

## The common agricultural policy - A glossary of terms

### A

**Abatimento:** the lowering of the tariff for imports of maize and sorghum into Spain and Portugal in accordance with obligations falling upon the European Union under the rules of the World Trade Organisation.

**Acquis communautaire:** The phrase 'acquis communautaire', sometimes translated as 'the Community patrimony' denotes the whole range of principles, policies, laws, practices, obligations and objectives that have been agreed or that have developed within the **European Union**. The **acquis communautaire** includes most notably the Treaties in their entirety, all the legislation enacted to date and the judgements of the Court of Justice.

**Ad valorem duty:** This is an import duty, expressed as a percentage of the value of the good on which it is applied (for example 5% of the value). The term "ad valorem duty" contrasts with the term "specific duty". The latter term refers to an import duty expressed as, for example, 10 dollars per tonne, 20 yen per head or 30 euro per hectolitre.

**Advisory groups:** these are groups of representatives of organisations from civil society. The organisations include professional associations, NGOs and so forth which are involved in farming, the rural economy, food production, the environment and other related matters. The groups meet with the services of the Commission several times a year. There are around 30 of them. They play an advisory and consultative role – they are not involved in the drafting or approval of legislation.

**Afforestation:** This is the planting of trees for the purpose of creating woodland or forest. In the context of the common agricultural policy, the term refers to measures, co-financed by the European Union, to encourage new woodland development with a view to its beneficial effects for the environment.

**African, Caribbean and Pacific countries (ACP countries):** These are the African, Caribbean and Pacific states that are associated with the **European Union** under the Cotonou Agreement (previously the Lomé Agreement). There are 79 states in the group which represents more than 650 million people. All members of the group – with the exception of Cuba – are signatories to the Cotonou Agreement which defines the relationship between the ACP countries and the European Union in the area of trade and cooperation. The principal objective of this agreement is to reduce poverty by means of

political dialogue, development aid, economic liberalisation and trade.

**Agenda 2000:** Agenda 2000 was a strategy paper, adopted by the European Commission in 1997. It is significant because it set out the main political, economic and social issues that confronted the European Union at the beginning of the 21st century and put forward a strategy to respond to those issues. The principle issue was that of the enlargement of the Union, then comprising 15 countries, towards Central and Eastern Europe.

The paper proposed a reform of the Union's policies and a new financial framework for the period 2000-2006. It consisted of three parts:

- the first addressed the question of the European Union's internal operation. It proposed a reform of the common agricultural policy and of the economic and social cohesion policy;
- the second proposed a reinforced pre-accession strategy;
- the third consisted of a study of the impact of enlargement on the policies of the European Union.

In 1999, the European Council, meeting in Berlin, agreed to the proposals. The subsequent legislation, which gave legal effect to the proposals, was adopted later the same year.

**Agreement on Agriculture:** in the context of international trade, this term refers to an agreement made in 1994 whereby countries, firstly, restricted the amount of support that they granted to their farmers and, secondly, opened up their countries to more agricultural trade.

This agreement was made between the countries that took part in the Uruguay Round of trade negotiations. This was the eighth round of multilateral trade negotiations conducted within the framework of the General Agreement on Tariffs and Trade, The round concluded in 1994 with the signature of the Final Act of the Uruguay Round. The Final Act comprised a number of Agreements and Decisions, including the Agreement on Agriculture. It also included the provisions that set up the **World Trade Organisation**.

The Agreement on Agriculture brought agricultural trade and, for the first time, domestic agricultural policy, more fully under international rules and obligations. Specifically the agreement provided for reductions in tariffs, export subsidies and trade-distorting domestic support to farmers, while having regard to **non-trade concerns** and the situation of developing countries.

**Aggregate Measure of Support:** The Aggregate Measure of Support is an indicator used by the **World Trade Organisation**. It quantifies the extent to which a country supports its agricultural sector through the use of measures that fall into the 'amber box'. Under the terms of the **Uruguay Round** Agreement on Agriculture, members of the World Trade Organisation undertook to reduce their Aggregate Measure of Support.

**Agri-environmental payments:** In the context of the **common agricultural policy** these are payments made to farmers who go beyond the requirements of **Good Farming Practice**. The purpose is to protect and improve the environment, to maintain the countryside in good condition, to encourage extensive farming, to preserve genetic diversity and to respect high standards of animal welfare. Farmers are reimbursed, from European Union and national funds, for the extra costs that they incur and for the income that they forego as a result of farming in a manner that delivers these additional public goods and services.

Agri-environmental payments fall within Axis 2 of the rural development policy (i.e. measures to improve the environment and the countryside).

**Animal welfare:** the well-being of farm animals. European Union rules specify that animals should enjoy the following freedoms: freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behaviour and freedom from fear and distress. Other things being equal, these standards mean that the cost of producing food in Europe is higher than elsewhere.

**Appellate Body:** this is a body within the World Trade Organisation. If countries do not accept a ruling by a panel, they may appeal to the appellate body. This body consists of seven persons, of whom three are selected to hear an appeal. The members of the appellate body are of recognised standing in the field of law and international trade and are not affiliated to any government.

**Arable Crops:** in the context of the CAP, arable crops consist of the following: cereals (such as wheat, barley, oats, rye, maize, sorghum), oilseeds (soya beans, rape seed and sunflower seed), protein crops (peas, beans and lupins), flax and hemp.

**Article 68:** This refers to Article 68 of Regulation 73/2009. This regulation provides the general rules for direct payments to farmers. However, member states may consider that, because of specific farming conditions, payments should be higher than they would otherwise be. This is permitted by Article 68. If a member state wants to apply Article 68 it must first seek, and be granted, a derogation from the Commission.

A member state may spend up to 10% of its 'national ceiling' on Article 68 measures. The national ceiling is the amount of money within the EU budget that is allocated to a member state for direct payments.

**Axes of rural development policy:** In September 2005 the **European Union** adopted a new **rural development policy**. It came into effect at the beginning of 2007. The policy is structured around three core objectives each of which has a corresponding axis.

Axis 1: improving the competitiveness of the agricultural and forestry sector. This axis comprises measures to improve knowledge and innovation, measures to improve the quality of farm products and two transitional measures for the new Member states, these being assistance for semi-subsistence farms and producer groups.

Axis 2: improving the environment and the countryside. This axis comprises measures to encourage sustainable farming and forestry and to promote high standards of animal

welfare. Farmers may receive payments to compensate them for practices that are in the public interest but which are not profitable in themselves. These may include, for example, farming in a manner that preserves biodiversity and farming in mountainous areas (thereby maintaining rural society) etc.

Axis 3: improving the quality of life in rural areas and helping the diversification of the rural economy. This axis comprises measures which encourage farmers to diversify into non-agricultural activities, measures to improve the quality of life in rural areas and measures concerning local development. This axis helps to promote micro-enterprises, rural tourism, basic services and village renewal.

In addition to these three axes there is fourth one which promotes the **Leader** approach.

## **B**

**Biodiesel:** is a biofuel, liquid in form and derived from plants such as sunflower, oilseed rape and groundnut.

**Biodiversity:** the variability among living organisms from all sources, including terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part. It includes diversity within species (genetic diversity), between species (species diversity), and between ecosystems (ecosystem diversity).

**Bioenergy:** this is energy that is derived from biological matter (ie plants and animals) but which has not undergone any geological process (cf. fossil fuels). Sources of bioenergy may be solid (eg wood, straw), liquid (eg biodiesel, bioethanol) or gaseous (methane).

**Bioethanol:** is a biofuel, liquid in form and produced from plant matter by a process of fermentation of carbohydrates from cereals, potatoes, sugar beet and sugarcane.

**Biofuel:** this is a fuel that is produced by a biological process (as opposed to a geological process). Biofuels can be in a solid, liquid or gaseous form. Wood, biodiesel and bioethanol are examples of biofuels.

**Biogas:** is a biofuel, gaseous in form. It is produced by the anaerobic fermentation of animal manure.

**Biomass:** is all living matter plus all matter that was living but is in the process of decay.

When the term biomass is used in an agricultural context, it may carry a more restricted meaning. It may mean plant matter that can be used as a source of energy.

In its agricultural context, therefore, biomass may include wood, crops, algae, agricultural and forest residues, sewage, manure, industrial by-products and municipal solid waste.

**Bound Tariffs:** tariffs which, under WTO law, cannot be raised. Under the terms of the 1994 Agreement on Agriculture the countries belonging to the World Trade Organisation have agreed not to increase their tariffs on imports of agricultural products. They can decrease them, but they are not allowed to increase them. These tariffs are known as 'bound tariffs.'

**Boxes:** Under the terms of the **Uruguay Round** Agreement on Agriculture, the measures that a country uses to support its agricultural sector are categorised into one or other of the following boxes:

- **green box** - this is domestic support that is not linked to either the quantity of farm products that a farmer produces or to the prices at which he sells them. As such, this type of support is deemed not to distort international trade, or to do so to a very small degree. This type of support was excluded from reduction commitments under the Uruguay Round Agreement on Agriculture;
- **blue box** - these are payments by governments to farmers, made within the context of a programme which limits the amount that farmers produce. This type of support was excluded from reduction commitments under the Uruguay Round Agreement on Agriculture;
- **amber box** - these are measures of domestic support other than the measures classified as blue or green. The level of support provided by these measures (which is called the **Aggregate Measure of Support**) had to be reduced under the Uruguay Round Agreement on Agriculture.

## C

**Clearance of accounts:** this is a procedure, operated by the Commission, to ensure that the member states carry out, in a proper manner, their responsibilities concerning payments made under the Common Agricultural Policy. The procedure includes an annual financial clearance of the accounts of each paying agency and a multi-annual conformity clearance regarding the conformity of the transactions within EU rules.

**Climate change:** change in the world's climate. According to the Intergovernmental Panel on Climate Change (IPCC), set up in 1988 by the World Meteorological Organisation and the United Nations Environment Programme, the climate of the Earth is changing due to a higher concentration of certain gases in the atmosphere. The gases in question are known as 'greenhouse gases.'

**Co-decision:** is a term used in the context of making law in the European Union. The co-decision procedure is a procedure which requires the assent of both the European

Parliament and the Council of the European Union for a proposal to become a law. Co-decision expresses the principle of the parity of the European Parliament and the Council of the European Union. It means that neither institution can adopt legislation without the assent of the other.

In the context of the Common Agricultural Policy, proposals for legislation, which are drawn up by the European Commission, need the agreement of the Council and Parliament in order to become law.

**Coexistence:** Coexistence refers to the presence, within the same area of land, of crops grown in different ways (i.e. crops grown in a conventional manner, crops grown according to the principles of organic farming and crops grown from seeds that have been genetically modified). There are a number of legal obligations with regard to the labelling and/or purity standards that apply in these situations.

**Common agricultural policy (CAP):** This is the set of legislation and practices adopted by the European Union to provide a common, unified policy on agriculture. It aims to ensure that agriculture can be maintained over the long term at the heart of a living countryside.

The European Union is obliged by law to have an agricultural policy. The aims are set out in Article 39 of the Treaty establishing the European Community and are as follows:

- an increase in agricultural productivity by means of technical progress and the rational development of agricultural production,
- a fair standard of living for the agricultural community,
- the stabilisation of markets for farm products,
- food security (i.e. ensuring that there is always a supply of food),
- food affordability (i.e. people should be able to buy food at a price that they can afford).

**Common market organisation (CMO):** A common market organisation is a set of measures that enables the **European Union** firstly to manage, to a greater or lesser degree, markets for agricultural products and secondly to support the incomes of farmers.

Markets are managed by altering the supply and demand for agricultural products from the situation that would pertain if markets were entirely "free". The purpose of market management is to stabilise markets (in terms of quantity offered and purchased and the price at which transactions take place) and thus to ensure that farmers have a reasonable income and that consumers have a secure supply of food at reasonable prices.

Until recently, the European Union operated 21 common market organisations which together covered around 90% of the output of farms.

In a bid, however, to make things simpler, the European Union has amalgamated these 21 sets of measures into a single one.

The measures may influence the demand for and/or the supply of farm products:

- Measures influencing the demand for farm products: intervention in the European Union market (e.g. buying agricultural products directly from the market when prices are low, storing them and then releasing them at a later date when prices are higher, or exporting the products to third markets ...);
- Measures influencing the supply of farm products: protecting European Union farmers from cheaper imports, supporting the price at which farmers can sell their products within the European Union, restricting the amount of products that a farmer may place on the market (e.g. milk quotas);
- To support the incomes of farmers, the European Union makes a number of types of payment to farmers. The main payments are known as direct payments. They were originally introduced to compensate farmers for income loss in some sectors resulting from cuts in support prices. Prior to the June 2003 reform, these payments were usually paid per head of livestock or per hectare of cultivated crop. They are now generally decoupled from production and incorporated into the **Single Payment Scheme**.

**Compensatory allowances:** Introduced in 1975, these are payments to farmers in places where farming is difficult. Such places are known as '**less favoured areas**'. They include mountainous areas and areas where there are specific environmental difficulties.

The purpose of compensatory allowances is to ensure that land remains in farming, and that these areas are not de-populated and the land abandoned. They are only paid to farmers if they respect the rules of cross-compliance. They form part of the menu of measures available under Axis 2 of the rural development policy.

**Cross-compliance:** To receive direct payments, farmers have to respect certain rules. This is known as 'cross-compliance.'

The rules concern the protection of the environment, food safety, animal health, animal welfare, public health, plant health and the condition in which farmland is maintained. If farmers do not respect these rules then they may not receive all of the **direct payments** to which they are otherwise entitled.

**Customs duty:** The amount of money that a person or firm has to pay to the government when importing or exporting a good. The term 'customs duty' is synonymous with the term 'tariff' and the two terms are often used interchangeably.

## D

**Decoupling:** Decoupling is the removal of the link between direct payments and production. Prior to the reform, farmers received direct payments only if they produced particular commodities. It meant that the profitability of producing a particular product did not depend only on the price at which the farmer could sell the product, but also on the amount of the direct payment associated with that product. When farmers made their business decisions regarding which crops to grow or which type of animal to produce,

they would take account of both the market price and the direct payment. In other words, farmers responded not only to signals from the market but also to the level of the direct payment that they would receive for that particular crop or animal.

The decoupling of direct payments – which was introduced by the 2003 reform of the policy - has changed this. In principle, when farmers decide what to produce they do not take into account the level of direct payments that they receive, since these are no longer coupled to a particular crop or animal.

The overall effect of decoupling is to move the agricultural sector more towards the free market and gives farmers greater freedom to produce according to the signals coming from the market.

**De Minimis Rule:** This is the rule of the World Trade Organisation that a developed country is not required to reduce:

- its support for a particular product where the value of the support is less than 5% of the total value of production of the product
- its overall support for farm products where the value of support, over all products, is less than 5% of the total value of agricultural production.

The corresponding figure for a developing country is 10%.

**Direct payments:** These are payments made directly to farmers in order to support their incomes. Direct payments are in contrast to price support which supports the prices at which farmers sell their products in the market.

Direct payments were introduced on a significant scale following the reform of the **common agricultural policy** in 1992. The reform reduced the level of price support. To prevent a corresponding fall in the incomes of farmers, direct payments were introduced. They compensated farmers for the lower prices that they received in the market for their products.

**Dispute Settlement Body:** this is the body within the World Trade Organisation that is ultimately responsible for the settling of disputes that arise between countries in the field of international trade. It consists of all the countries that belong to the WTO.

In the first instance, the Dispute Settlement Body delegates the settling of disputes to a 'panel.' If a country wishes to appeal against a decision of a panel, it submits its appeal to the Dispute Settlement Body which then delegates the appeal to the 'appellate body.'

The Dispute Settlement Body decides how panels and the appellate body should function.

**Doha Development Agenda (DDA):** The Ministerial conference of the World Trade Organisation, which took place in Doha, Qatar in November 2001, launched a round of multilateral negotiations concerning trade. These negotiations are known as the Doha

Development Agenda. The same Ministerial conference also set the agenda and the timetable.

## E

**Early retirement scheme:** Farmers who are above a certain age and who have decided to stop farming may receive payments under an early retirement scheme. The purpose is to encourage the replacement of elderly farmers by younger farmers, these being in a better position to improve the economic viability of farms.

**Energy crops:** energy crops are crops that are grown for energy, rather than for food or fibre. They include oilseeds crops (e.g. oilseed rape, soya, sunflower), cereals (e.g. wheat, barley, maize, rye), sugar beet, sugar cane and perennial crops (e.g. miscanthus, short rotation coppice, eucalyptus).

**Erosion of preferences:** Many developed countries impose what are known as 'preferential import duties' on goods imported from developing countries. The duties are 'preferential' in the sense that they are less than the duties imposed on like goods imported from developed countries. Goods coming from developed countries are subject to 'non-preferential import duties.'

The negotiations that are taking place in the framework of the **Doha Development Agenda** aim at a reduction in the level of non-preferential tariffs. If the negotiations succeed, non-preferential tariffs will be reduced but preferential tariffs will remain the same. As a result, the margin of preference in favour of developing countries will be less than it was previously. This is known as erosion of preferences.

**Euro:** The official currency of (currently) 16 of the European Union's member states, which together make up the euro area. It was introduced in 1999.

The following member states have chosen to adopt the euro: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

Euro banknotes and coins have been in circulation since 1 January 2002 and are a part of daily life for the 330 million Europeans living in the euro area.

**European Agricultural Fund for Rural Development (EAFRD):** This fund was created in September 2005 and came into operation at the beginning of 2007. It has replaced the Guidance Section of the **European Agricultural Guidance and Guarantee Fund** and that part of the Guarantee Section than financed some of the rural

development measures. It is the single source of funding from the **European Union** for rural development.

**European Agricultural Guarantee Fund (EAGF):** This fund was created in September 2005 and came into operation at the beginning of 2007. It has replaced the Guarantee Section of the **European Agricultural Guidance and Guarantee Fund**. It provides funding for

1. direct payment to farmers
2. the management of the agricultural markets
3. a number of other purposes such as veterinary and plant health measures, food programmes and information activities.

**European Agricultural Guidance and Guarantee Fund (EAGGF):** This was the fund which financed the common agricultural policy but which was replaced in 2005 by two new funds: the European Agricultural Fund for Rural Development and the European Agricultural Guarantee Fund.

**European Union (EU):** A group of twenty seven democratic European countries - its member states - committed to working together for peace and prosperity. The member states have set up common institutions to which they have entrusted some of their sovereignty. This allows the member states to consider matters of joint interest and to make decisions in a democratic matter at the European level. These decisions are then laid down as binding and enforceable law.

**Everything But Arms (EBA):** The Everything But Arms agreement is a preferential trading agreement which has been granted to 50 **least developed countries** by the European Union. It has been granted within the framework of the **Generalised System of Preferences** of the European Union. The agreement is designed to grant duty-free and quota-free access to the market of the European Union for all products (except weapons and arms). Under the terms of the agreement, all products (including agricultural products) are granted free access to the market of the EU. .

**Export Competition:** This is a term used in the context of trade negotiations that includes all forms of financial incentives or assistance that are provided by governments for the export of products from their countries. It includes the following: export subsidies, export refunds, export credits and insurance, tax breaks, government-backed privileges and regulatory benefits that support trading enterprises that belong to the state, and lastly, use of food aid for commercial purposes, rather than for purely humanitarian purposes. Under the terms of the **Uruguay Round Agreement** on Agriculture only scheduled export subsidies are subject to control and reduction.

**Export credits:** In the context of the rules of the World Trade Organisation, these are all forms of official support including direct credits/financing, refinancing, interest-rate support, export credit insurance and guarantees, deferred invoicing and any other form of involvement, direct or indirect, by providers of official support.

**Export refunds:** Export refunds are paid by the European Union to trading companies that have purchased agricultural goods in the **European Union** and have sold them at a lower price outside – i.e. in a third country. The refund (subsidy) covers the difference between the internal European Union price and the world market price. This internal European Union price is often higher than the world market price because the European Union provides a measure of support to the internal price.

**Extensification:** To farm 'extensively' is to use a relatively low level of inputs. For instance a farmer who produces cereals can be said to farm 'extensively' if he applies relatively low quantities of fertiliser or pesticides for every hectare of cereal. A farmer who produces beef can be said to farm 'extensively' if he keeps relatively few cattle for every hectare of pasture.

Extensification refers to measures, partially financed by the European Union, which encourage farmers to farm extensively. Such measures fall within Axis 2 of the rural development policy.

## F

**Farm Accountancy Data Network (FADN):** The Farm Accountancy Data Network provides data on the financial and economic aspects of farming in the member states of the **European Union**. Each year a sample of farms is selected, which is representative of commercial farms, and these farms provide data on their costs of production, their revenues from sales and other aspects of their farming operations. The data enable the European Union to monitor the income situation of farmers and to examine the effects of policy.

**Farm advisory systems:** These are services provided by the member states to help farmers to identify and implement improvements in farm management performance with regard to statutory environmental, public, animal and plant health and animal welfare standards and the maintenance of their land in good condition.

**Farmer:** A farmer is defined as an individual (or group of individuals e.g. partnerships, companies, and other legal structures through which a business is conducted) who exercises an agricultural activity on a holding.

**Financial discipline mechanism:** This is a mechanism for ensuring that the expenditure under the provisions of the **common agricultural policy** does not exceed the limits specified in the **European Union** budget.

**Financial perspective:** The financial perspective forms the framework for the expenditure of the European Union over a period of seven years. It is the result of an inter-institutional agreement between the European Parliament, the Council and the Commission. The financial perspective indicates the maximum volume and the composition of the foreseeable expenditure. It is adjusted annually by the Commission to take account of prices and the development of the GNP of the European Union. The financial perspective is not a multi-annual budget since the annual budgetary procedure remains essential to determine the actual amount of expenditure and the breakdown between the different budget headings.

To date, four inter-institutional agreements of this type have been concluded:

- the 1988-92 financial perspective (Delors I package);
- the 1993-99 financial perspective (Delors II package);
- the 2000-06 financial perspective;
- the 2007-13 financial perspective.

**First generation biofuels:** biofuels made from cereals, sugar and oilseeds. In Europe, the most significant first generation biofuel is biodiesel made from oilseed rape.

**Food safety:** This term refers to the extent to which food is safe to eat. The term is sometimes confused with '**food security**' which refers to the extent to which food is available - i.e. whether it is physically available and can be bought at a price that people can afford.

**Food security:** This term refers to the availability and affordability of food - in other words whether it is physically available and, if it is available, whether people can afford to buy it. The term is sometimes confused with that of **food safety** which refers to the extent to which food is safe to eat.

Article 39 of the Treaty establishing the European Community states that the **common agricultural policy** must ensure, among other things, that food is available at a reasonable price.

## G

**General Agreement on Tariffs and Trade (GATT):** The General Agreement on Tariffs and Trade dates from 1944. It was both an agreement concerning international trade and an organisation set up to administer the agreement. Since 1995 the organisational part has been replaced by the World Trade Organisation.

**Generalised System of Preferences (GSP):** The Generalised System of Preferences scheme is an arrangement, within the context of the World Trade Organisation, whereby a developed country is permitted to apply lower rates of tariff on imports from developing countries.

All members of the World Trade Organisation have agreed that when it comes to applying tariffs on imports they will treat each other in a like manner. In other words, if country A applies a 10% import tariff on imports coming from country X, then it will similarly apply a 10% import tariff on like goods coming from country Y. This rule has become known as the "most favoured nation" rule.

However, in the late 1960s it became clear that if developing countries were to make economic progress, developed countries should apply, on imports of goods from those countries, a lower tariff. This concept - known as "preferential tariffs" - was put forward by the meeting of the United Nations Conference on Trade and Development which took place in New Delhi, India in 1968.

But this concept was in contradiction to the "most favoured nation" rule. To make it legally possible for developed countries to apply preferential tariffs, the members of the **World Trade Organisation** (at that time the General Agreement on Tariffs and Trade) decided that developed countries could be granted a waiver from the "most favoured nation" rule.

The first waivers were granted in 1971 and were valid for a period of 10 years. By means of the "Enabling Clause" of 1979, they have been renewed indefinitely.

This is the set of preferential tariffs granted by a developed country to developing countries. The European Union was the first to implement a GSP in 1971.

Under the Generalised System of Preferences of the European Union, there are three types of arrangement:

- the general arrangement – which applies to all beneficiary countries.
- the special incentive arrangement for sustainable development and good governance (the "GSP+") provides additional benefits for countries implementing certain international standards in human and labour rights, environmental protection, the fight against drugs, and good governance (GSP + beneficiary countries).
- the special arrangement for the least-developed countries (LDCs), also known as the "**Everything But Arms**" (EBA) initiative, provides the most favourable treatment of all.

**Genetically modified organism (GMO):** The term 'genetically modified organism' is any organism, with the exception of the human being, in which the genetic material has been altered in a way that does not occur naturally by mating and/or by natural recombination.

**Good Agricultural and Environmental Condition (GAEC):** To be eligible for direct payments, farmers are obliged to maintain their land in 'good agricultural and environmental condition.' This concept includes the following: the protection of soil against erosion, the maintenance of soil organic matter and soil structure, and the safeguarding of wildlife habitats. It is the member states – not the European Union – which decide the exact specification of these parameters.

**Good Farming Practice (GFP):** Member states are required to define codes of Good Farming Practice at the regional or national level. Good Farming Practice should correspond to the type of farming that a farmer would follow in the region concerned, which entails, at the minimum, compliance with general statutory environmental requirements.

## H

**Health Check:** Following the reform of 2003, the Common Agricultural Policy was adjusted in 2009 so that farmers would be better placed to respond to market signals, the administration of direct payments would be simplified and farmers would be helped to meet the new challenges of the future, in particular that of climate change. This adjustment is known as the Health Check.

## I

**Instrument for Pre-accession Assistance (IPA):** This came into force on 1 January 2007, bringing all pre-accession support into one single, focussed instrument.

It replaced the 2000-06 pre-accession financial instruments PHARE, ISPA, SAPARD, the Turkish pre-accession instrument, and the financial instrument for the Western Balkans CARDS.

IPA covers the countries with candidate status (currently Croatia, the former Yugoslav Republic of Macedonia, Turkey) and potential candidate status (Albania, Bosnia and Herzegovina, Montenegro, Serbia including Kosovo according to United Nations Security Council Resolution no 1244).

IPA has five components: transition assistance and institution building (which principally involves institution building measures with accompanying investment), cross-border cooperation, regional development, human resources development and rural development.

**Integrated Administration and Control System (IACS):** this is a system used by

member states to calculate the amount of direct payments to which farmers are entitled, to ensure that the payments are made correctly, to prevent irregularities and to recover amounts that are unduly paid.

**Intervention buying:** When market prices for an agricultural product fall below a certain level, the public authorities of the member states intervene to stabilise the market by purchasing surplus supplies, which may then be stored until the market price increases, exported to a third country or disposed of in an alternative way.

## L

**Leader:** Leader stands for 'Links between actions for the development of the rural economy'. It is a method for mobilising and developing rural communities through local public-private partnerships ('Local Action Groups'). It is designed to help rural people, groups and enterprises to consider the potential of their area and to encourage the implementation of integrated, high-quality projects and programmes for sustainable development.

**Leader Axis:** In September 2005, the **European Union** adopted a new rural development policy. This has three **core objectives**, each of which has a corresponding **axis**. In addition to the three axes, there is a Leader axis which helps the implementation of local projects and programmes and encourages Local Action Groups to cooperate amongst themselves.

**Least developed countries (LDCs):** These are countries where incomes are very low. According to the United Nations there are at present around 50 least developed countries in the world.

**Less Favoured Area (LFA):** areas in which farmers are entitled to financial compensation due to a natural handicap (such as high altitude, difficult climate or poor soil). Farmers in the hills and mountains and in areas with another natural handicap are at a competitive disadvantage compared to other farmers. In acknowledgement of this fact and with a view to maintaining farming in these areas, since the 1970s, the European Union has provided them with financial compensation. Those areas where farmers are eligible for this support are known as Less Favoured Areas.

**Levy:** In the context of the Common Agricultural Policy, the term levy usually refers to payments made by farmers either into a fund (which is later used to finance specific activities such as the promotion of farm products) or to a government in return for particular services (such as the control of animal diseases).

## M

**Market access:** This term refers to the extent to which an exporting country has access to the markets of an importing country. Market access may be restricted if, for instance, an importing country has introduced import tariffs and/or tariff quotas.

**Market support:** market support ensures that the price at which a farmer sells a good does not fall below a certain minimum.

**Modulation:** This is a mechanism that transfers funds from **direct payments to rural development** measures.

Modulation became compulsory from 2005. Member states must apply it at the rates agreed in the 2003 reform of the **common agricultural policy**. It applies to the direct payments that farmers receive over and above the first 5000 EUR.

**Most Deprived Persons:** in the context of the Common Agricultural Policy, this term refers to citizens within the European Union who, for one reason or another, have low incomes. Because of their difficult financial situation, they receive, gratis, a certain quantity of food from the European Union.

**Most Favoured Nation treatment (MFN) :** Within the context of the World Trade Organisation, Most Favoured Nation treatment means that all countries have to treat each other in the same way. In other words, when a country grants an advantage to another country, then it must give the same advantage to all the others. The purpose of this principle is to ensure that there is no discrimination between countries – i.e. that all are treated equally. This principle is found in Article 1 of the **General Agreement on Tariffs and Trade** 1994 as well as in other agreements.

**Multifunctionality:** The complementary roles that farming plays within society, over and above its role as a producer of food. It includes the contribution of farming to sustainable development, the protection of the environment, the vitality of rural areas and the maintenance of an overall balance between the incomes of farmers and the incomes of people in other occupations.

## N

**National ceiling:** The 2003 reform of the **common agricultural policy** established a maximum amount of money that each Member State could use for direct payments. This amount is known as the national ceiling. It is based on the total of direct aids and equivalent payments that were paid during a previous period (historic reference period) in each Member State.

**National treatment:** This is the principle, applying to trade and investment matters, whereby a country grants the same treatment to both its own nationals and to the nationals of other countries. Article III:4 of the **General Agreement on Tariffs and Trade** 1994 requires that imported goods be treated no less favourably than like goods produced by the country itself.

**Natura 2000:** a Community policy to protect sites that are of particular ecological value. To date, some 25 000 sites have been so designated. Many are on farms. Farmers are obliged to respect certain practices so that the ecosystem is protected. In return, farmers receive a financial payment which compensates them for the income foregone.

**Non-Trade Concerns (NTC) :** The **Uruguay Round** Agreement on Agriculture provides significant scope for governments to pursue important "non-trade" concerns such as food security, environmental measures, structural adjustment, rural development and poverty alleviation.

## O

**Organic farming:** This is the production of crops and animals without the use of synthetic inputs (such as manufactured pesticides and artificial fertiliser) or genetically modified organisms.

**Outermost regions:** these are certain islands and territories on the periphery of the European Union. Because they are part of a member state, they are also part of the European Union. There are seven outermost regions: Guadeloupe, French Guiana, Martinique and Réunion (the four French overseas departments), the Canaries (Spain), and the Azores and Madeira (Portugal).

## P

**Panel:** a panel, in the parlance of the World Trade Organisation, is a group of three (sometimes five) persons that hear, and adjudicate upon, disputes between countries in the field of international trade. The members of a panel serve in their individual capacities and are not affiliated to any government. The panel passes its report to the Dispute Settlement Body which can only reject the report if there is a consensus in favour of rejection.

**Partial decoupling:** The 2003 reform of the **common agricultural policy** introduced **decoupling of direct payments** as the general rule. However, within the framework set

by the Council, member states may chose to keep some of their direct payments coupled to production to a certain extent.

**Payment entitlements:** Payment entitlements were granted to those farmers who were actively farming at the date that each Member State introduced the **Single Payment Scheme**.

The level of payment entitlement is calculated on the basis of reference amounts (amounts of direct payments granted in the period 2000–02). During the first year of implementation of the Single Payment Scheme, these historical amounts were allocated to farmers in the form of payment entitlements using a number of so-called "models" (historical, regional, hybrid.)

Each year **direct payments** are granted to farmers if they have 'eligible hectares' at their disposal to activate the appropriate number of payment entitlements. Member states must create 'national reserves' of eligible hectares which are to be used to address problems arising during the transitional phase and may also be used for grants of payment entitlement to new entrants to farming.

**Peace clause:** Article 13 of the **Uruguay Round** Agreement on Agriculture (the so-called "Peace clause") protected certain domestic support measures and export subsidies from being challenged under the provisions of the **General Agreement on Tariffs and Trade** 1994 and of the Subsidies Agreement. The clause has now expired.

**Pillars of the CAP:** The 'first pillar' is the the support that is provided to farmers' incomes. This support comes in the form of market management and direct payments – it is entirely financed from the **European Agricultural Guidance Fund**.

The 'second pillar' is the support provided for the development of rural areas. This support takes the form of rural development programmes and is co-financed from the **European Agricultural Fund for Rural Development**.

**POSEI:** This is a programme that helps farmers in the outermost regions of the European Union. It is the French acronym for the Programme d'Options Spécifiques à l'Eloignement et à l'Insularité. The programme seeks to compensate farmers for the small size of their farms, a difficult climate and the long distance to European markets.

**Precautionary principle:** This is a principle that applies mainly to the fields of food safety and consumer protection. It should be considered within a structured approach to the analysis of risk and is particularly relevant to the management of risk. The precautionary principle is not defined in the EC Treaty or in other Community instruments. However, in a Communication [[pdf](#)] the Commission has developed guidelines for its application. It is stated that the Community, like all other members of the **World Trade Organisation**, has the right to establish the level of protection that it deems appropriate.

The precautionary principle covers cases where scientific evidence is insufficient, inconclusive or uncertain and preliminary scientific evaluation indicates that there are reasonable grounds for concern that the potentially dangerous effects of a good product or practice on the environment or on the health of plants, animals and humans may be inconsistent with the level of protection chosen by a particular country.

**Premium:** The term premium usually refers to a direct payment made to a farmer who produces beefmeat, sheep meat and goatmeat. Prior to the 2003 reform of the common agricultural policy these payments were usually paid per head of livestock. They are now generally decoupled from production and incorporated into the **Single payment scheme**.

**Private storage aid (PSA):** The private storage of farm products enables the **European Union** to stabilise its agricultural markets with minimal effect on traditional marketing channels. Funds for private storage are made available through the establishment of a storage contract. This is concluded between a private company and the intervention agency of the Member State concerned, within the framework of the rules of the European Union.

**Producer Organisation (PO):** a legally-constituted group of farmers and growers. Producer organisations are particularly important in the fruit and vegetable sector where they assist in the distribution and marketing of products and promote their higher quality. They also encourage their members to adopt good environmental practices.

**Production quotas:** These are limitations on the amount of a specific product that a farmer may place on the market. They apply to milk, sugar, isoglucose, tobacco and potato starch.

**Promotion policy:** this is the promotion of farm products produced in the European Union. Products are promoted both within the European Union itself and in third countries. It is done by organising and co-financing, together with the member states and their professional organisations, promotion actions, information campaigns and trade missions. Such actions raise the public's awareness of the qualities of the products.

**Public goods and services:** goods and services which benefit the general public. Farmers may provide a number of public goods, such as the good management of soil and water, pleasant landscapes and food security.

**Public storage:** in order to manage the market of a particular farm product, the European Union may remove some of the product from the market and place it temporarily in storage. The store may be owned by a government or some other public body. Alternatively, the store may be privately owned by, say, a farmer or a cooperative. When the product is placed in a store owned by a government, the European Union is

said to have 'withdrawn some of the product from the market and placed it in public storage.'

## Q

**Quality policy:** 'Agricultural product quality policy' refers to a broad set of legal frameworks and aid measures (especially in rural development) designed to help farmers to improve the quality of production and to participate in food quality certification schemes. It includes specific Community schemes, such as organic farming (op cit), and the protection of geographical indications for wines, spirits and other foodstuffs, and also the participation by farmers and food companies in national and private certification schemes.

**Quality schemes:** In the context of the Common Agricultural Policy, the term 'quality scheme' has a specific meaning. It refers to the practice of restricting the use of certain names of foods and drinks to specific product so that consumers are not misled into thinking that a product is something that it is not. The purpose of the EU's quality policy is to protect consumers against misleading claims made by food manufacturers regarding the authenticity of their food products.

Three aspects are regulated: organic farming, certain geographical names of food products and the status of 'traditional specialities'.

Regarding geographical-based names, if the identity of a food is intrinsically linked to a particular place, then the name can be registered as a 'geographical indication'. Examples include: Welsh Lamb, Lubecker Marzipan and Camembert de Normandie.

In the EU, the use of some geographical indications is restricted to original product. There are two types of geographical indications of which the use is restricted: one type is known as 'protected geographical indications', the other type is known as 'protected designations of origin'.

Traditional food names can be registered as 'traditional specialities'. These are foods and drinks that are made according to traditional recipes. Examples include the beer Kriek and the ham Jamón Serrano. Food manufacturers who make and sell such products may only call them 'traditional specialities' if they have respected a specific and traditional recipe. If this is the case, then the food manufacturer may label the product a 'traditional speciality guaranteed'

## R

**Re-coupling:** The 2003 reform of the **common agricultural policy** decoupled **direct payments** from production. Within the context of the reform decision, the Council set certain limits within which the member states (or regions) may re-couple some direct payments in order to avoid the possibility of land no longer being farmed.

**Regional Policy:** This is one of the most important policies of the European Union. Its aim is to strengthen economic, social and territorial cohesion by reducing the differences in the level of development among regions and member states. This means investing in regions' indigenous potential to promote the competitiveness of regional economies and the permanent catch-up of those lagging behind the more prosperous areas.

Regional policy is an expression of European Union solidarity. The main instruments are:

- The European Regional Development Fund which operates in all member states and co-finances physical investments and, to a limited extent, training for citizens. The funding is concentrated on the poorest regions, defined in terms of GDP per head.
- The Cohesion Fund which co-finances mainly transport and environment projects in those member states where the GNP is less than 90% of the average of all member states.
- Certain components of the Instrument for Pre-Accession (IPA) which helps candidate countries to develop their competitiveness and their economies.

In addition, there are two specific instruments:

- The European Union Solidarity Fund (EUSF) which provides financial assistance in the event of major natural disasters.
- The EU contribution to the International Fund for Ireland which, together with the PEACE programme in Structural Funds, aims at peace and reconciliation in Northern Ireland.

**Rural development policy:** The rural development policy (also known as the **second pillar** of the **common agricultural policy**) seeks to maintain the vitality of the countryside through the balanced development of rural areas. Rural areas cover 90% of the territory of the **European Union** and around half the population lives in them.

The policy focuses on three core objectives:

- improving the competitiveness of the farming and forestry sectors
- enhancing the environment and the countryside
- improving the quality of life in rural areas.

Corresponding to each core objective is a specific axis.

To this end, a 'menu' of measures is available to the member states. They, or regions within them, choose the measures that best match their needs. The measures are then included in their national or regional rural development programmes. The main target groups of the programmes are farmers, foresters and other people and groups living in rural areas. The cost of the programmes is shared between the European Union and the beneficiary Member State. This arrangement is known as 'co-financing'.

## S

**Safety net price:** a minimum price for a farm product. It is a concept that has been introduced as and when particular commodity markets have been reformed. To prevent EU market prices falling to very low levels, the European Union has set 'safety net prices.' These are price levels below which market prices cannot fall.

**Sanitary and Phytosanitary (SPS) Measures and Agreement:** These are measures to protect human, animal and plant life or health and to ensure that food is safe to eat. The Final Act of the **Uruguay Round** Agreement on Agriculture contains the "Agreement on the Application of Sanitary and Phytosanitary Measures" which applies to all sanitary and phytosanitary measures that may have a direct or indirect impact on international trade.

**SAPARD:** this stands for the **S**pecial **a**ccession **p**rogramme for **a**griculture and **r**ural **d**evelopment. It is a programme that was put in place to assist the countries of Central and Eastern Europe, before they joined the European Union. It helped them to adopt the Community acquis and to modernise their farming systems.

**Second generation biofuels:** these are biofuels that are derived from plant material that does not have an alternative use as food (cf. first generation biofuels which are derived from material that has an alternative use as food). Second-generation biofuels are derived – through the fermentation of cellulose – from a variety of materials including waste biomass, wood and the stalks of cereals. It also includes crops grown especially for fermentation into biofuels, such as miscanthus species.

**Set-aside:** This is the removal of farmland from production. It was introduced in the late 1980s with the objective of reducing the amount of food produced by farmers. The rationale was that farmers were producing more food than the European market could absorb.

Depending on the supply and demand situation, farmers may be obliged to set-aside a proportion of their land. If, however, it seems that there is a need to increase production, then this requirement may be lifted.

**Simplification:** in the context of the Common Agricultural Policy, this refers to the continuing work by the European Union to simplify both the policy itself and its practical implementation. Among other things, the EU has reduced the number of regulations and replaced the commodity-specific market organisations with a single organisation that covers all the commodity markets.

**Single Area Payment Scheme (Saps):** When direct payments were first introduced, they were calculated on the basis of the amount of each crop or the number of animals the farmer was producing. This was the principle that was applied during the 1990s to the then 15 member states. However it was considered that a simpler system, requiring less administration, could be deployed in the countries of Central and Eastern Europe (together with Cyprus and Malta) after they acceded in 2004 and, in the case of Bulgaria and Romania, in 2007. The simpler system is known as the Single Area Payment Scheme. It allows a single payment to be made on the basis of the area of the farm.

**Single Farm Payment:** This is the name given to the payment that farmers receive under the **Single Payment Scheme**.

**Single Payment Scheme:** A central objective of the 2003 reform of the **common agricultural policy** was the **decoupling** of direct payments. To this end, the **Single Payment Scheme** was introduced under which farmers receive a decoupled Single Farm Payment.

**Special and Differential Treatment:** These are provisions, within the context of the World Trade Organisation, that allow developing countries to benefit from exceptions or special treatment. These include preferential access to the markets of developed countries without having to reciprocate i.e. without having to provide a similar level of access to their own markets to developed countries.

**Special safeguards (SSGs):** Special safeguards are contingency restrictions on imports taken temporarily by an importing country to deal with particular circumstances such as a sudden surge of imports. Special safeguards normally come under the Safeguards Agreement of the **World Trade Organisation**.

Article 5 of the Uruguay Round Agreement on Agriculture has special provisions that apply to agricultural safeguards (as opposed to general safeguards):

- Higher safeguard duties can be triggered automatically when the volume of imports rises above a certain level, or if prices fall below a certain level; and
- When an importing country introduces a special safeguard, it is not necessary for it to demonstrate that serious injury is being caused to the domestic industry.

**Specific duty:** This is an import duty expressed as, for example, 10 dollars per tonne, 20 yen per head or 30 euro per hectolitre. The term "specific duty" contrasts with the term "ad valorem duty". The latter term refers to an import duty expressed as, for example, 5% of the value of the good in question.

**State aid:** money made available by a government. In order to ensure a level playing field for its farmers within the European Union, in principle member states are not allowed to provide money to their farmers. The two exceptions to this rule are when the payments are of a low value or when they have been authorised by the Commission following an application by the member state concerned. In those cases where a member state has provided state aid to its farmers which, in the view of the Commission, undermines the principle of a level playing field, the farmers may be required to pay it back to the government.

**Stresa Conference:** This was a conference of Commission officials, national experts and representatives of farmers' organisations which decided how to accomplish the objectives of the **common agricultural policy** as set out in Article 39 of the then Treaty of Rome (now Article 39 of the Treaty Establishing the European Community). The conference was held at Stresa, on Lake Maggiore in Italy during July 1958. Its most far-reaching decision was to support agriculture by guaranteeing that the prices that farmers would receive for their products when they sold them in the market would not fall below a certain level (a mechanism of price support).

**Sustainable development:** The concept of sustainable development refers to a form of economic growth which satisfies society's needs in terms of well-being in the short, medium and - above all - long term. It is founded on the assumption that development must meet today's needs without jeopardising the prospects for growth of future generations.

## T

**Tariff:** The term 'tariff' has two meanings. Firstly it means the list, book or database of charges that are imposed by a government on goods when these are imported or exported. Secondly it means the charge itself. In its second meaning, the term 'tariff' is synonymous with the term 'duty'.

**Tariff escalation:** This is the difference between the level of tariff on a processed product and the level of tariff on the raw material from which it was derived.

**Transparency:** in the context of the Common Agricultural Policy, this is an initiative taken by the European Union which requires the member states to make available to the public information as to who receives payments under the Common Agricultural Policy.

## U

**Uruguay Round:** The 8th round of multilateral trade negotiations known as the Uruguay Round, conducted within the framework of the **General Agreement on Tariffs and Trade**, was launched in Punta del Este, Uruguay, in 1986. It was concluded eight years later in Marrakesh in 1994, with the signature of the Final Act of the Uruguay Round. This adopted a number of individual Agreements and Decisions, including the **Agreement on Agriculture**, as well as provisions that set up the World Trade Organisation.

## **W**

**World Trade Organisation (WTO):** The World Trade Organisation is an intergovernmental organisation. As of September 2009, 153 countries belonged to it - i.e. some three quarters of the countries of the world. The preamble of the document that established the organisation states that the countries that belong to it recognise that they should work towards raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.

The WTO is an autonomous organisation, meaning that it is not part of the United Nations. Neither does it have any formal relationship or legal agreement with it.