With the successive reforms of the Common Agricultural Policy producer support in the EU is now to a very large extent decoupled from production decisions, allowing farmers to make their choices in response to market signals.

The move of the agricultural sector to market orientation and less protection is happening within a more general context of globalisation and emergence of new economic powers on the world scene. This offers both new opportunities in the form of newly emerging markets as well as new challenges in the form of increasing competitive pressure. The agricultural and food sectors must therefore develop new approaches, technologies and innovation to meet evolving market demand both in Europe and globally. Investment in the key resource of human capital as well as high standards in terms of food safety and the environmental sustainability of production continue to need to be met.

In the EU-27 there are about 14.5 million farms with an average size of 12 hectares and a gross value added per year of around 12,000 to 13,000 EUR (10.5 Economic Size Units, ESU). Many of these farms (46%), in particular in the new Member States, are of a semi-subsistence character, producing mainly for own consumption with an economic size of less than 1 ESU. In terms of employment the primary sector represents about 6.4% in the EU-27 and contributes 2% to GDP. The food industry provides another 5 million jobs (2.4% of total employment) and contributes 2.2% to GDP in the EU-27. Over 90% are small and medium sized enterprises. Thus, in total the agri-food sector represents a small 9% of employment, but only 4.2% of GDP in the EU-27.

To strengthen the competitive base of the EU agri-food sector, restructuring and modernisation in particular in the primary sector will have to continue to bring (labour) productivity levels up. This will involve an at least partial redeployment of the labour and the land linked to the semi subsistence sector (3.8 million annual work units, 12 million hectares and around 6.7 million holdings).

The workshop will examine which factors affect the competitiveness of the EU's agriculture and food sector from a 'farm to fork' perspective and how to foster a knowledge based food economy producing for high quality and high value added markets, at the same time meeting the challenge of long-term environmental sustainability. It will discuss the potential for new markets, long and short distance, and the potential for non-food outlets for agricultural and biomass production, in particular for renewable materials and bio-energy. It will reflect on how EU policies can contribute to realising this potential and to the structural adjustment that still has to take place in agriculture.

**Main questions for discussion**

- What is holding back an increase in productivity in the farm sector? What is holding back innovation in the food chain? What policy tools can be used to promote restructuring and innovation in the agro-food sector?

- Considering the heterogeneity of the farming sector in the EU and the range of challenges to be faced, how can we reconcile the needs of Europe's modern agri-food businesses with those of family and small farms? Can this diversity be turned into an asset to respond to evolving market demands in a changing global context?

- How can we improve the targeting and functioning of the support instruments to ensure the effectiveness and efficiency of policy delivery?