



# The Common Agricultural Policy A partnership between Europe and Farmers



Agriculture and  
Rural Development

# Preface



The Common Agricultural Policy is the link between an increasingly urbanised world and an increasingly strategic farming sector. This is why I have proposed a new partnership between Europe and farmers based on a Common Agricultural Policy renewed as from 2013.

This new partnership fits into the historical perspective of what is a top-level EU policy, one which recently celebrated its fiftieth anniversary and is described over the next few pages. It also reflects the desire to reshape the contract of confidence between European citizens and their farming sector based on the Common Agricultural Policy.

Farming is closely associated with the challenges facing society, first and foremost among these of course being the food challenge. There is also the challenge posed by natural resources: these must be used with respect and in a responsible manner with the needs of future generations in mind. Lastly, there is the challenge posed by rural areas and the need to preserve the continuity of the farming sector in these areas, a need which is vital to our rural economies, our roots and our heritage. Europe needs its farmers. Farmers need Europe's support.

Support will take the form of better targeted income support channelled towards active farmers and adjusted in an objective manner to meet the needs of each farming sector, especially the most vulnerable ones.

It will involve the use of instruments to increase the economic and environmental competitiveness of farming. We need incentives to help farmers to adopt sustainable farming methods. We also need genuine modern, efficient and responsive safety nets to help us overcome the more and more serious and increasingly frequent crises which we are facing.

This support also reflects the desire to bring life back to the countryside by providing increased resources to help young people set up in farming, with additional resources for research, innovation and the transfer of skills, and by investing in private and public infrastructure.

Over the next few years it is essential to lay the foundations for a strong farming industry which can meet the challenges of climate change and international competition while fulfilling people's needs. The Common Agricultural Policy is about our food and the future of more than half the land area of the EU.

**Dacian Cioloș**

*European Commissioner for Agriculture and Rural Development*

“

Launched in **1962**, the Common Agricultural Policy (CAP) is a partnership between agriculture and society, between Europe and its farmers. Its main aims are:  
To improve agricultural productivity, so that consumers have a stable supply of affordable food.  
To ensure that EU farmers can make a reasonable living.

”

## The CAP is about our **food**

The EU has 500 million consumers and they all need a reliable supply of healthy and nutritious food at an affordable price. The economic environment is set to remain uncertain and unpredictable. Moreover, there are many current and future challenges including global competition, economic and financial crises, climate change and rising costs of inputs such as fuel and fertiliser.

To meet these challenges the EU has created and implemented the common agricultural policy.

Its purpose is to set the conditions allowing farmers to fulfil their multiple functions in society - the first of which is to produce food.

Thanks to the CAP, Europe's citizens enjoy food security. We can be sure that our farmers produce the food we need.

They provide an impressive variety of abundant, affordable, safe and good-quality products. The EU is known throughout the world for its food and culinary traditions. Due to its exceptional agricultural resources the EU could and should play a role in ensuring food security of the world at large.



“

Now, fifty years later, the EU has to address more challenges:  
Food security – at the global level, food production will have to double in order to feed a world population of 9 billion people in **2050**,  
Climate change and sustainable management of natural resources,  
Looking after the countryside across the EU and keeping the rural economy alive.

”

## The CAP is about our countryside

Farming is not just about food. It is about rural communities and the people who live in them. It is about our countryside and its precious natural resources.

In all EU member states, farmers keep the countryside alive and maintain the rural way of life. If there were no farms or farmers, our hamlets, villages and market towns would be profoundly affected – for the worse.

Many jobs in the countryside are linked to farming. Farmers need machinery, buildings, fuel, fertilisers and healthcare for their animals. Many people have jobs in these ‘upstream’ sectors. Other people are busy in ‘downstream’ operations – such as preparing, processing and packaging food. Still others are involved in food storage, transport and retailing.

All in all, farming and food production are essential elements of our economy and society. With its 27 member states, the EU has some 14 million farmers with a further 4 million people working in the food sector. The farming and food sectors together provide 7% of all jobs and generate 6% of European gross domestic product.



“

The CAP is a common policy for all the Member states of the European Union. It is managed and funded at European level from the resources of the EU annual budget.

”

## The CAP is about our environment



Our countryside is not in its original natural state. It has been shaped by farming over the centuries. Farming has created our diverse environment and its varied landscapes. Our countryside provides the habitat for a great diversity of fauna and flora. This biodiversity is critical for the sustainable development of the countryside.

Farmers manage the countryside for the benefit of us all. They supply public goods – the most important of which is the good care and maintenance of our soils, our landscapes and our biodiversity. The market does not pay for these public goods. To remunerate farmers for this service to society as a whole, the EU provides farmers with income support.

Farmers can be adversely affected by climate change. The CAP provides them with financial assistance to

adjust their farming methods and systems to cope with the effects of a changing climate.

Farmers are the first to realise the need to care for our natural resources – after all farmers rely upon them for their day-to-day living. To avoid negative side-effects of some farming practices, the EU provides incentives to farmers to work in a sustainable and environmentally-friendly manner.

In effect, farmers have a double challenge: to produce food whilst simultaneously protecting nature and safeguarding biodiversity.

Environmentally sustainable farming, which uses natural resources prudently, is essential for our food production and for our quality of life – today, tomorrow and for future generations.

# European farm policy down the years



1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	<b>1973</b>	1974	1975	1976	1977	1978	1979	1980	<b>1981</b>	1982	1983	1984	1985	<b>1986</b>	1987
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(data in billion euros)

- Agriculture in percentage of EU total budget
- EU population in million
- Export refunds
- Other market measures
- Coupled support
- Decoupled support
- Rural development



### 1992

The CAP shifts from market support to producer support. Price support is scaled down, and replaced with direct aid payments to farmers. They are encouraged to be more environmentally friendly. The reform coincides with the 1992 Rio Earth Summit which launches the principle of sustainable development.

### 2003

The CAP provides income support. A new CAP reform cuts the link between subsidies and production. Farmers now receive an income support payment, on condition that they look after the farmland and fulfil environmental, animal welfare and food safety standards.

### 2011

A new CAP reform proposal seeks to strengthen the competitiveness of the agricultural sector, promote innovation, combat climate change and support jobs and growth in rural areas.



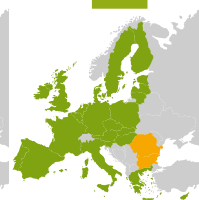
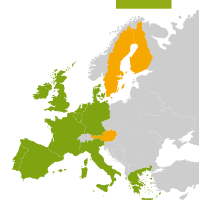
1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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12

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25

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A vibrant field of sunflowers under a blue sky with white clouds. The sunflowers are in full bloom, with bright yellow petals and dark brown centers. The background shows a line of green trees under a clear blue sky with scattered white clouds.

# The Common Agricultural Policy A partnership between Europe and Farmers



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# The CAP is about our farmers

With 10 new member states joining in 2004 and two more in 2007, the number of EU farmers nearly doubled to around 14 million.

Farmers are a very important economic player in rural areas which the EU cannot afford to lose. Fundamental, instinctive farming skills are not learned from the pages of a book, but are passed down from one generation to the next.

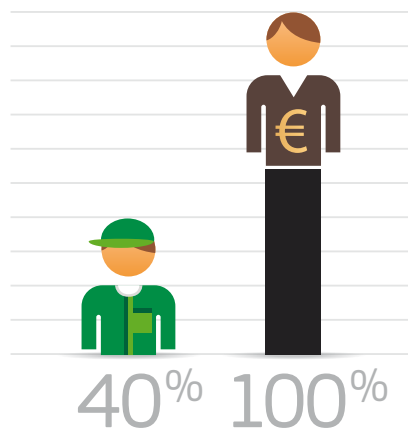
However many young people no longer see farming as an attractive profession, with the result that there are fewer farmers. In the 1960s, the original six EU countries had six million farmers, but since then the number has more than halved.

This is why the CAP helps young people to get started in farming with funds to buy land, machinery and equipment. It also provides grants to train both new entrants and established farmers in the latest technical production methods.

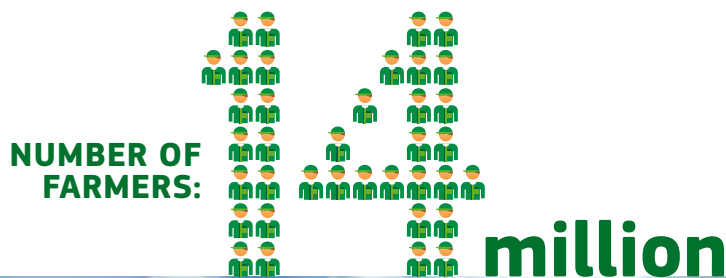
Encouraging young farmers and ensuring continuity from one generation to the next is a real challenge for rural development in the EU.

In some parts of Europe, farming is particularly difficult – as in hilly, mountainous and/or remote areas. It is important to keep communities alive in these regions. The CAP provides funds to ensure that rural communities in vulnerable areas remain in good economic health and do not gradually disappear.

## RELATIVE SITUATION OF FARM INCOME COMPARED TO NON-AGRICULTURAL INCOME



The figures are the EU average of entrepreneurial income in agriculture per non-salaried annual work unit as % of average wages in total economy per full-time equivalent, figures are calculated by Commission services on the basis of Eurostat data.




# Thanks to the CAP farmers produce what consumers want


EU citizens are the ultimate beneficiaries of the CAP. There is always plenty of food in our shops and supermarkets at prices which are generally affordable. In most EU countries today, the average family spends around 15% of its monthly income on food. The proportion is half what it was in 1962.


We enjoy a secure supply of high-quality food from our farmers. Europe is considered as a world leader in sectors like cereals, dairy products, meats, olive oil, wines and spirit. Furthermore, we can easily find out how and where our food was produced because the EU's labelling and traceability rules give consumers the information they need to make an informed choice when buying their food.


Many EU consumers prefer local or regional products where these are available. Traditional specialities are more and more in demand. As a result, farmers are increasingly selling directly to consumers at farmers' markets and are processing their own products to add local value.


HERE'S WHAT OUR FARMERS  
PRODUCE EACH YEAR  
(AVERAGE FOR 2008-10)


**Cereals**   
**300** million t


**Sugar**   
**16** million t


**Oilseeds**   
**21** million t


**Olive oil**   
**2** million t


**Apples**   
**10** million t

**Pears**   
**3** million t


**Citrus fruit**   
**10** million t

**Wine**   
**170** million  
hectolitres

**Beef and veal**   
**8** million t

**Pigmeat**   
**20** million t

**Poultrymeat**   
**12** million t

**Eggs**   
**7** million t

**Milk**   
**140** million t

# Farmers act as managers of the countryside

Around half the EU's land is farmed. This makes farming very important indeed for our natural environment. Farming has contributed over the centuries to creating and maintaining a variety of valuable semi-natural habitats. Today, these shape the many landscapes throughout the EU and are home to a rich variety of wildlife. Farming and nature influence each other. Thanks to the successive reforms of the CAP, our farming methods are becoming more environmentally-friendly.

Today's farmers therefore have two roles – producing our food and managing the countryside. In the second of these they provide public goods. The whole of society – present and future – benefits from a countryside that is carefully managed and well looked after. It is only fair that farmers are rewarded by the CAP for providing us with this valuable public good.

Income support payments from the CAP are increasingly used by farmers to adopt environmentally sustainable farming methods. This enables them, for example, to reduce the amount of chemical fertiliser or pesticide that they apply to their crops. It also enables them to reduce stocking densities – the number of farm animals per hectare of land. Other adaptations include leaving field boundaries uncultivated, creating ponds or other landscape features and planting trees and hedges. These are aspects of farming which go beyond what are usually considered to be conventional farming methods and good farming practices.

In addition, the CAP promotes agricultural practices such as maintaining permanent grassland and safeguarding the scenic value of the landscape.

Protecting biodiversity and wildlife habitats, managing water resources and dealing with climate change are other priorities that farmers are required to respect.

In this regard, the EU's Natura 2000 programme is relevant. This is a network of some 25 000 sites – covering about one fifth of the territory of the EU – and is aimed at protecting Europe's biodiversity. The sites are not 'fenced-off' protected areas but are open and are often dependent on sustainable human activities and land-use that have shaped and maintained them over the years. Many sites are on farmland and the farmers undertake to manage the land in a specific manner so that the biodiversity is maintained.



# The rural economy and way of life depend on farming

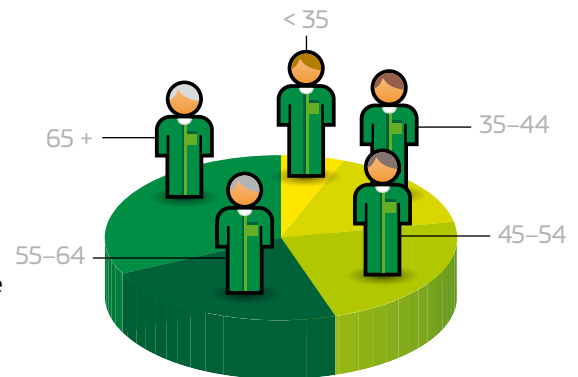
Farming is the principal economic activity in most rural areas of the EU. However, many farmers carry out additional activities, such as food processing and providing accommodation for tourists. This diversification of the rural economy is a source of strength which the EU supports and encourages through its rural development programmes.

About half the population of the EU lives in rural areas. Without farming there would be little to keep many communities alive and hold them together. If farming were to disappear, in many areas there would be a problem of land abandonment.

This is why the CAP gives farmers financial assistance to ensure that they continue working the land and to create additional jobs through landscape preservation or cultural heritage projects and many other tasks directly or indirectly associated with farming and the rural economy.

This helps prevent rural depopulation in the face of few job opportunities and high unemployment. Public services – such as schools and healthcare amenities – are preserved and improved, giving people a good reason to remain in the countryside and bring up their children there.

## FARMERS ARE BECOMING OLDER



Source: EUROSTAT - Farm Structure Survey, data apply to the year 2007.

The dynamism of small family farms will have to be reinforced. Many farmers are over the age of 55 and will retire from active farming at some point in the future. The EU recognises that the age structure of farmers has become a matter of concern. Helping young farmers get started is a policy 'must' if Europe's rural areas are successfully to meet the many challenges that face them.



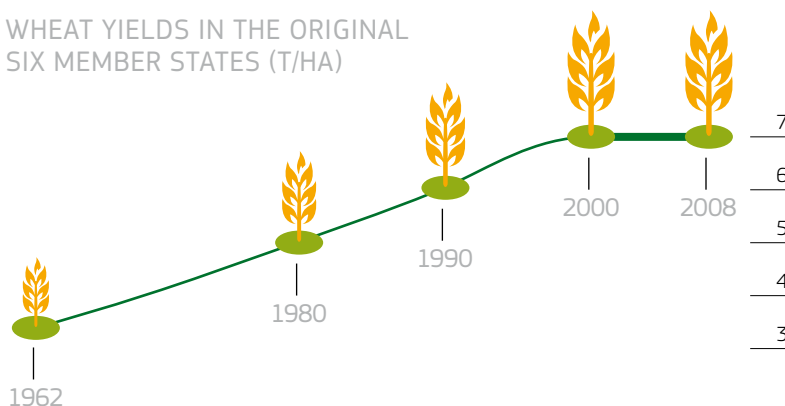
## The CAP drives productivity and innovation

The CAP helps farmers to be more productive and to improve their technical skills.

In its early years, the CAP encouraged farmers to use modern machinery and new techniques, including chemical fertilisers and plant protection products. These were necessary because the priority at that time was to grow more food for the population.

The policy was very effective. Productivity greatly increased. Crop yields rose dramatically but have been stable since 2000. In the years to come, research and innovation will be crucial for farmers to produce more from less.

WHEAT YIELDS IN THE ORIGINAL SIX MEMBER STATES (T/HA)

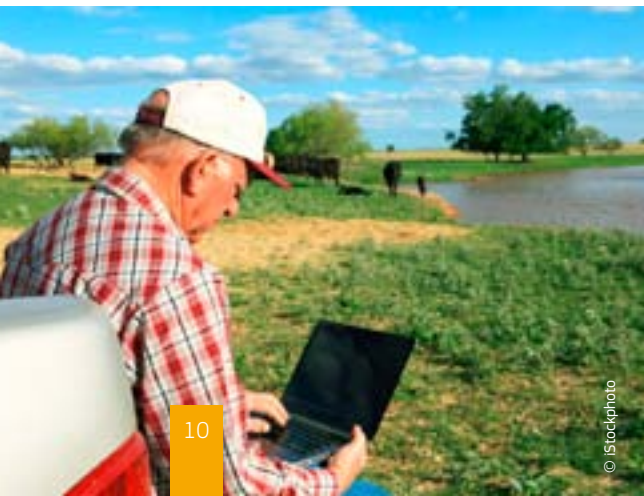


Source: Agriculture in the European Union: statistical and economic information, an annual publication of the European Commission, Directorate-General for Agriculture and Rural Development, various years.

In the face of the food surpluses which resulted, the emphasis has changed. Now the CAP helps farmers to:

- Farm in a manner that reduces emissions of greenhouse gases,
- Use eco-friendly farming techniques,
- Meet public health, environmental and animal welfare standards,
- Produce and market the food specialities of their region,
- Make more productive use of forests and woodland,
- Develop new uses for farm products in sectors like cosmetics, medicine and handicrafts.

EU research funds are devoted to developing new farming systems so that farmers can respond to the many challenges that lie ahead – not least those of a changing climate and growing pressure on natural resources. In future, our farmers will have to produce more with less. This could be achieved through the development of instruments, such as innovation partnerships, to promote innovation in agriculture by bridging the existing gap between research and farming practice and facilitating communication and cooperation among stakeholders (farmers, advisors, agro-business, scientists, administrations, etc.).



# Modernisation is another CAP priority

Farm modernisation has always been and still is an important CAP objective. Many EU farmers have benefited from grants to modernise their farm buildings and machinery. Others have made use of grants to improve the quality of their livestock and the conditions under which they are reared.

The challenge is to ensure that modernisation will assist farmers to become economically competitive and to apply environmentally-sustainable techniques.

The CAP's rural development programme will remain a significant driver of change and progress: it will continue to offer opportunities to farmers to improve their farms and, more generally, the countryside they live in.

In line with Europe's growth strategy for the coming decade – Europe 2020 – our farmers will become more efficient and more competitive.

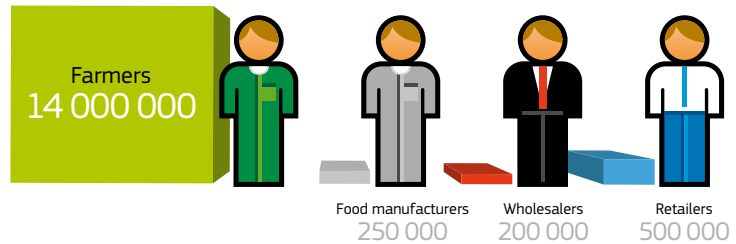
While grants and loans play a major role, there are other means to help farmers. The EU assists farmers by providing training programmes and advisory services, amongst other measures.



# Why farmers don't always get a fair deal

## CONCENTRATION ALONG THE FOOD CHAIN: NUMBER OF ENTERPRISES

Many retail outlets (supermarkets, shops, etc.) belong to a small number of companies which have very strong bargaining power.



Source: Eurostat - Structural Business Statistics and Structure of Agricultural Holdings, data are 2007 (agriculture) and 2009 (other sectors).

The vast majority of farms are relatively small. The average EU farmer has only 12 hectares of land (equivalent to about 20 football pitches); 70% of farms are less than five hectares in size.

The small size of their farms means that farmers can find it hard to get the best market price for their produce. Their efforts to improve quality and add value can go unrewarded by the market price.

The CAP increasingly helps farmers to strengthen their bargaining position vis-à-vis other players in the food chain.

The EU helps farmers by encouraging:

- The formation of producer organisations: these allow farmers to form groups so that they can sell their products collectively, enabling them to exert greater market power within the food chain.
- Other forms of cooperation to give farmers more leverage in the marketplace and raise competitiveness.
- Specialised types of production such as organic farming.
- Contractual relationships throughout the food chain.
- The creation of mutual funds and insurance schemes to allow farmers to respond better to market instability or fast-falling prices.

In addition the use of modern information, risk management and marketing tools can increase farmers' knowledge and bargaining power along the food chain.





# Quality food – a key to success



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## Diversity

Europe is renowned for its huge range of fine foods, wines and beers, as reflected in our great culinary traditions.



## Quality guarantees

The CAP provides labelling and logos that guarantee the authenticity of traditional foods. Over 1 000 foods carry an EU quality logo. People can buy local and traditional foods, confident that the description on the packaging is true.



## Marketing standards

Foods must satisfy certain minimum quality standards. Uniform standards for particular goods allow consumers to compare prices from different producers.

## Organic products

Organic production methods must comply with strict EU legislation. Organic farming respects the natural life cycles of plants and livestock. In the EU, organic food is identified by a special logo.

## Ethical assurance

The CAP encourages certification systems that guarantee environmental and animal welfare conditions under which foods have been produced. Animal welfare standards in the EU are among the highest in the world

## Hygiene standards

EU rules are applied from the farm to the table. Imported products must meet the same standards as foods produced by EU farmers. The purpose of these standards is to maintain food safety levels as products pass along the food chain.



© Age Fotostock

# The EU opens its market for developing countries



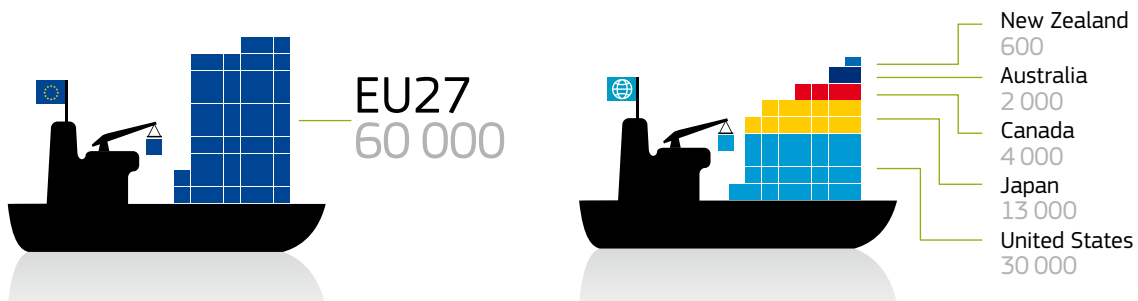
The European Union is the world's biggest importer of foodstuffs – by a big margin.

Through its overseas development policy, the EU helps developing countries to sell their agricultural products in the EU. It does this by granting preferential access to its market.

Each year, the EU typically imports close to €60 billion worth of agricultural products from developing countries. This is more than the other five major importers combined (the US, Japan, Canada, Australia and New Zealand).

The EU has extensive commercial and cooperation links with third countries and regional trading blocs. In addition, it has concluded (or is negotiating) bilateral trade agreements with its near neighbours and other third countries as well as Economic Partnership Agreements with developing countries.

## AGRICULTURAL IMPORTS FROM DEVELOPING COUNTRIES (MILLION €)



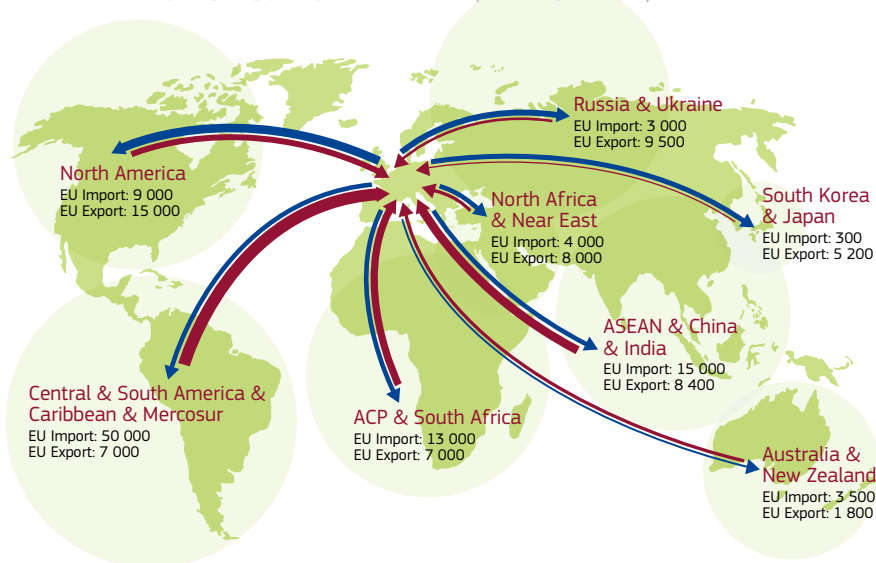
Source: Document DG AGRI International aspects of agricultural policy, data are the average for 2008 – 2010.

# Europe is a major exporter of quality food

Thanks to its favourable climate, its fertile soils and the technical skills of its farmers, Europe is one of the world's most important producers of agricultural products.

At the global level, food production will have to double in order to feed 9 billion people – the estimated world population in 2050. The EU, through the CAP, plays a significant role in meeting this challenge. This is why it needs to continue investing in its farming sector.

## EU AGRICULTURAL TRADE (MILLION EUR)



Source: Document DG AGRI International aspects of agricultural policy, data are rounded, representing the average for 2008 – 2010.

The volume, diversity and quality of its products make the EU a major exporter. In fact, the EU is the leading exporter of agricultural products (mostly processed and high value-added products).

## EU EXPORTS BY SECTOR

Other machinery and appliances **21%**

Chemicals **11%**

Pharmaceuticals **8%**

Agriculture **7%**

Vehicles and parts **6%**

Textiles **3%**

Construction equipment **2%**

Source: Data are 2010, Commission services.

The EU is one of the most important and active members of the World Trade Organisation and plays a constructive role in devising innovative and forward-looking common rules for global trade, including agriculture. By supporting the role of the WTO, the EU helps to maintain a free, fair and open trading system for all countries of the world.

The flow of agricultural imports and exports to and from the European Union is shown below.

# The CAP towards 2020: meeting the challenges ahead

The Common Agricultural Policy delivers food to our tables, providing wholesome, high-quality and safe products at an affordable and fair price.

The CAP has evolved over the years to meet changing economic circumstances and the requirements of the citizens. The vast majority of citizens support this policy and recognise its substantial benefits.

Now the CAP is being reshaped for future challenges. In the years ahead, it will be fairer, greener and more efficient. It will be more innovative too. As it has done over the last 50 years, it will continue to bring big benefits to all EU citizens.



## The CAP and you

The reform has stimulated a lot of public interest.

For more information go to:

<http://ec.europa.eu/agriculture/cap-post-2013>

European Commission

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A partnership between Europe and Farmers

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