



Communication on the future of the CAP

“The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future”

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CAP reform objectives at a glance

Future challenges

Economic challenges

- Food security
- Price variability
- Economic crisis

Environmental challenges

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

Territorial challenges

- Vitality of rural areas
- EU rural diversity

CAP2020 reform objectives

Viabile food production

*Sustainable management
of natural resources*

*Balanced territorial
development*

Equity and balance of support

Contribution to Europe 2020 strategy



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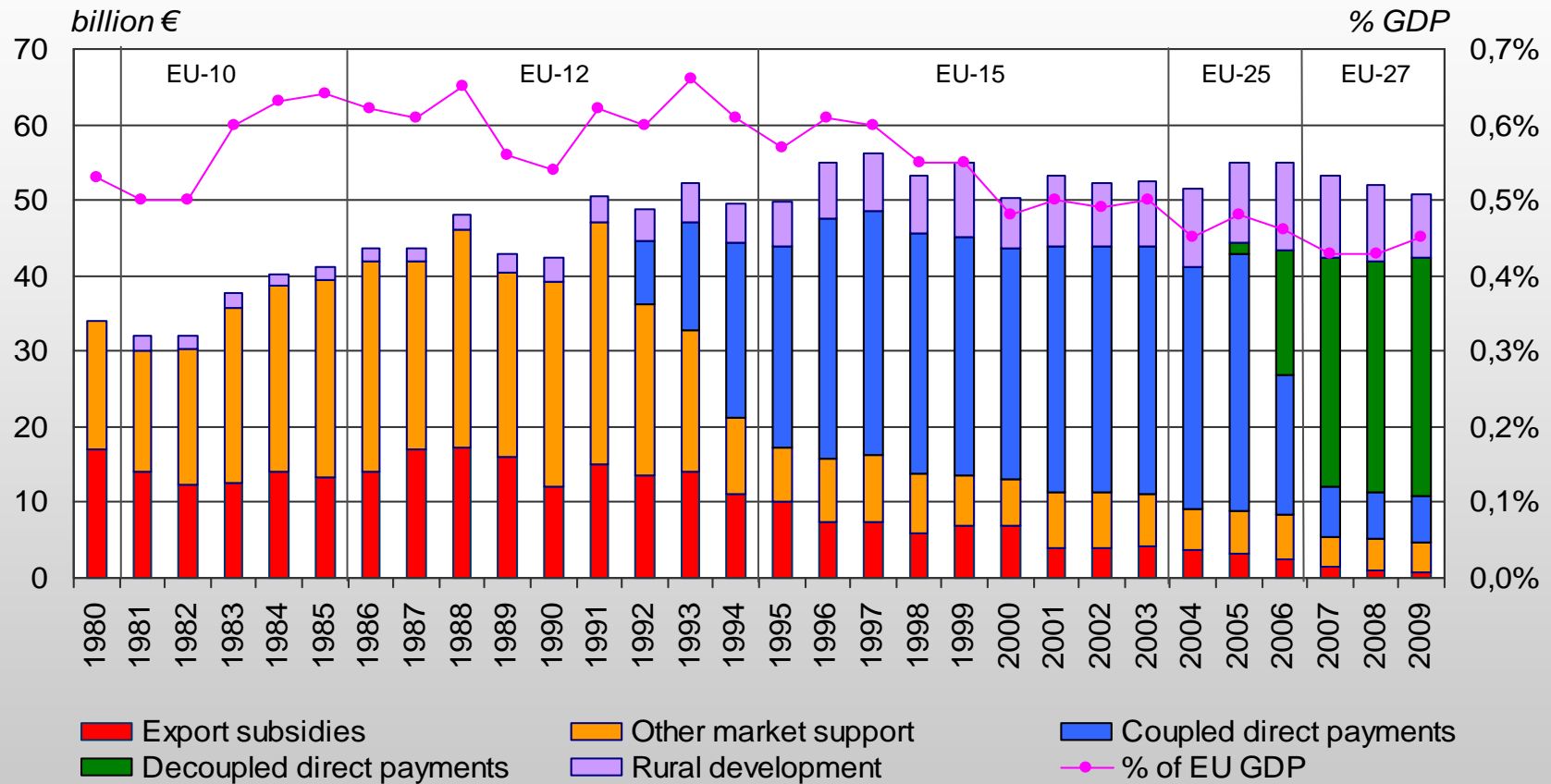
The economics of CAP reform...

The CAP reform process can be viewed as an effort to address:

- **“Jointness” in sustainability objectives**
 - *the consideration of economic sustainability as a prerequisite for environmental and social sustainability in the agricultural sector*
- **The reality of market failures**
 - *the need to address risks that could potentially upset the environmental and territorial balance of agricultural production in the EU*
- **The risk of government failures**
 - *the need to ensure an effective and efficient delivery of policy outcomes and the continuation of the reform process*

...their policy outcome so far...

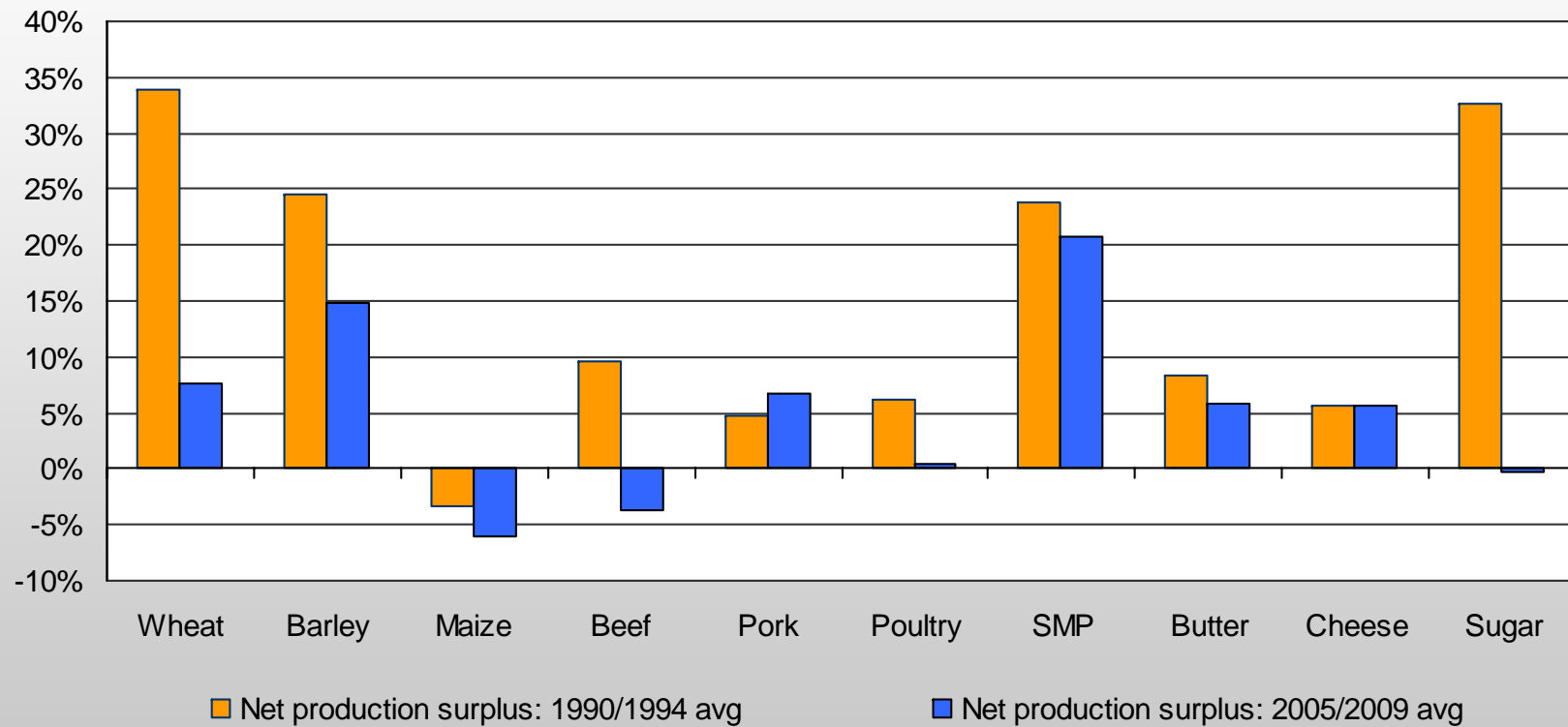
CAP expenditure and CAP reform path (2007 constant prices)



Source: European Commission - DG Agriculture and Rural Development

...and their market impact

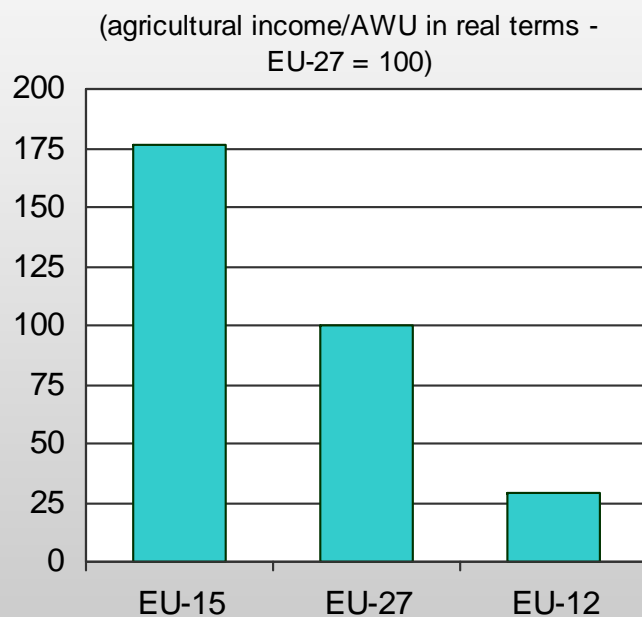
Net production surplus as % of consumption



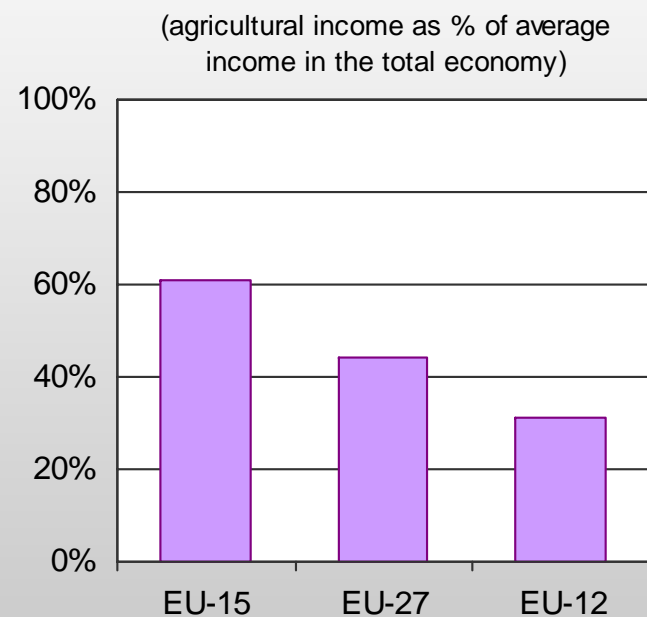
Sources: European Commission – Eurostat and DG Agriculture and Rural Development

The untold story of EU farm income...

Agricultural income level
between Member States
(2009)

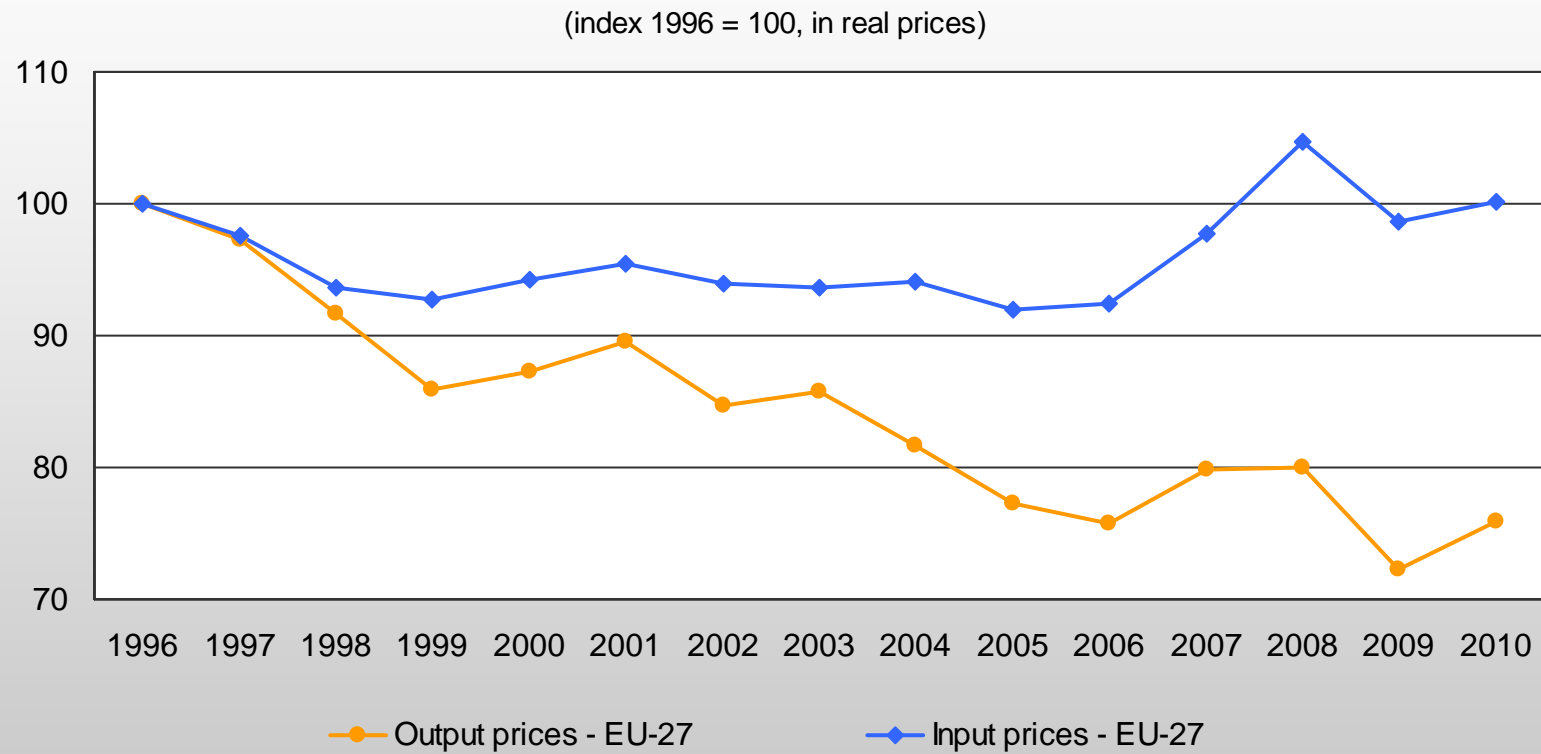


Income gap with the rest
of the economy
(average 2005-2007)



Source: European Commission - DG Agriculture and Rural Development, based on Eurostat data

...and the reasons of its recent squeeze

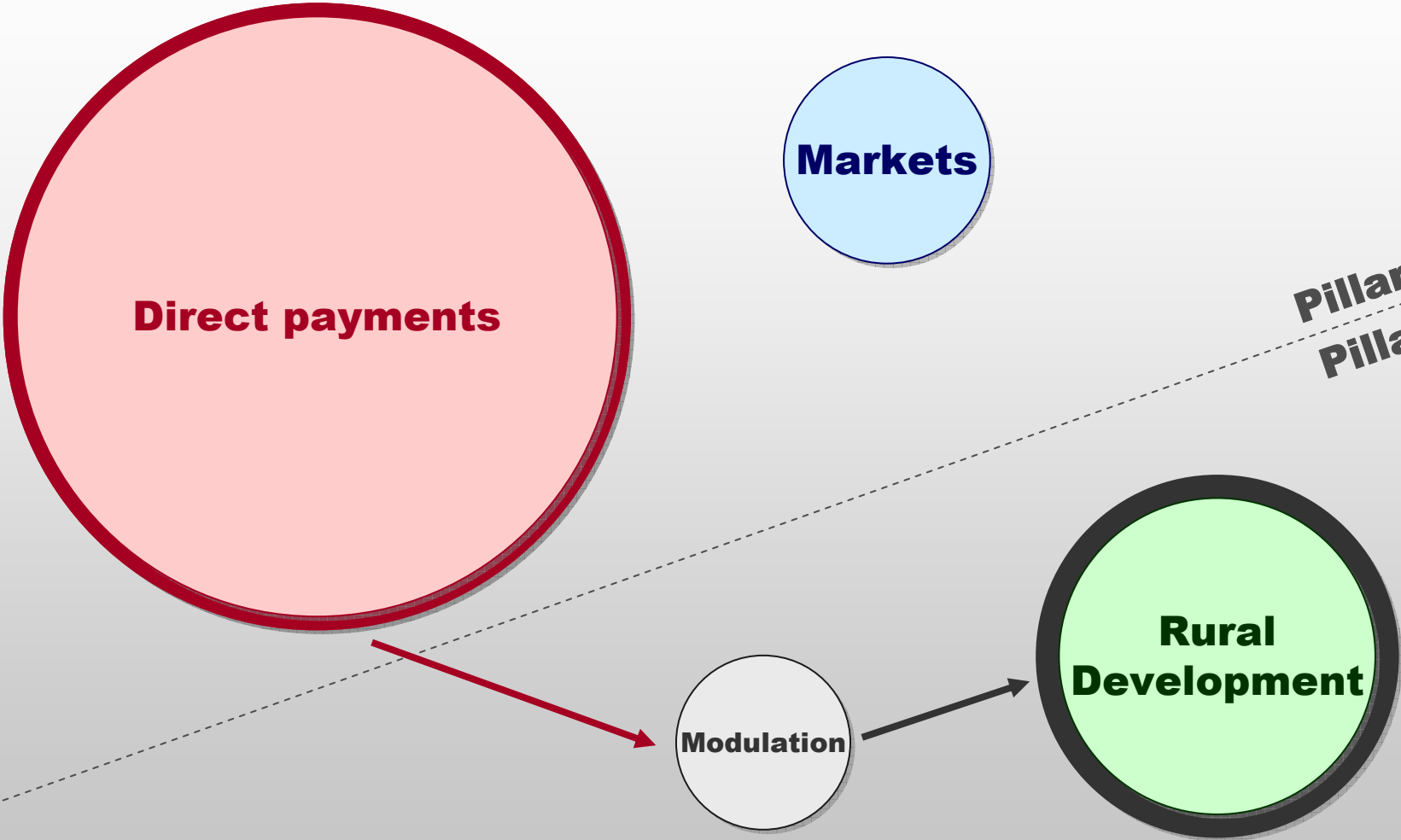


Source: Eurostat

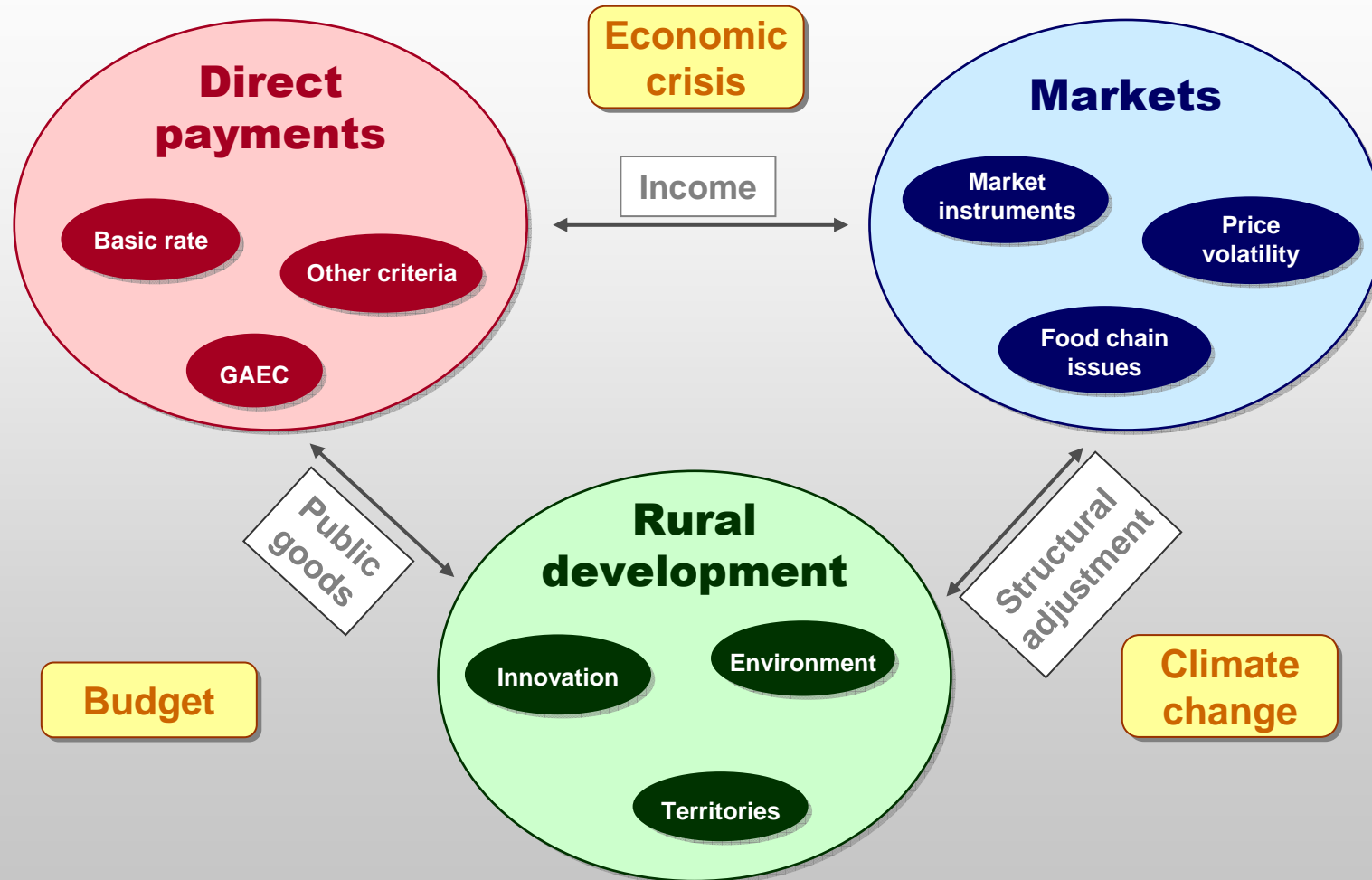


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The CAP today – budget relevance



The policy challenges of today's CAP



The debate about policy instruments

Better targeted to objectives

Direct payments

- Redistribution
- Better targeting
- Redesign:
 - *Greening of direct payments*
 - *Areas with specific natural constraints*
 - *Coupled support provisions*
 - *Capping of payments*
 - *Small farmers support*

Based on two pillar structure

Market measures

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

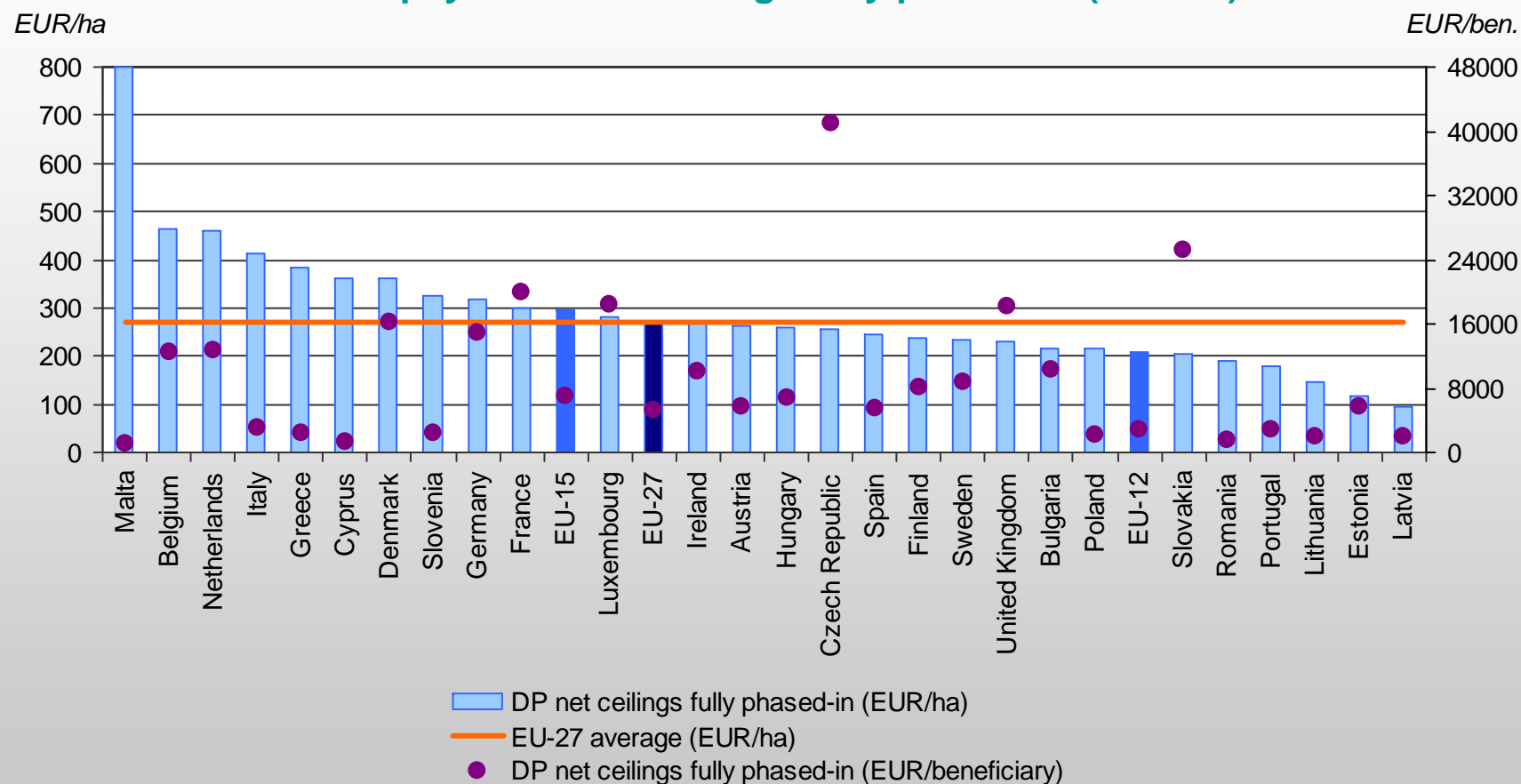
Rural development

- Environment, climate change and innovation as guideline themes
- Improved coherence with other EU policies
- More effective delivery mechanisms
- Address risk management
- New distribution criteria



Average direct payments per potentially eligible area and beneficiary

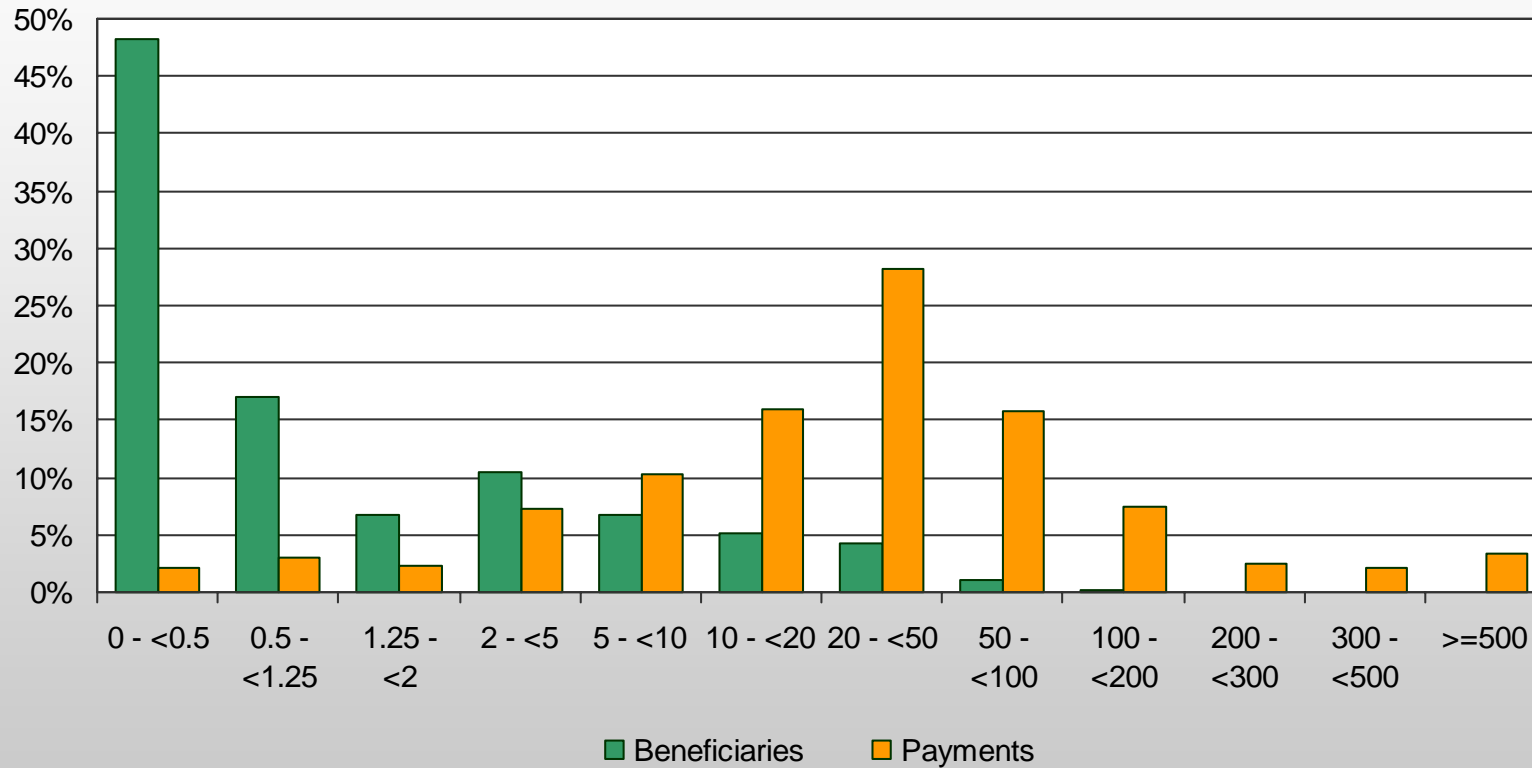
Direct payments net ceilings fully phased-in (in 2016)



Source: European Commission - DG Agriculture and Rural Development

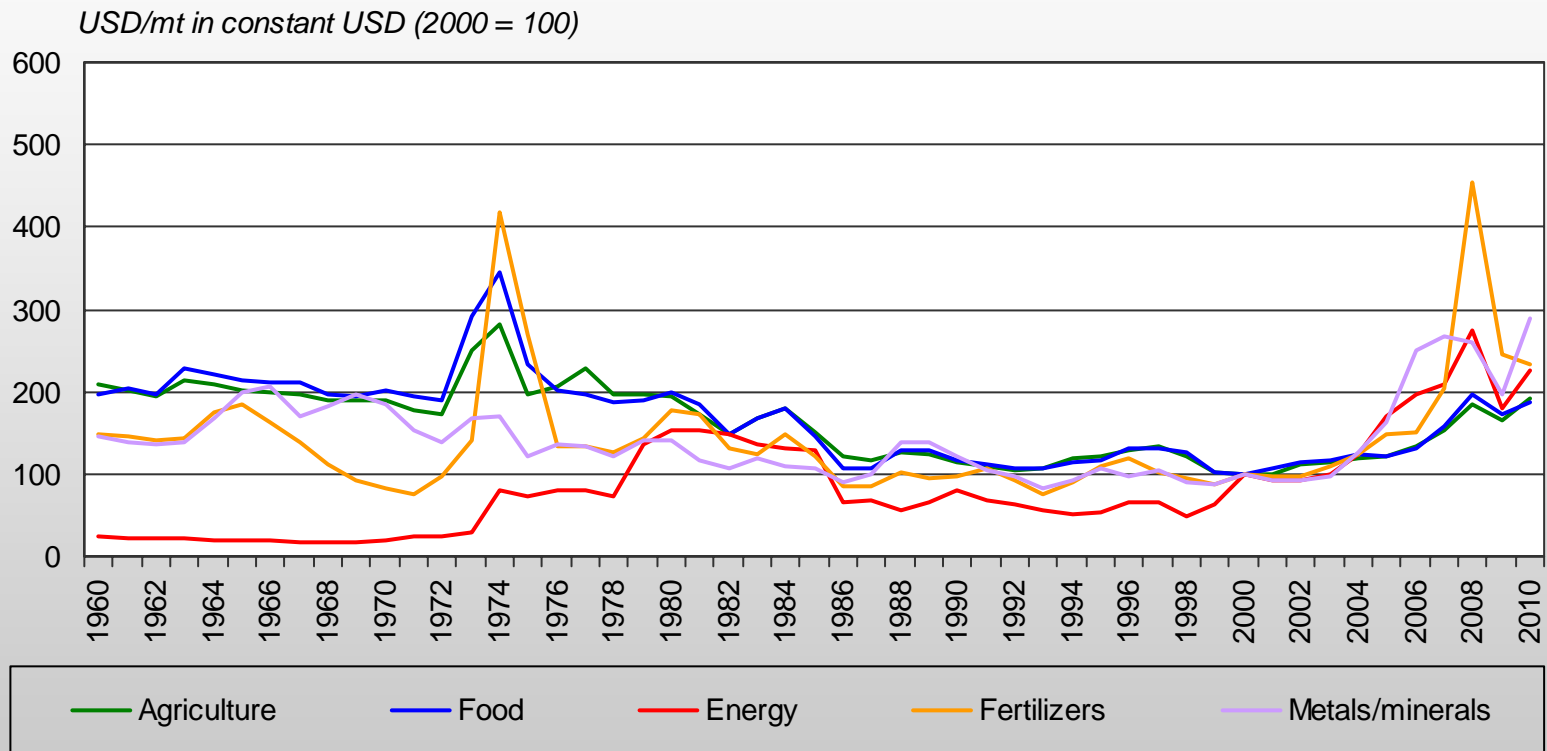
Distribution of direct aids to the producers – EU-27 (in 2008 Financial year)

Indicative figures on the distribution of direct aid by size-class of aid (in 1 000 EUR)

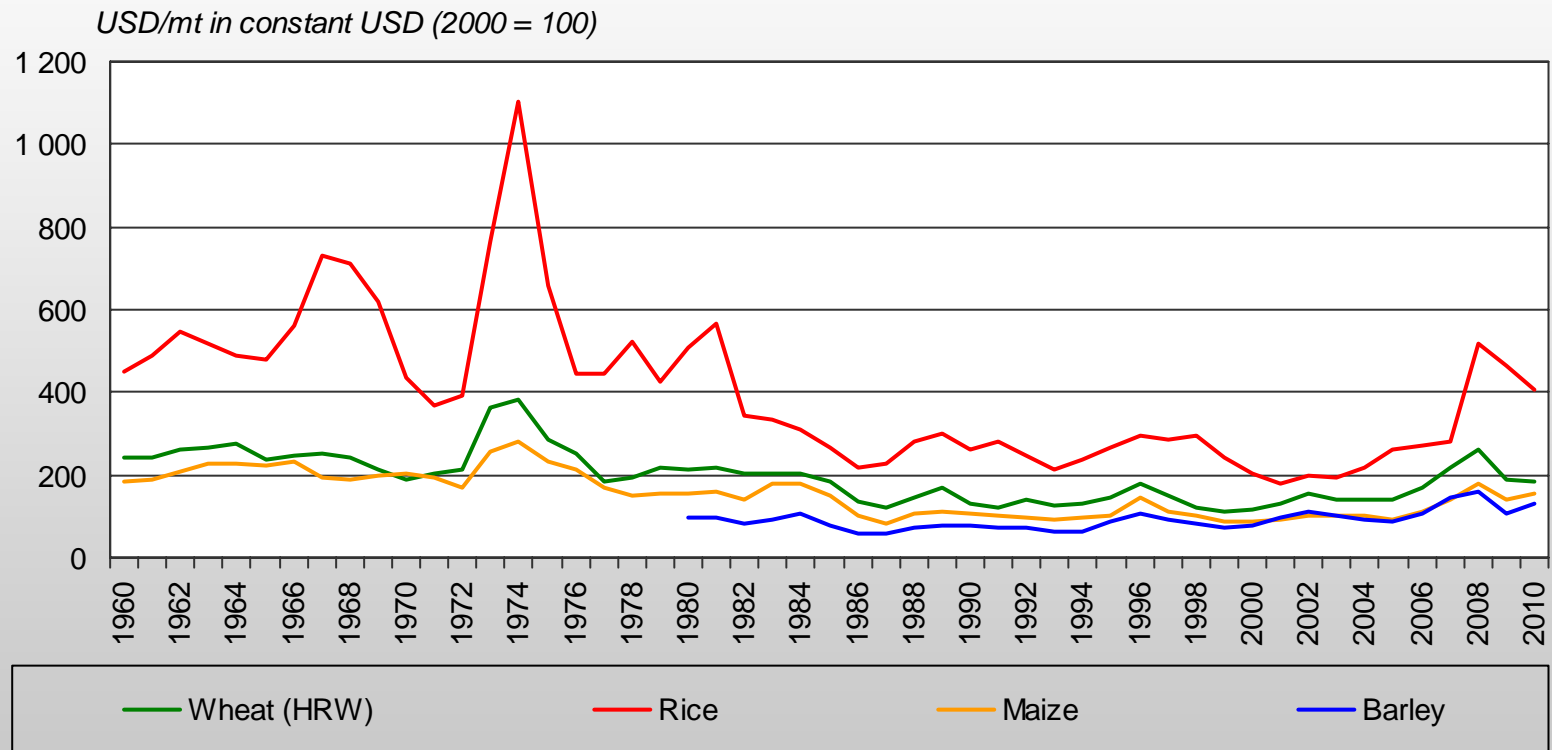


Source: European Commission - DG Agriculture and Rural Development

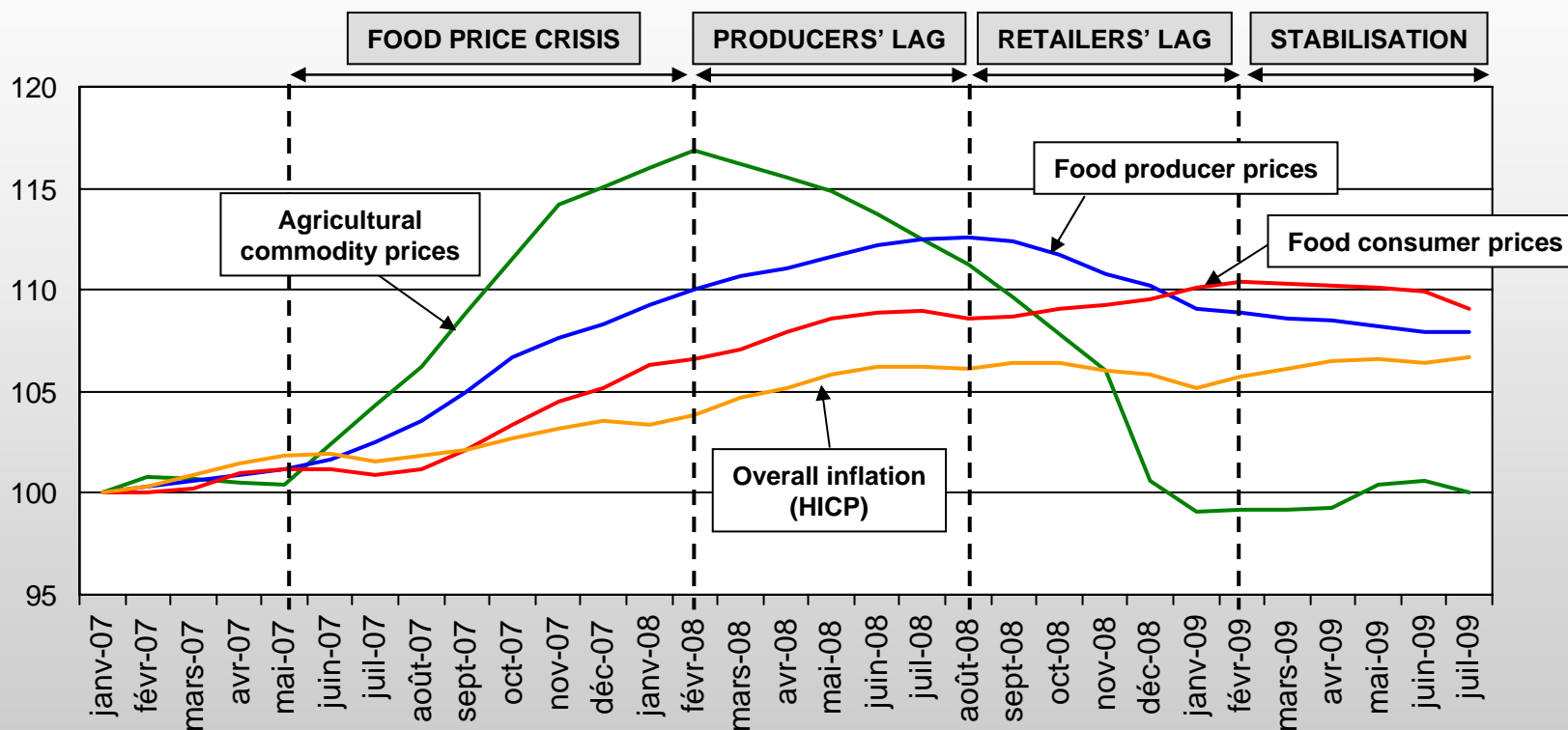
Real commodity price indexes (1960-2010)



Grains - Real prices (1960-2010)



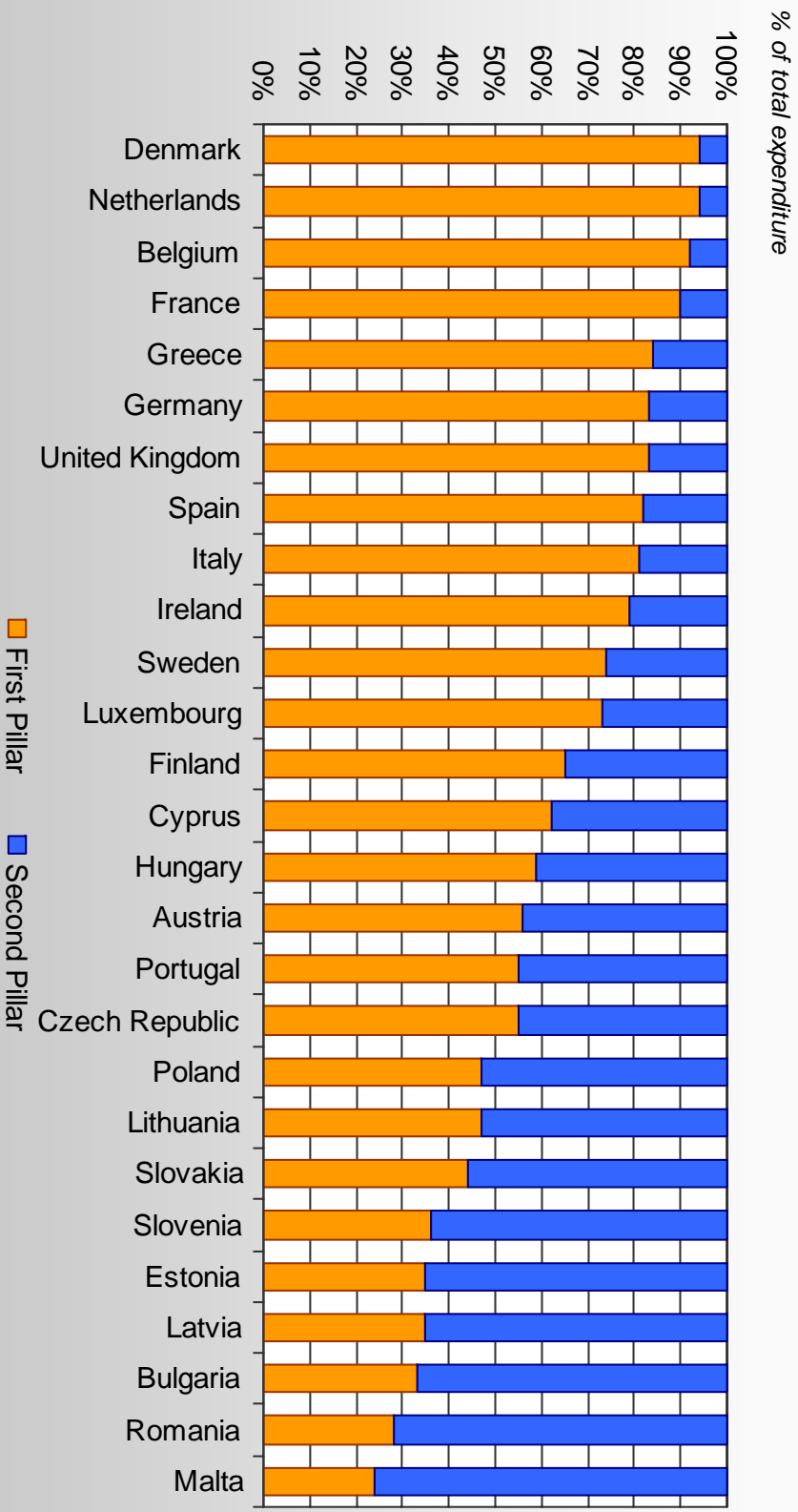
The food supply chain challenge



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

The different weight of RD measures

CAP expenditure between pillars (in 2009)



Source: European Commission - DG Agriculture and Rural Development



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Drivers of the broad CAP reform policy options

Option 1

- Continue the gradual reform process
- Adjust the most pressing shortcomings (e.g. more equity in the distribution of direct payments)

Option 2

- Capture the opportunity for reform
- More sustainable and balanced CAP (between policy objectives, MS and farmers)
- More 'green' targeted measures

Option 3

- More fundamental reform
- Focus on environmental and climate change objectives through rural development
- Move away from income support and most market measures



Next steps

Inter-institutional debate on the Communication

Preparation of Impact Assessment (IA)

- In-depth Commission analysis of new policy settings, options and their economic, social and environmental impacts
- Stakeholders consultation: analytical contributions from stakeholders based on Consultation document published on the 23th of November

Preparation of Legal Proposals

Legal proposals presented by mid-2011



For further information

- The CAP after 2013

http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm

- The Communication on the future of the CAP

http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm

- Public consultation

http://ec.europa.eu/agriculture/cap-post-2013/consultation/index_en.htm

Thank you



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