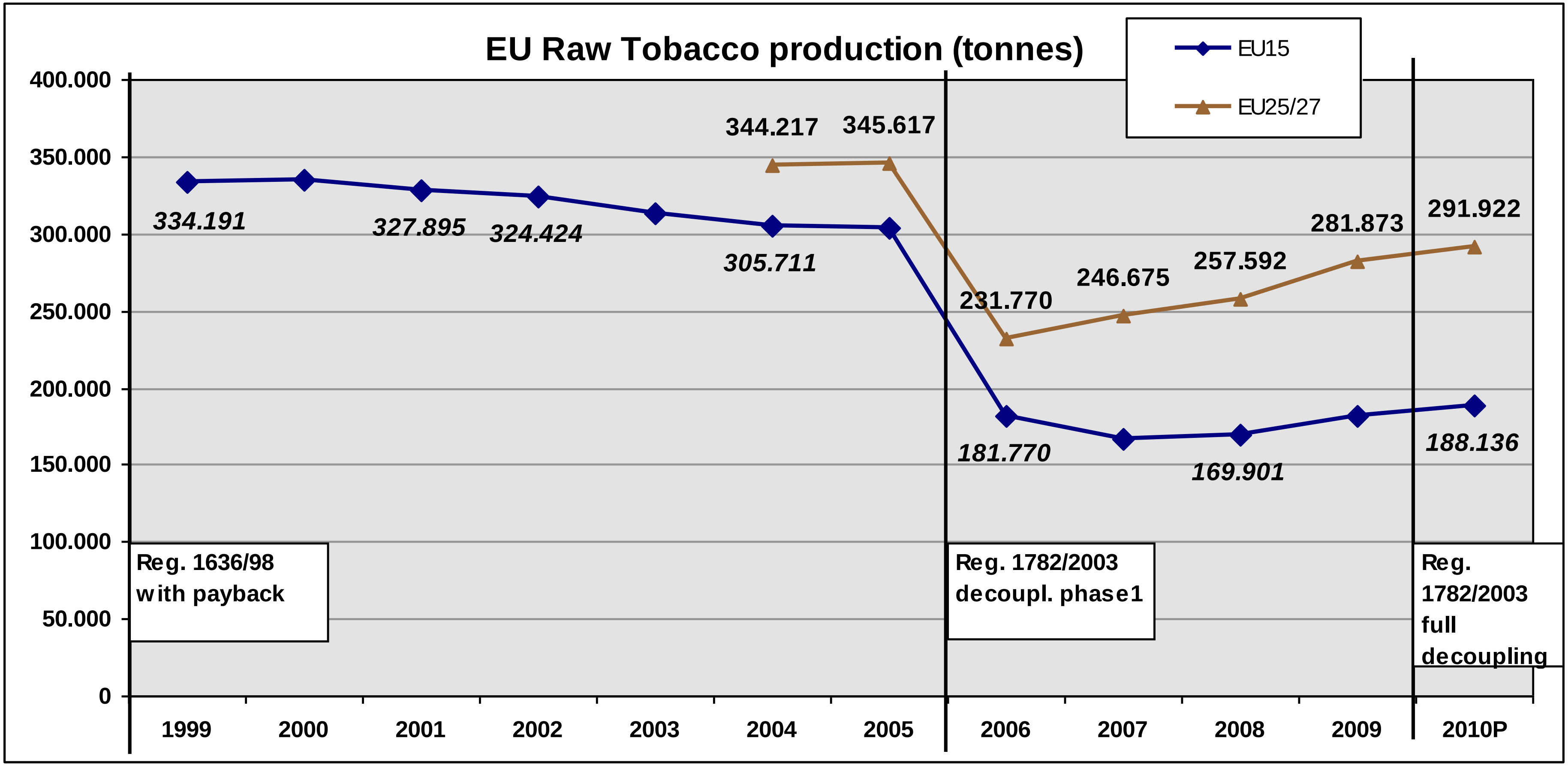
EU27 Raw tobacco production evolution



Source: DG AGRI C3, MS communications.

EU27 Raw tobacco - production evolution

(tonnes)	2005	2006	2007	2008	***2009***	2010	*comp.*
	TOTAL	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	forecast (Sept)	*Comp. 2010 -2009*
BELGIUM	1.019	196	116	131	**122**	119	*-2%*
BULGARIA		30.678	30.516	36.272	**48.609**	42.857	*-12%*
GERMANY	11.038	8.524	7.767	8.365	**8.223**	5.317	*-35%*
GREECE	108.246	22.092	21.994	20.535	**22.556**	24.800	*10%*
SPAIN	40.171	32.688	29.368	31.852	**35.106**	38.500	*10%*
FRANCE	22.168	19.711	15.688	14.983	**15.648**	18.000	*15%*
ITALY	115.717	96.600	90.941	92.556	**97.798**	100.000	*2%*
HUNGARY	7.684	8.836	7.509	9.032	**8.170**	8.400	*3%*
AUSTRIA	247	0	0	0	**0**	0	
POLAND	33.500	40.517	39.560	41.159	**41.968**	49.400	*18%*
PORTUGAL	4.832	2.559	1.496	1.479	**1.842**	1.400	*-24%*
ROMANIA		1.049	1.355	1.228	**1.831**	3.129	*71%*
SLOVAKIA	995	647	433	0	**0**	0	
EU27	**345.617**	**264.096**	**246.743**	**257.592**	**281.873**	291.922	*4%*
in % // total					*100%*		
EU25	345.617	232.369	214.873	220.092	**231.433**	245.936	*6%*
EU15	303.191	182.370	167.370	169.901	**181.295**	188.136	*4%*

Source: DG AGRI C3, MS communications.

EU27 Raw tobacco - production in 2009

(tonnes)	2009								2009
	GROUP I	GROUP II	GROUP III	GROUP IV	GROUP V	GROUP VI	GROUP VII	GROUP VIII	TOTAL
BELGIUM		8	114						**122**
BULGARIA	9.572	7.480				24.958		6.599	**48.609**
GERMANY	4.787	2.146	1.290						**8.223**
GREECE	14	0			0	10.528	12.014	0	**22.556**
SPAIN	28.821	3.426	2.833	26					**35.106**
FRANCE	8.074	7.221	352						**15.648**
ITALY	53.263	31.351	10.049	3.135	0		0		**97.798**
HUNGARY	5.751	2.419							**8.170**
AUSTRIA									**0**
POLAND	24.836	12.887	2.314	1.932					**41.968**
PORTUGAL	1.493	349							**1.842**
ROMANIA	435	1.396							**1.831**
SLOVAKIA	0	0							**0**
EU27	137.045	68.683	16.952	5.094	0	35.486	12.014	6.599	**281.873**
in % // total	49%	24%	6%	2%	0%	13%	4%	2%	*100%*
EU25								***EU25***	**231.433**
EU15								***EU15***	**181.295**

Source: DG AGRI C3, MS communications.

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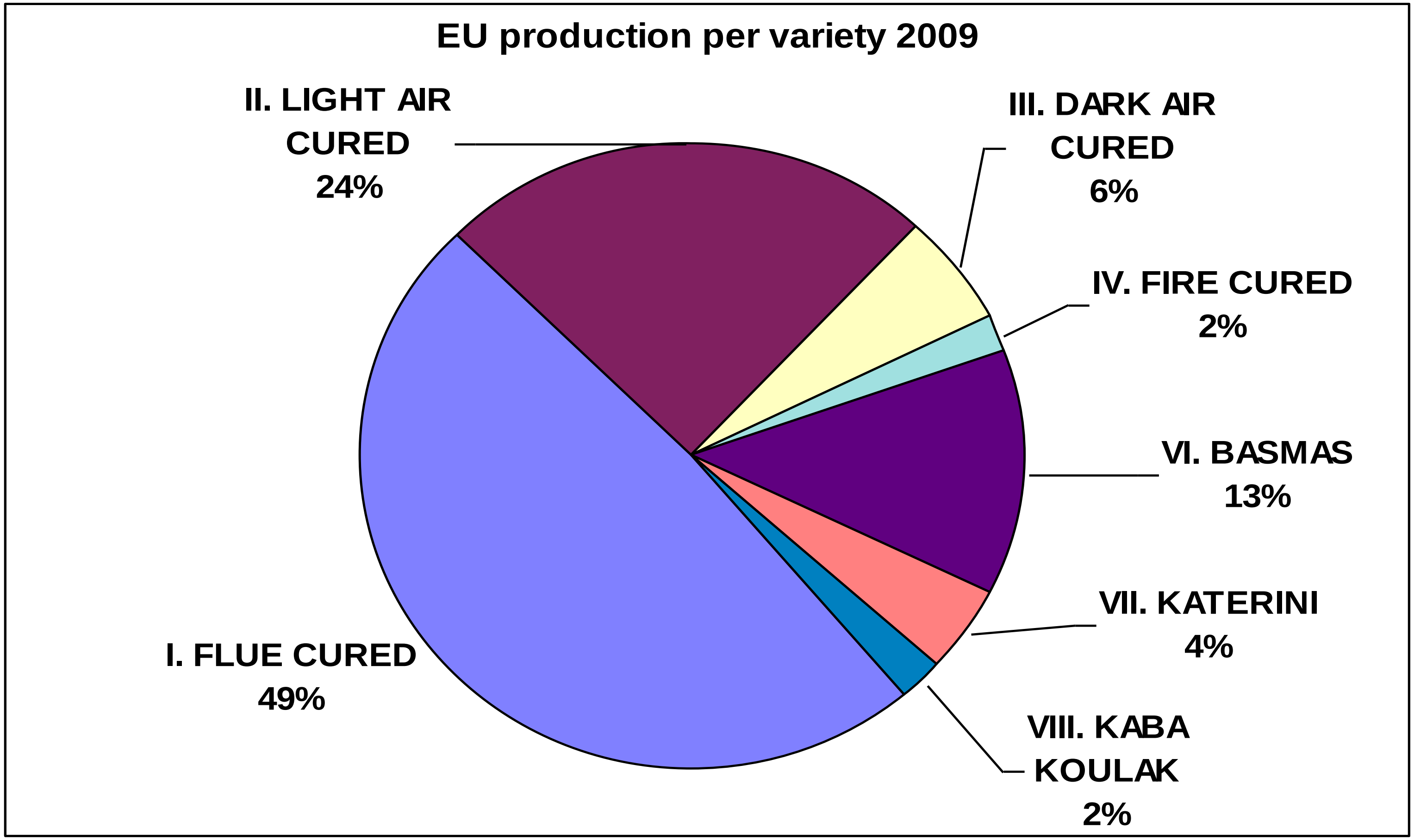
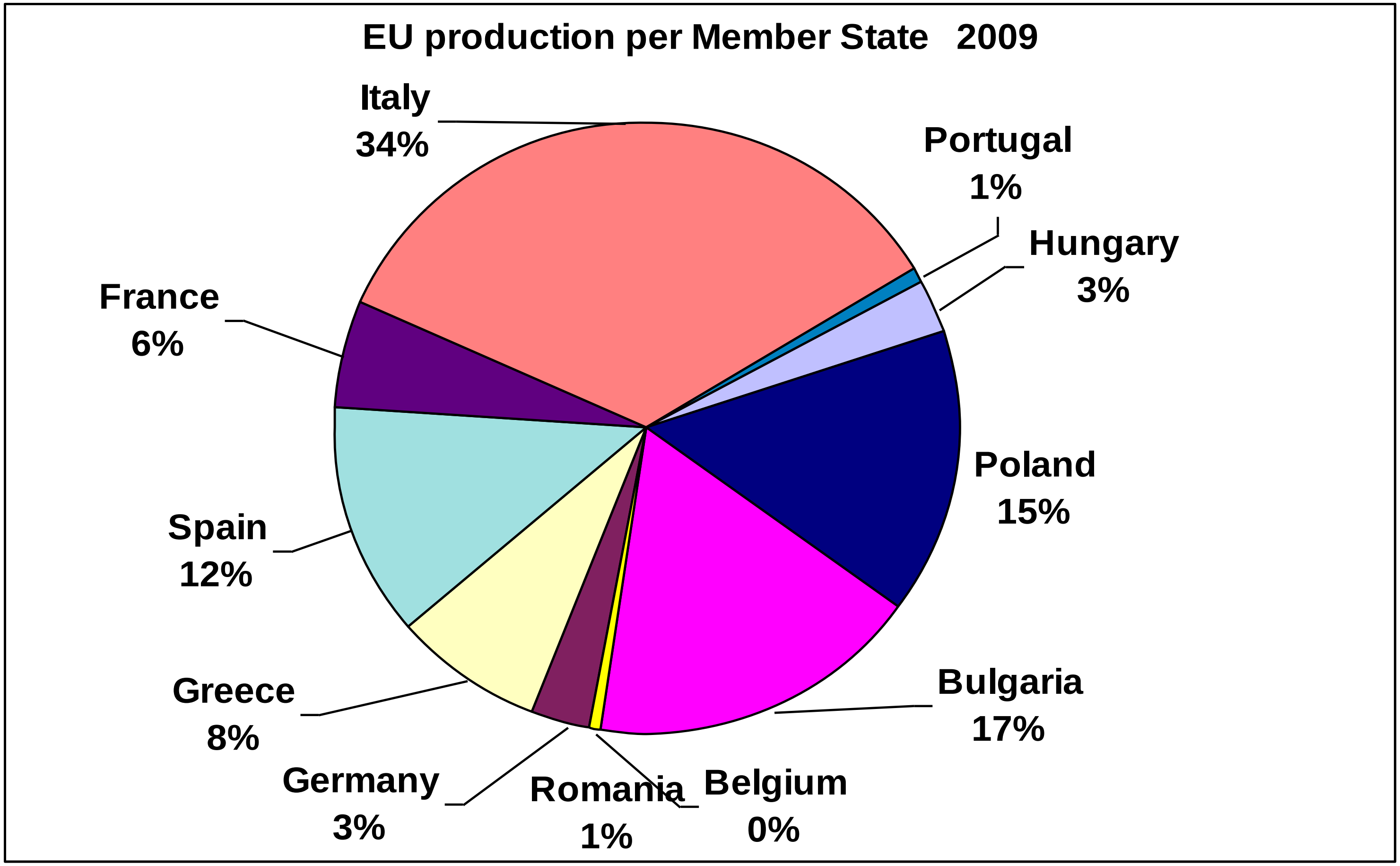
EU27 Raw tobacco - production in 2009



Source: DG AGRI C3, MS communications.

EU27 Raw tobacco - production per MS in 2009



Source: DG AGRI C3, MS communications.

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Agriculture and Rural Development

EU27 Raw tobacco - price evolution

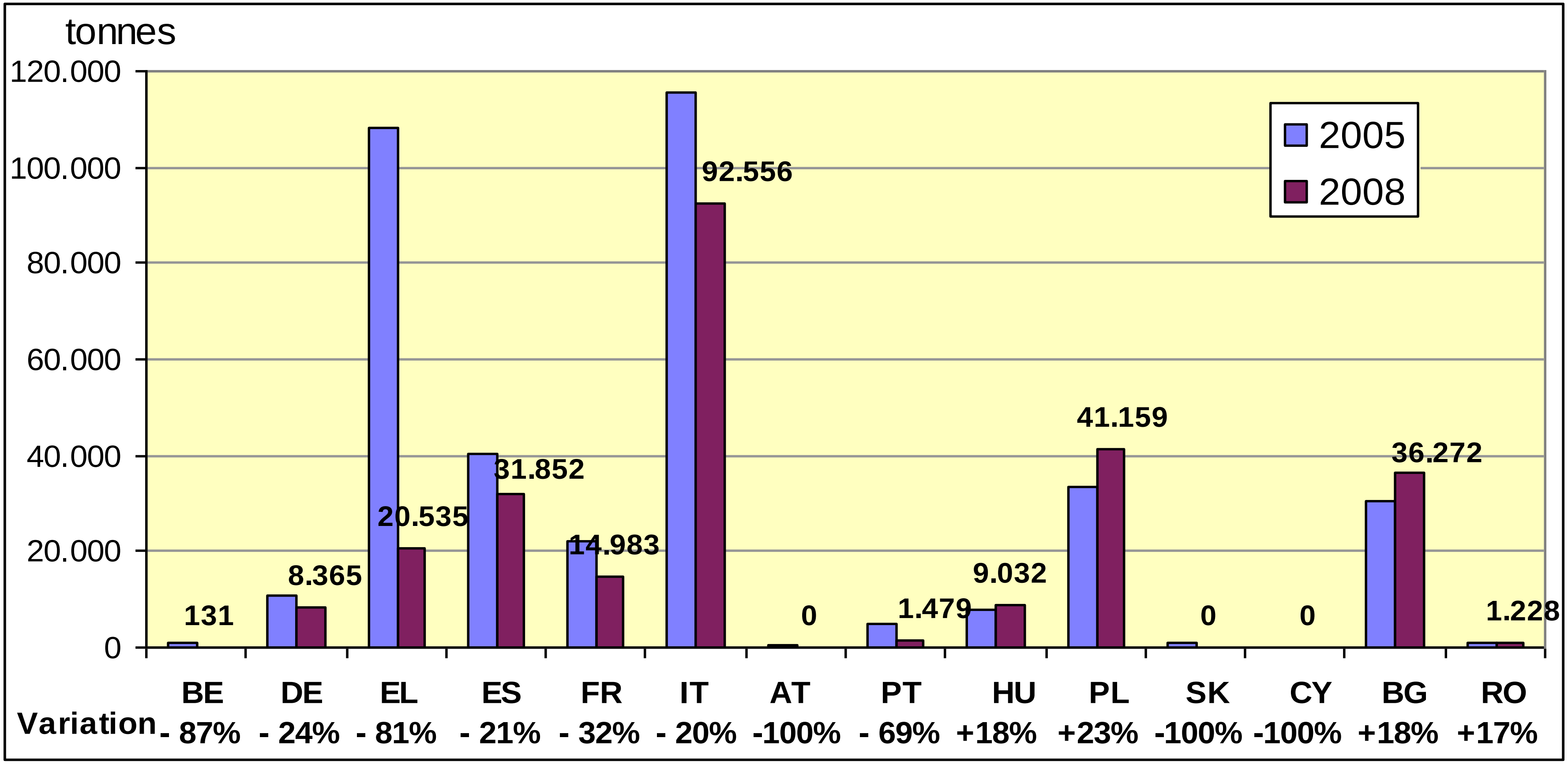
AVERAGE PRICE (paid by 1st processing enterprises)

2009 *(EUR/kg)*

	GROUP I	GROUP II	GROUP III	GROUP IV	GROUP V	GROUP VI	GROUP VII	GROUP VIII
BELGIUM		2,27	2,23					
BULGARIA	1,97	1,29				2,98		1,82
GERMANY	1,85	1,59	1,25					
GREECE	2,20					4,20	3,70	
SPAIN	1,09	0,81	0,80	1,09				
FRANCE	1,69	1,81	1,83					
ITALY	1,73	1,21	0,74	3,18				
HUNGARY	0,74	0,65						
POLAND	1,19	0,86	0,66	0,72				
PORTUGAL	0,90	0,88						
ROMANIA	0,75	0,88						
Average price ***2009***	**1,462**	**1,180**	**0,810**	**2,236**		**3,342**	**3,700**	**1,820**
Average price 2008	1,186	1,035	0,645	1,641		2,943	3,750	1,460
Average price 2005	0,645	0,510	0,261	1,451	0,106	2,100	1,878	0,580
Diff. 2009-2005	***127%***	***131%***	***211%***	***54%***		***59%***	***97%***	***214%***

Source: DG AGRI C3, MS communications.

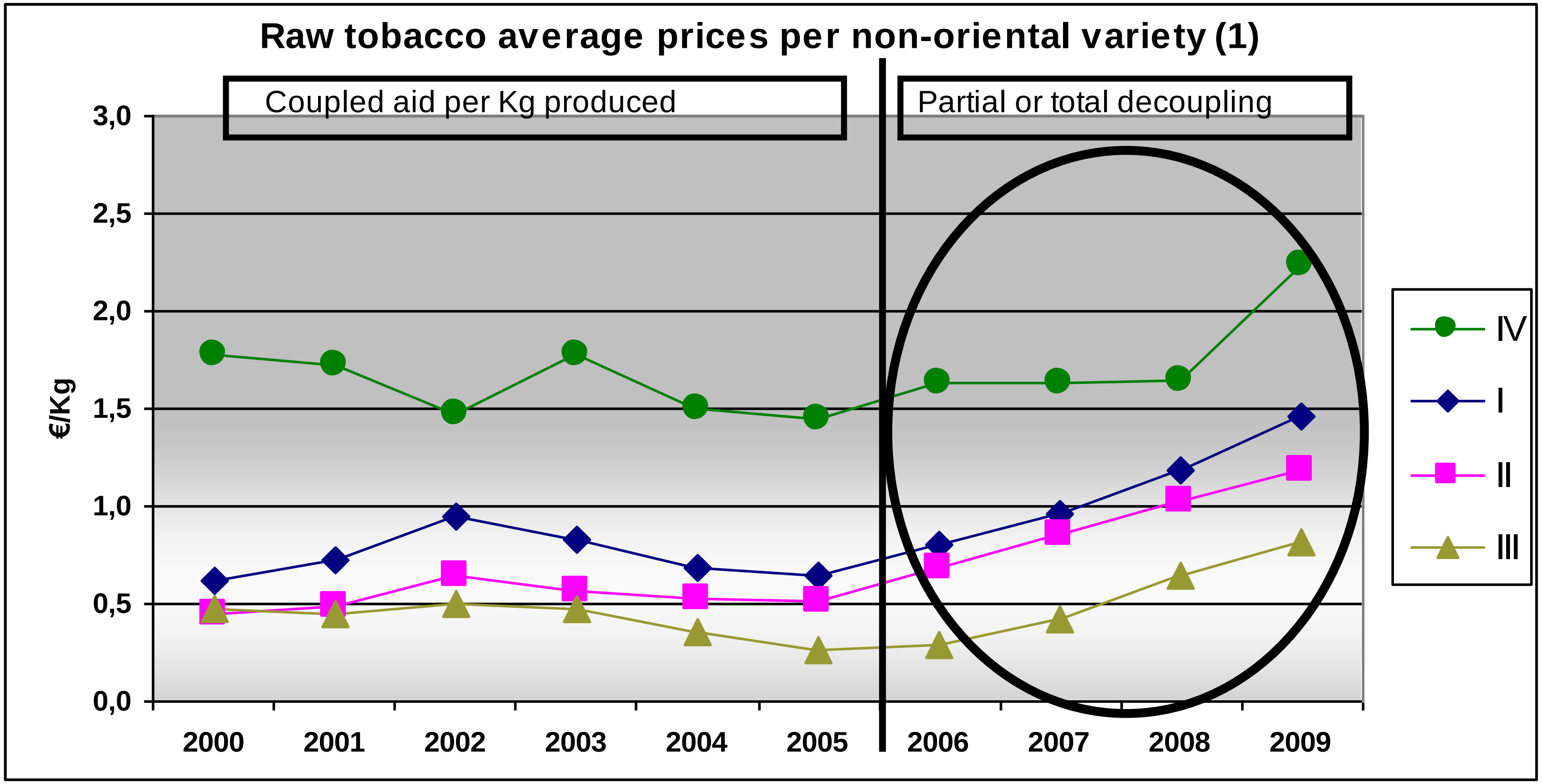
Variation of tobacco production by Member State between 2005 and 2008 in EU



Source: DG AGRI C3, MS communications

EU tobacco price evolution for group of varieties I to IV

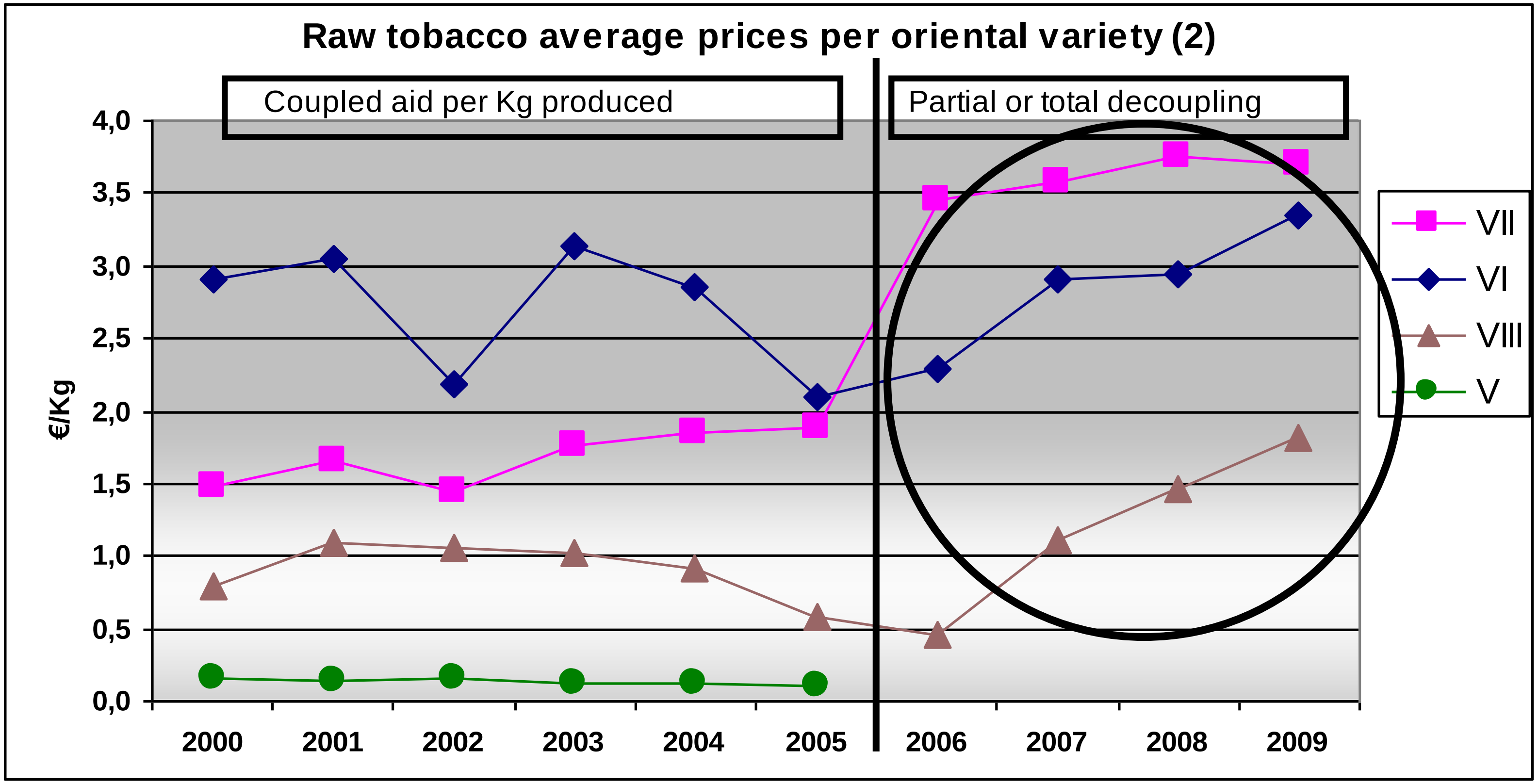
(average price paid by the first processors in €/kg)



Source: DG AGRI C3, MS communications

EU tobacco price evolution for group of varieties VI to VIII

(average price paid by the first processors in €/kg)



Source: DG AGRI C3, MS communications

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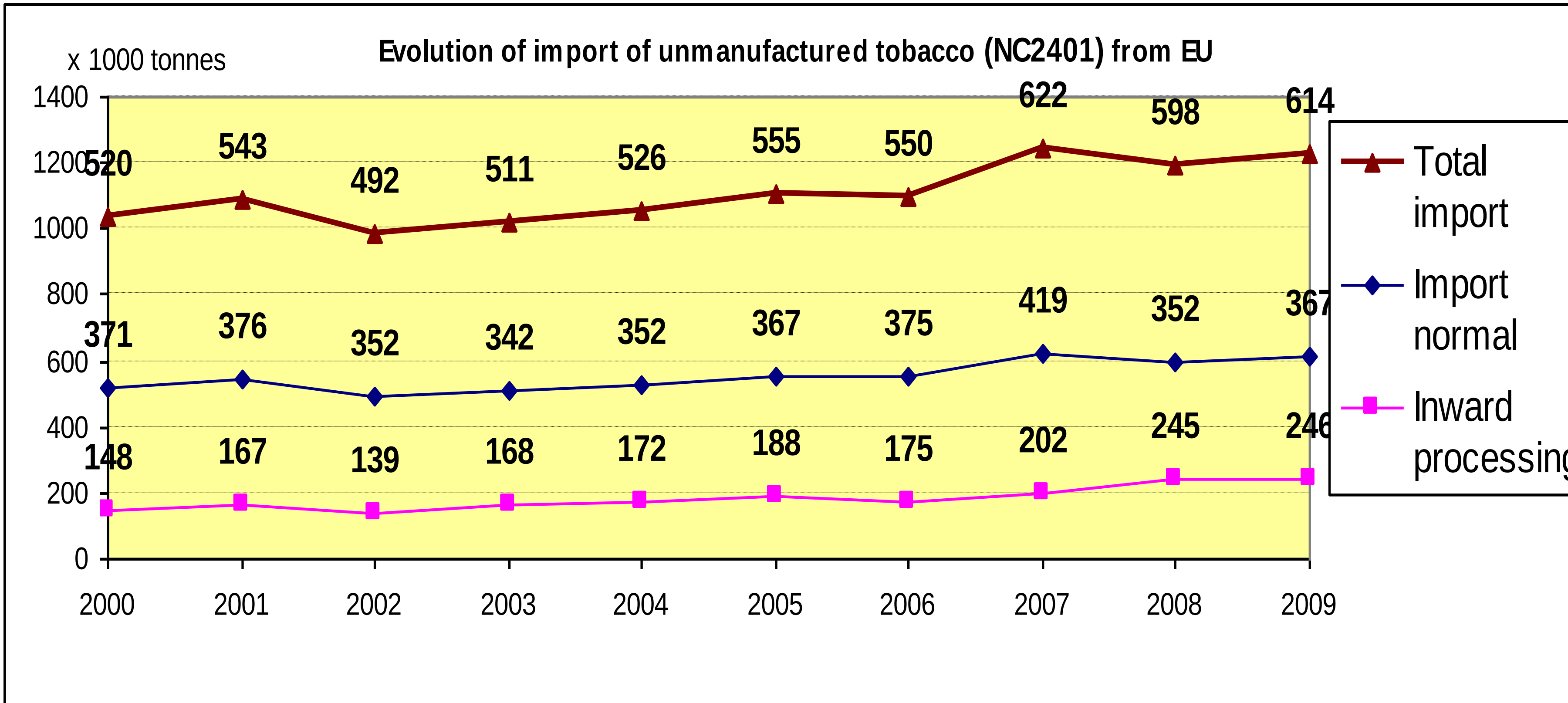
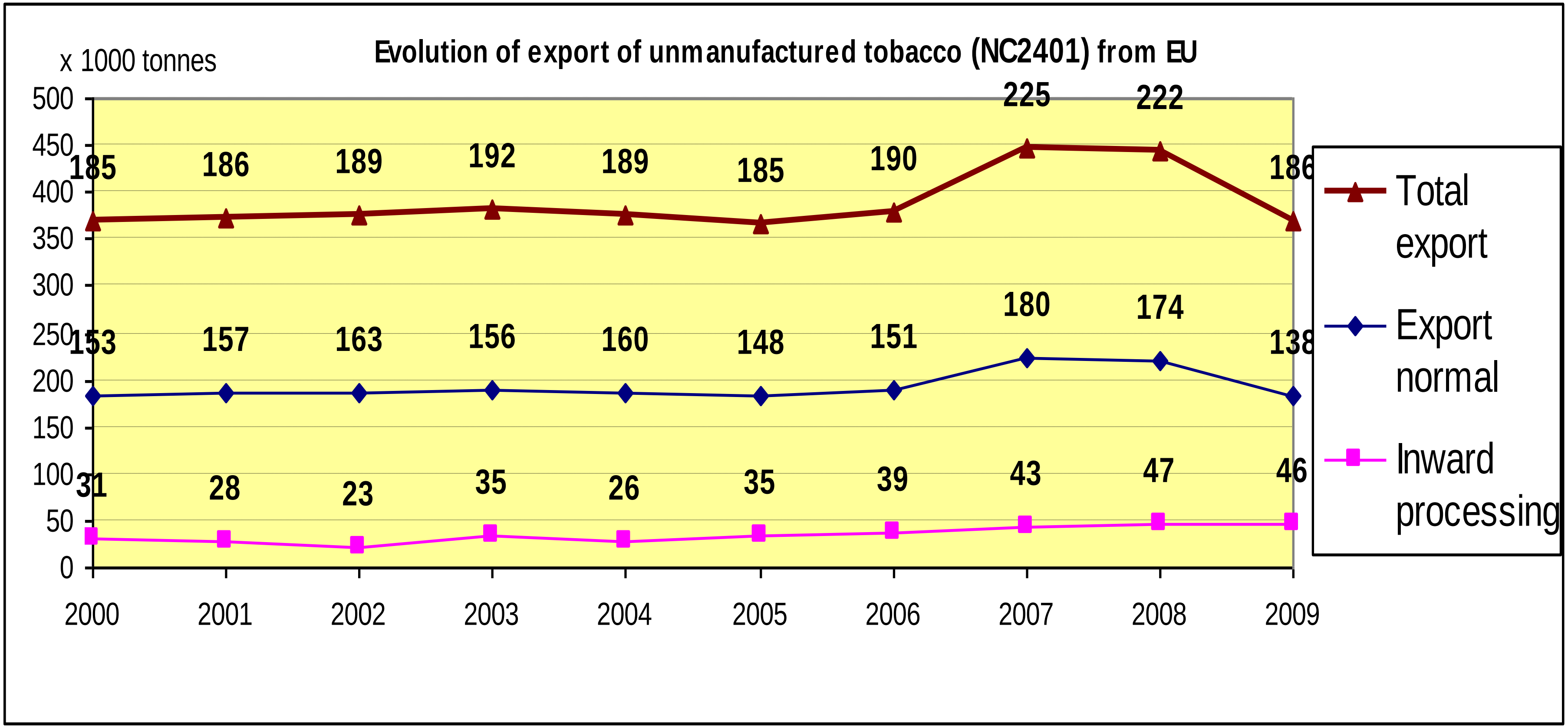
Raw tobacco import between EU27 and third countries



Source: DG AGRI C3, Eurostat (EU27 simulated)

Raw tobacco export between EU27 and third countries



Source: DG AGRI C3, Eurostat (EU27 simulated)

The measures applied in the tobacco sector in 2010 (1)

MS	Direct Support System	"Art. 68"	Annual transfert to Rural Devel. (2011-2013)	RD measures notified to the Commission (Restructuring)	RD measures notified to the Commission (agri-envir.)
Belgium	SPS	-	2.0 Mio €	-	-
Germany	SPS	-	17.7 Mio €	-	-
Greece	SPS	-	189.4 Mio €	Yes	Yes
Spain	SPS	5.9 Mio €	58.8 Mio €	Yes	Yes
France	SPS	-	40.2 Mio €	Yes	-
Italy	SPS	21.5 Mio €	167.4 Mio €	Yes	Yes
Portugal	SPS	-	8.5 Mio €	-	-
TOTAL		**27.4 Mio €**	**484.5 Mio €**		

Source: DG AGRI C3, MS communications (Art. 68 amounts may change)

The measures applied in the tobacco sector in 2010 (2)

MS	Direct Support System	"Art. 68"	CNDP (national)
Hungary	SAPS	22.1 Mio €	15.4 Mio €
Poland	SAPS	Not accepted	49.3 Mio €
Bulgaria	SAPS	-	73.2 Mio €
Romania	SAPS	-	-
Cyprus	SAPS	-	1.0 Mio €
TOTAL		**22.1 Mio €**	**139.0 Mio €**

Source: DG AGRI C3, MS communications (Art. 68 amounts may change)

LISBON TREATY

TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION

- Legal Acts of the Union adoption procedures and other provisions
- Ordinary legislative procedure: joint adoption by the EP and the Council on a proposal from the Commission (Article 289 TFEU)
- Delegated Acts
- A legislative act may delegate to the Commission the power to adopt non legislative acts of general application to supplement or amend now essential elements of the legislative act.
- The Commission may adopt a delegated act which has to be scruitnised by the EP and Council before it may enter into force (Article 290 of TFEU)

LISBON TREATY (cont’d)

- Implementing Acts
  Member States should adopt all measures of national law necessary to implement legally binding Union acts.
- Where uniform conditions for implementing legally bindin Union acts are needed those acts shall confer implementing pwoers on the Commission.
- The legislator (EP + Council) shall lay down in advance the rules and general principles concerning mechanisms for control by Member States of the Commission’s exercise of implementing acts.

WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL (FCTC)

- Draft guidelines for the implementation of Articles 9 and 10 of the WHO Framework Convention on Tobacco Control.

WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL (FCTC)

Economically sustainable alternatives to tobacco growing
(in relation to Articles 17 and 18 of the WHO – FCTC)

– Article 17
  Provision of support for economically viable alternative activities

– Article 18
  Protection of the the environment and the health of persons

WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL (FCTC)

- Thank you!

1. The CAP today

- A substantially reformed policy …
  - Farm support is mainly decoupled and subject to cross-compliance
  - Role of market intervention mechanisms is significantly reduced to safety net level
  - Rural development policy is strengthened with funds and policy instruments

3. The CAP beyond 2013

Public debate

- Strong public interest
  - 5 600 contributions (independent summary report)
  - Conference with over 600 participants
  - Opinions from EP, ESSC, CoR and Council

- Allowed to identify future challenges for the CAP
  - Food security
  - Globalization, competitiveness
  - Price volatility, economic and financial crisis, increasing costs
  - Climate change and environmental challenges (limited resources)
  - Diversity of EU agriculture
  - Viability of rural areas and territorial cohesion
  - Simplification

3. The CAP beyond 2013

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Public debate

- Agricultural Policy is needed
  - To promote competitive agriculture that ensures, food security, provision of public goods, and dynamic rural countryside
- Common Policy is needed
  - EU value added; level playing field; trans national objectives
- Convergence on the need to evolve/reform
  - To respond to the identified challenges
  - Views differ on the extent of reform

3. The CAP beyond 2013

Public debate

- Several views on the future policy tools
  - In favour of two pillar structure, with improvements
  - What level of payments to farmers for the delivery of food security, public goods and services? - key element of discussion
  - Need for fairness of redistribution of support
  - Market intervention to evolve to include modern risk and crisis management tools; Need for greater transparency in the food chain
  - Rural development tools to be enhanced for better delivery

Many other views, debate is not closed…

3. The CAP beyond 2013

- Direct payments
  - Income support vs. public goods
  - Redistribution within and among Member States

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- Rural development
  - Balance between competition, environmental and rural economy challenges
  - The 3rd axis of RD an integral part of the CAP reform?

Public debate

The CAP beyond 2013

- 12 April 2010 — Launch of the public debate
- 3 June 2010 — Advisory group on CAP
- 19-20 July 2010 — Public conference
- November 2010 — Commission Communication
- Summer 2011 — Legal proposals

Strategic questions on CAP's future:

1. *Why do we need a European common agricultural policy?*
2. *What do citizens expect from agriculture?*
3. *Why reform the CAP?*
4. *What tools do we need for tomorrow's CAP?*