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What is at stake?



What is the Common Agricultural Policy (CAP)



The Common Agricultural Policy is one of the key European Union policies. When it was first established in 1958 the aim was to rebuild the agricultural sector after the war so that consumers could rely on stable supplies of affordable food. The CAP encouraged greater agricultural productivity and maintained a level of prices which gave farmers a stable income so that they could afford to remain on the land.

However, through the years the CAP has been constantly changing as world conditions and society's concerns and expectations have changed.

By the 1980s the EU had met its objective of greater self-sufficiency and people in Europe had grown accustomed to having a wide choice of food in the shops. As a result, since the 1990s the emphasis of the CAP has been towards meeting other concerns of society: about food safety and quality, about the environment, the countryside and rural development in general. In fact, the CAP has changed to such an extent that today most of the tools which were designed to achieve market stability have been dismantled and the production of food is more or less left to market forces.

But world conditions are constantly changing and new challenges are on the horizon. A strong CAP is essential if future generations of men and women are to be able to continue farming in a way which meets society's expectations.

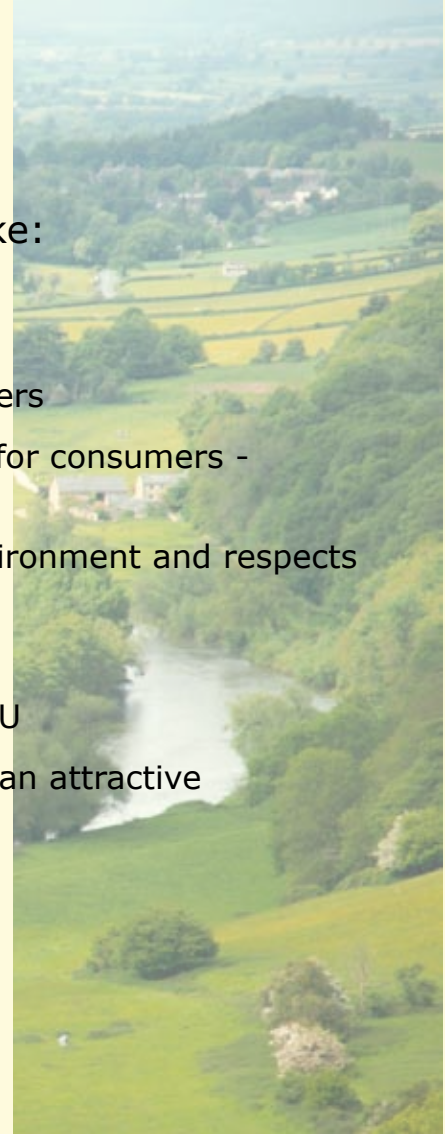
After years of reliable and stable supplies of food, now worries about food security are once again looming. As explained in this booklet, the role of the CAP in the future will be more important than ever.





The Common Agricultural Policy – what is at stake:

- Food security and stability for 500 million consumers
- Food safety, choice, quality and information for consumers
- The competitiveness of EU agriculture – reasonable prices for consumers - reasonable incomes for farmers
- Sustainable production which protects the land and environment and respects animal welfare
- Employment for over 40 million people
- Diversity and production throughout all regions of the EU
- Enabling farmers to provide additional public services - an attractive countryside, biodiversity, water management...
- Meeting the challenge of climate change



Food security and stability for 500 million consumers

Market forces do not ensure security and stability. The recent financial crisis has shown this only too clearly. Providing people with access to stable food supplies is even more vital than financial stability. But because food production depends upon the weather, the market is even more unreliable than in other sectors. This is where the Common Agricultural Policy (CAP) comes in. It can provide the tools, for example risk management, to ensure market forces do not spin out of control.

In fact the CAP has been so successful that until recently most consumers in Europe took stable prices and supplies of food almost for granted. As a result, in recent years policy-makers thought they could abolish market regulation.

World leaders have now agreed that more regulation of financial markets is needed. Regulation of agricultural markets is just as important, if not more so.



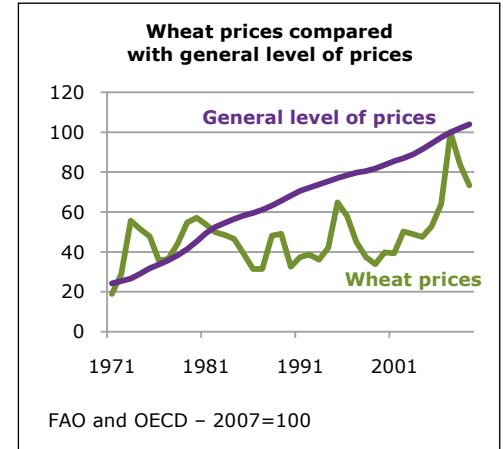
Achieving food security is going to get much more difficult than it has been in the past. World demand for food is expected to increase by 50% by 2050. Yet the availability of agricultural land is declining and the world's water reserves are already at dangerously low levels.

In future, climate change will not only mean big changes in the types of crops farmers can grow. The risk of crop damage will also rise as violent storms, drought and flooding become more prevalent.

Faced with these new challenges it is even more vital to have a strategy and effective tools to ensure we make the most of our own production capacity in Europe, provide food security and stability for our 500 million people and contribute to world food needs.

This is one of the most important roles of the CAP.

Prices of agricultural commodities are by nature subject to much more fluctuation than prices of most other goods. And with climate change volatility is expected to increase. The CAP can ensure market forces do not spin out of control.



Food safety, choice, quality and information for consumers

Consumers want to be sure that the food they eat is safe. Farmers, who have been victims of some of the recent food scares caused by contaminated feed, also want to be sure that the inputs they purchase will be safe to use on the farm.

It is the CAP which ensures that consumers can have full confidence in the safety and quality of produce from EU farms.



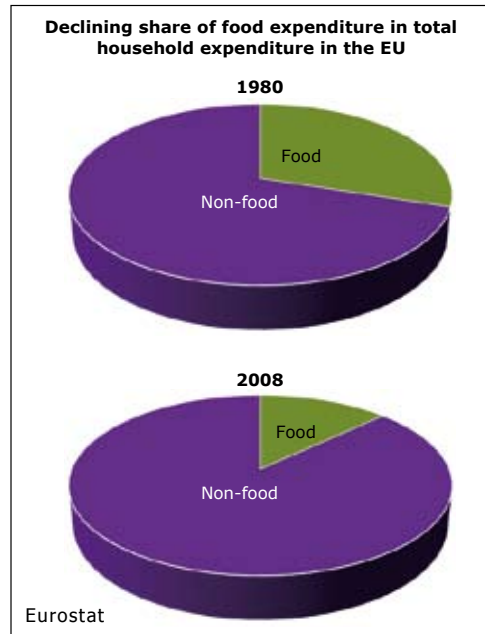
But the CAP does much more than this:

- support provided by the CAP enables farmers to maintain the rich diversity and high quality of food for which Europe is renowned as well as helping them to start new ventures such as the production of organic food
- the Common Agricultural Policy also sets the rules for quality norms and the labelling of food so that consumers have access to the information they require – on the origin of food and the production methods
- the CAP spends some €500 million in distributing food to the most deprived in Europe - elderly people with insufficient means, the homeless, the disabled, children at risk and others in poverty
- because eating habits are formed during childhood, the CAP will also finance the distribution of fruit and vegetables in schools from 2009.



The competitiveness of EU agriculture: reasonable prices for consumers, reasonable incomes for farmers

Farmers are constantly making efforts to become more competitive and pride themselves on their world reputation for quality produce.



Consumers have also benefited. Consumers now only spend 13% of their household budget on food compared with some 30% at the beginning of the 1980s. This is thanks both to the low level of agricultural prices and the general rise in people's incomes. But farmers' incomes still lag well behind average earnings.

One problem faced by farmers is that they receive a declining share of the price consumers pay for food in the shop. Often not sufficient to cover their costs, never mind give them a fair income.



For example, of the price you pay for bread, less than 5% goes to the farmer.

One of the reasons is that farmers and their cooperatives are now up against the huge buying power of a handful of supermarkets.

On top of this farmers in the EU comply with strict standards which ensure they produce in a way which provides an attractive and vibrant countryside and respects animal welfare and wildlife. This means they have higher costs than their competitors.

The CAP helps in two ways:

- ***It provides farmers with a payment which covers these additional costs.***
- ***And it helps farmers to become more competitive by assisting them to modernise their farms and be at the forefront of innovation. Farmers can also improve their market position by joining forces in cooperatives.***

Sustainable production - protecting the land and environment, respecting animal welfare



Without the CAP the EU would be faced with a hard choice: either allow farmers in the EU to compete on equal terms with imports. Or become much more dependent upon imports with no control over the way they are produced.

The CAP ensures that farmers can carry out their important economic role of producing food *and* do it in a way which protects our countryside, our environment, our animals and wild life. This is not the case in most other countries of the world.

For example, EU farmers must not only maintain water quality and prevent soil erosion but also ensure that natural habitats such as copses and hedges are maintained and wild birds, flora and fauna are protected. In addition, the CAP ensures that farmers meet well-defined rules on the well-being of farm animals.

Meeting the EU's high standards means higher costs of production for EU farmers compared with most of their competitors.

This is one of the reasons why the CAP makes payments to farmers in return for ensuring sustainable production. This way the CAP enables farmers in Europe to cover the costs of sustainable farming in the face of fierce international competition without going out of business.

But it is also important that the rules and regulations farmers have to comply with are practical to implement and do not result in a lot of red tape.

Employment for over 40 million people

Official employment statistics underestimate the importance of employment in agriculture because they ignore the work carried out by the farmer's spouse and family as well as seasonal workers.

In fact, the more comprehensive agricultural census shows that 30 million people work on farms in the EU. In addition, more than 10 million people work in cooperatives or related sectors which supply farmers with inputs or process and distribute their produce. This means that one in 6 jobs in the EU depends upon agricultural production.

Over 50% of enterprises in the food chain are farmers' cooperatives with hundreds of thousands of members.



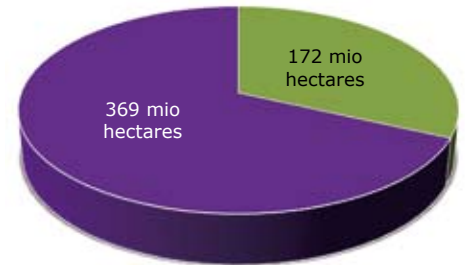
Over past decades most economic sectors have faced huge pressures to concentrate into a few large scale units. In many other countries of the world, agriculture has faced similar pressures with the emergence of units of 5000-10000 dairy cows and over a quarter of a million head of beef cattle.

If a similar development had occurred in the EU, not only would the countryside look very different but there would be far fewer jobs.

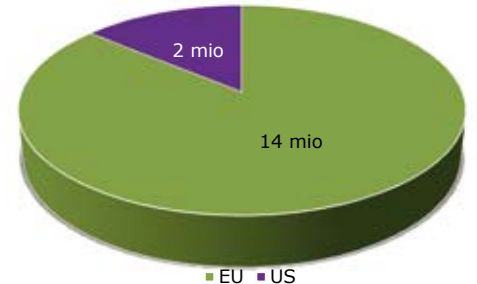
Thanks to the CAP, in the EU there has been a more gradual development towards larger farms with the maintenance of the family-run farm at the heart of European agriculture.

In the current economic crisis the role of the CAP in maintaining employment in rural areas is more important than ever.

Agricultural land in the EU and the US



Number of farms in the EU and the US



EU and US farm survey - EU27 and US, 2007

Diversity and production throughout all regions of the EU

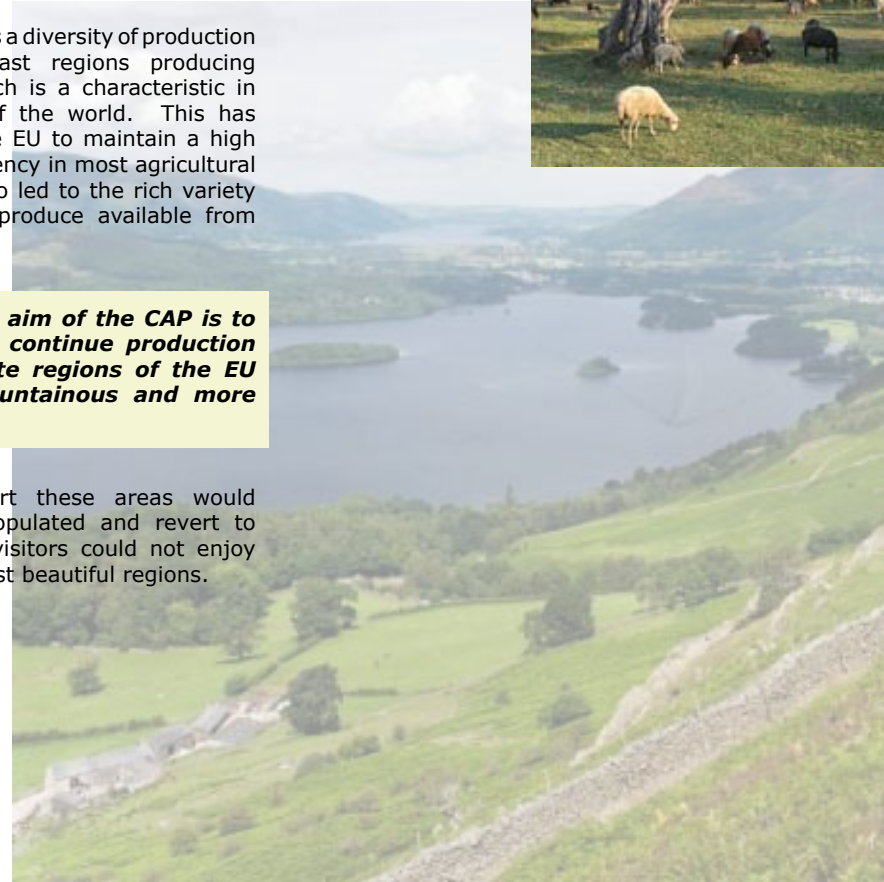
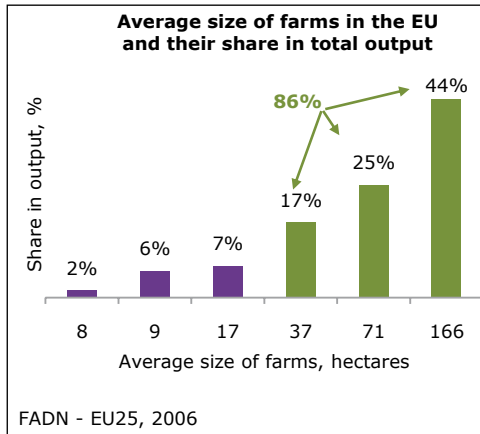
Thanks to the CAP Europe has been able to maintain its own style of farming with a diversity of both production and types of farms. This contrasts with most other countries in the world where production is either carried out on vast corporate farms or by peasant farmers on very small holdings.

The largest farms in the EU, accounting for over four-fifths of EU production, have an average size of 69 hectares.

The CAP also supports a diversity of production thereby avoiding vast regions producing one single crop which is characteristic in many other parts of the world. This has not only enabled the EU to maintain a high degree of self-sufficiency in most agricultural products. It has also led to the rich variety in countryside and produce available from region to region.

Another important aim of the CAP is to enable farmers to continue production in the most remote regions of the EU as well as in mountainous and more difficult terrain.

Without this support these areas would become totally depopulated and revert to wilderness. Then, visitors could not enjoy some of the EU's most beautiful regions.



Enabling farmers to provide additional public services - an attractive countryside, biodiversity, water management...

The CAP not only ensures, and enables, farmers to produce in a way which respects the environment and results in an attractive countryside. It also encourages farmers to make use of their land management skills to provide additional public services of benefit to rural areas. This is the best way to ensure that productive farming and the maintenance of the countryside work together in harmony.

For example if economics and efficiency were everything, hedges, copses and ponds would have disappeared from our countryside but, with the help of CAP payments, farmers are maintaining them.

Farmers also maintain wetlands, dry meadows and ditches to attract wild life and ensure the upkeep of dry stone walls and footpaths which are important for visitors. And increasingly farmers are carrying out land and water management which will help reduce flooding or maintain groundwater.

You cannot charge individual people directly for these services but they are extremely important both economically – attracting visitors to the region – as well as maintaining something which is part of our cultural and environmental heritage and a backdrop to our daily lives.



Three-quarters of beds for tourists are found in rural areas.

Farmers and foresters manage some ¾ of land in the EU. The CAP helps them do this in a sustainable way.



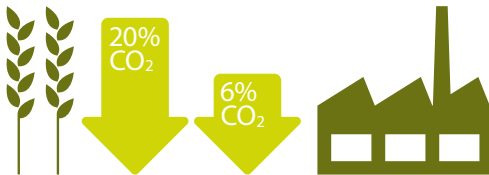
Meeting the challenge of climate change



Farmers are particularly aware of the need to combat climate change as they are seeing the consequences first-hand – changing harvest times, effects of early or late frosts, fires, flooding and drought.

Farmers are already reducing emissions both on and off the farm: the use of crops, straw, manure and other waste materials for renewable energy and fertilizers, solar heating and providing electricity from wind power.

The EU agricultural sector accounts for only 9% of total EU greenhouse gas emissions and managed to reduce them by 20% between 1990 and 2006. Other sectors only managed a 6% reduction.



The products from farm crops can also be used to produce biofuels and renewable industrial materials. This will help to reduce emissions in other sectors and make for greater independence for the EU in its energy supplies.

In future climate change is expected to cause increasing regional shifts in world production possibilities, with some regions unable to produce altogether. In addition, extremes in climate and the spread of animal and plant disease are expected to rise causing world instability in food supplies and prices.

The CAP can help farmers to provide an answer to climate change – agricultural crops absorb CO₂ in the soil and can also be used to produce bio-fuel and other renewables.

The CAP will have a vital role to play in future:

- ensuring food security and stability for consumers in the face of world climatic uncertainty
- encouraging research and new techniques and assisting farmers to adapt to, and mitigate the impact of climate change
- helping farmers to contribute to greater energy and environmental security.

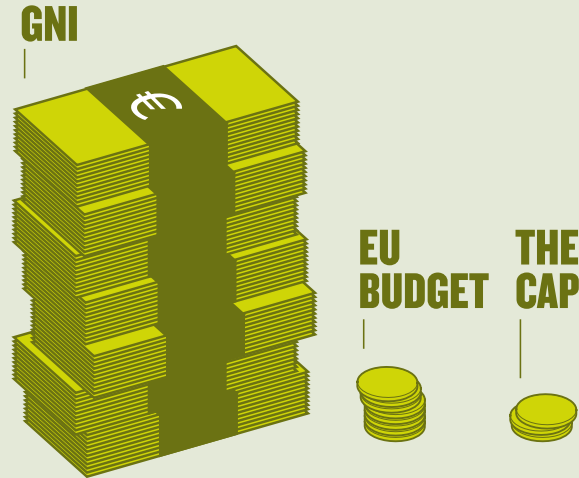
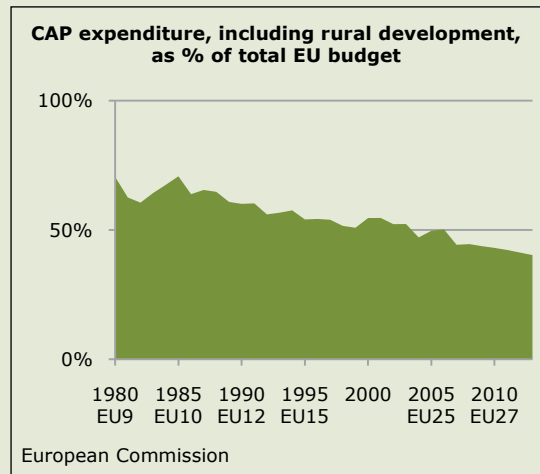
Frequently Asked Questions

How much does the CAP cost?

Many economic sectors benefit from public support such as energy, transport, medical and scientific research but these are financed nationally. In fact only about 2% of total public expenditure is paid for by the EU budget.

Since the CAP is the only policy funded totally from the EU budget it accounts for a relatively large proportion of the EU budget. If, for example, expenditure on research was also totally integrated in this way, its budget would be 3 times that of the CAP.

In addition, despite many more countries joining the EU, by 2013 expenditure on the CAP, including expenditure on rural development, will have fallen from 71% in 1980 to 40%.



In 2013, for every 100 euro of the EU's Gross National Income, 98 cents will go to the EU budget and, of this, 40 cents to the CAP, including rural development.

Why is it important for taxpayers to support farmers?

There are three main reasons.

- the best way to ensure European citizens have access to reliable and safe food supplies is to maintain our production capacity within Europe, even if it costs a bit more. This is going to become more important than ever as world food demand rises and climate change makes world production more precarious.
- in Europe we produce to higher standards than in most of the rest of the world. These standards ensure that production is sustainable – that our environment, our countryside and our animals and wildlife are protected. But it also means that farmers' costs are significantly higher than those of their competitors. The prices supermarkets pay to farmers do not cover these costs.
- the CAP encourages farmers to make use of their land management skills to provide additional services of benefit to rural areas and the public at large - maintaining the land in a way which will attract wild life, ensuring the upkeep of footpaths for visitors, carrying out land and water management which helps reduce flooding or maintain groundwater...the list goes on.



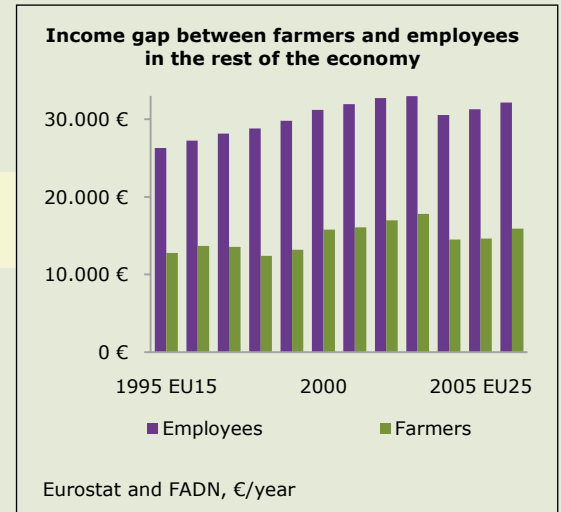
Farmers not only provide food security. They also ensure that rural areas throughout the EU are attractive and economically vibrant.

Do farmers really need support?

Most farmers are not well-off compared with those working in other sectors. On top of this, farmers have to use part of their income to finance investment on the farm.

Average farm incomes are less than half average earnings in the economy as a whole.

So, farming is not well-rewarded particularly bearing in mind that, in most cases, it is a 7 days-a-week job.

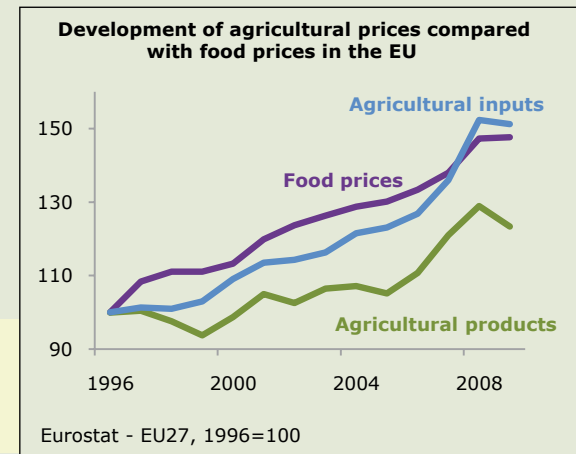


Are farmers responsible for high food prices in supermarkets?

The price farmers receive for their produce bears little relation to the price consumers pay in the supermarket. For example, only 20% of the price of a piece of steak in the shop goes to the farmer even though no processing is involved. The rest goes on transport and packaging, as well as to provide the supermarket with a margin.

But this does not tell the whole story. There was a sudden spike in prices during the food crisis in 2007/8 but since then prices have fallen back to pre-crisis levels. In fact, since 1996 farmers' costs and food prices have substantially outpaced the rise in the prices farmers have received for their produce. So it is clear that, if anything, farmers have contributed to keeping food prices down.

Since 1996, food prices have increased by 3,3% each year, farm costs by 3,6% but prices received by farmers for their products by only 2,2%.

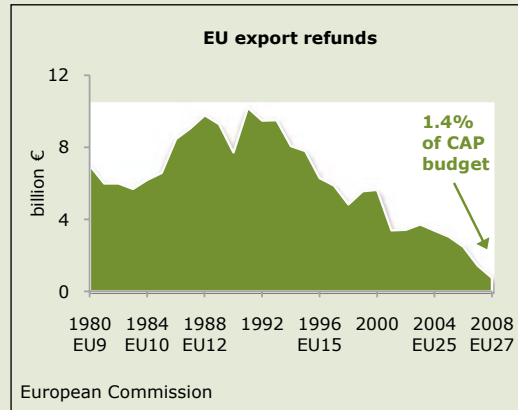


Is the CAP damaging farmers in developing countries?

The CAP is often accused of damaging farmers in developing countries because of the subsidies it gives to encourage exports but this picture is totally outdated.

Today export subsidies represent less than 2% of the total CAP budget and only a tiny proportion of this small amount finds its way to developing countries.

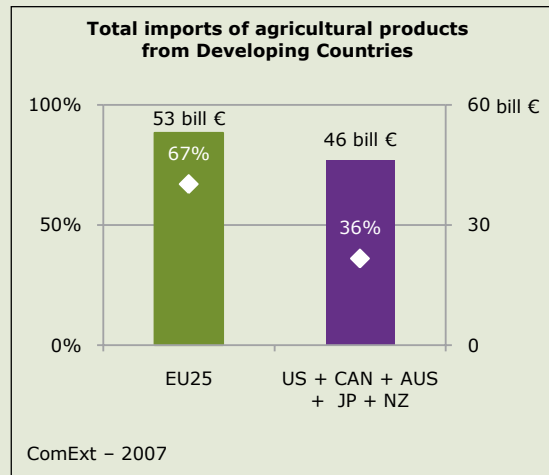
Export subsidies now less than 2% of total CAP expenditure



The EU also gives preference to imports from the 50 least developed countries in the world and, as a result, 58% of their agricultural exports are sent to the EU.

The EU also imports more agricultural produce from developing countries as a whole than the USA, Australia, New Zealand, Canada and Japan put together.

European farmers fully support the need for more aid to be invested in agriculture in developing countries. Farmers in developing countries must be assisted to build up their own agricultural base.



Do biofuels really help combat climate change? Will biofuel production put at risk food security?

Biofuels are an important weapon in the fight against climate change. The transport sector is responsible for over one-fifth of the greenhouse gas emissions in the EU and these are rising faster than in any other sector.

Unlike traditional fossil fuel from the world's oilfields, biofuels are renewed quickly with each crop harvested. As the plants grow they capture solar energy and absorb CO₂ from the atmosphere. One of the roles of the CAP will be to ensure that all biofuels from the EU will be produced in a sustainable way.

Agriculture in the EU has the potential to produce biofuels without jeopardising the security of food supply. Only part of the grain of a crop is used to produce biofuels. The remainder of the grain, the major share, is used to produce protein-rich animal feed required to produce meat and dairy products.

For example, in the case of oilseeds, 55% of the oilseed grain goes to make oil cakes fed to animals and only the remainder is used to produce biodiesel. Increased production of biofuels will therefore not only help to combat climate change. It will also enable the EU to reduce its heavy dependence on feed imports and free up land in the rest of the world. The EU currently imports 80% of its protein needs for animal feed from the US, Argentina and Brazil.

The production of biofuels within the EU will not only help to combat climate change but also help to reduce our heavy dependence on a few countries for much of our supply of energy as well as animal feed.



COPA AND COGECA

THE VOICE OF EUROPEAN FARMERS AND EUROPEAN AGRICULTURAL COOPERATIVES

Copa is the voice of European farmers and Cogeca is the voice of European agri-cooperatives. Together they promote the interests of agriculture in the European Union and speak on behalf of some 30 million farmers and their families and over 40,000 agricultural cooperatives – representing the vast majority of such enterprises in the EU. They have 76 member organisations from the EU Member States.



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