Communication on the future of the CAP

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

Tassos Haniotis, Director
Agricultural Policy Analysis and Perspectives
DG for Agriculture and Rural Development
European Commission
The CAP today – budget relevance

- Direct payments
- Markets
- Rural Development
- Modulation

Pillar I
Pillar II
CAP expenditure and CAP reform path
(2007 constant prices)

Source: European Commission - DG Agriculture and Rural Development
Alternative views on the cost of the CAP

CAP cost in 2009 (in absolute terms)

- 41% of EU budget

CAP cost in 2009 (in relative terms)

- 0.5% of EU GDP

Source: European Commission - DG Agriculture and Rural Development
3. Why do we need a reform?

To respond to challenges ahead

**Economic challenges**

- Food security
- Price variability
- Economic crisis
Recent evolution of agricultural input and output prices

(index 1996 = 100, in real prices)

Source: Eurostat
3. Why do we need a reform?

To respond to challenges ahead

**Economic challenges**
- Food security
- Price variability
- Economic crisis

**Environmental challenges**
- GHG emissions
- Soil depletion
- Water/air quality
- Habitats and biodiversity

**Territorial challenges**
- Vitality of rural areas
- Diversity of EU agriculture

**Equity and balance of support**

**Contribution to Europe 2020 strategy**
4a. What are the objectives with the reform?

- Economic challenges: Viable food production
- Environmental challenges: Sustainable management of natural resources and climate action
- Territorial challenges: Balanced territorial development

Common EU response needed
4b. What policy instruments?

Better targeted to objectives

Based on two pillar structure

Direct payments

- Redistribution
- Better targeting
- Redesign:
  - Greening of direct payments
  - Capping of payments
  - Small farmers support
  - Areas with specific natural constraints
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
4b. What policy instruments?

Better targeted to objectives

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

Based on two pillar structure

**Market measures**
- Market orientation
- Streamline and simplification
- Improved food chain functioning
Slow, limited, asymmetric price transmission along the food supply chain

Source: European Commission – DG Economic and Financial Affairs, based on Eurostat data
### 4b. What policy instruments?

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4c. What policy options?

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<th>Option 3</th>
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<td>• Continue the gradual reform process</td>
<td>• Capture the opportunity for reform</td>
<td>• More fundamental reform</td>
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<td>• Adjust the most pressing shortcomings (e.g.</td>
<td>• More sustainable and balanced CAP (between policy objectives, MS and farmers)</td>
<td>• Focus on environmental and climate change objectives through rural development</td>
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<td>more equity in the distribution of direct</td>
<td>• More ‘green’ targeted measures</td>
<td>• Move away from income support and most market measures</td>
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5. 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

• The Communication on the future of the CAP
  http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm

• Public consultation
Thank you