



DIRECTION OF REFORM OF THE COMMON AGRICULTURAL POLICY AFTER 2013

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CAP after 2013 – Young Farmers in the Central European
Region

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General remarks on the direction of the reform

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Health Check decisions 2007/8

- Decoupling of support
- 'Article 68' Assistance to sectors with special problems
- Transferring money from direct aid to Rural Development (new challenges)
- Investment aid for young farmers
- Intervention mechanisms – safety net
- The post-2013 reform seen as an opportunity to redistribute direct payments across member states



The budgetary issues

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- Size of the Budget for 2013-2020 €55 billion of the block's €130 billion annual budget— moderate increases in line with inflation;
- Ca. 40 bln – direct payments; ca. 14 bln – RDP;
- Equitable distribution between countries; Problem of *juste retour*;
- Equitable distribution between farms.

A lack of consensus on CAP objectives makes a budgetary discussion very difficult.



The issue of direct payments

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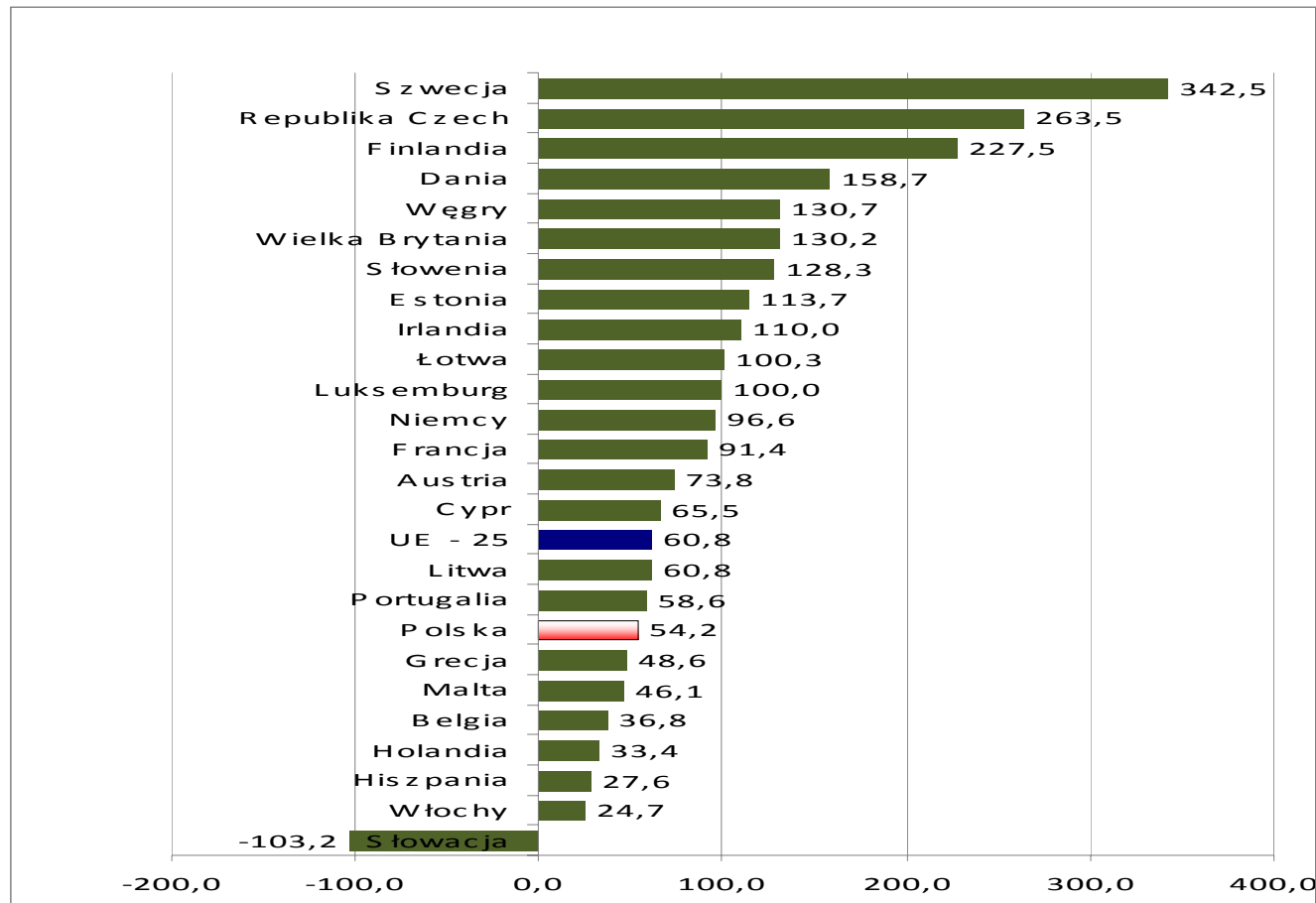
- ❑ Criticisms of DP: badly targeted, unfair.
- ❑ Reformers of the budget and of the CAP want to scrap them.
- ❑ Supporters point out: big dependency of countries (see next slide), educational role of *cross compliance*, benefits of the multitargeted instruments.
- ❑ Various proposed shapes: *status quo*, flat rate, D. Ciolos proposal, German Pragmatic proposal.
- ❑ An issue of objective criteria.



The issue of direct payments

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In 2006 the agricultural “income” in 11 states came almost totally from direct payments (FADN).

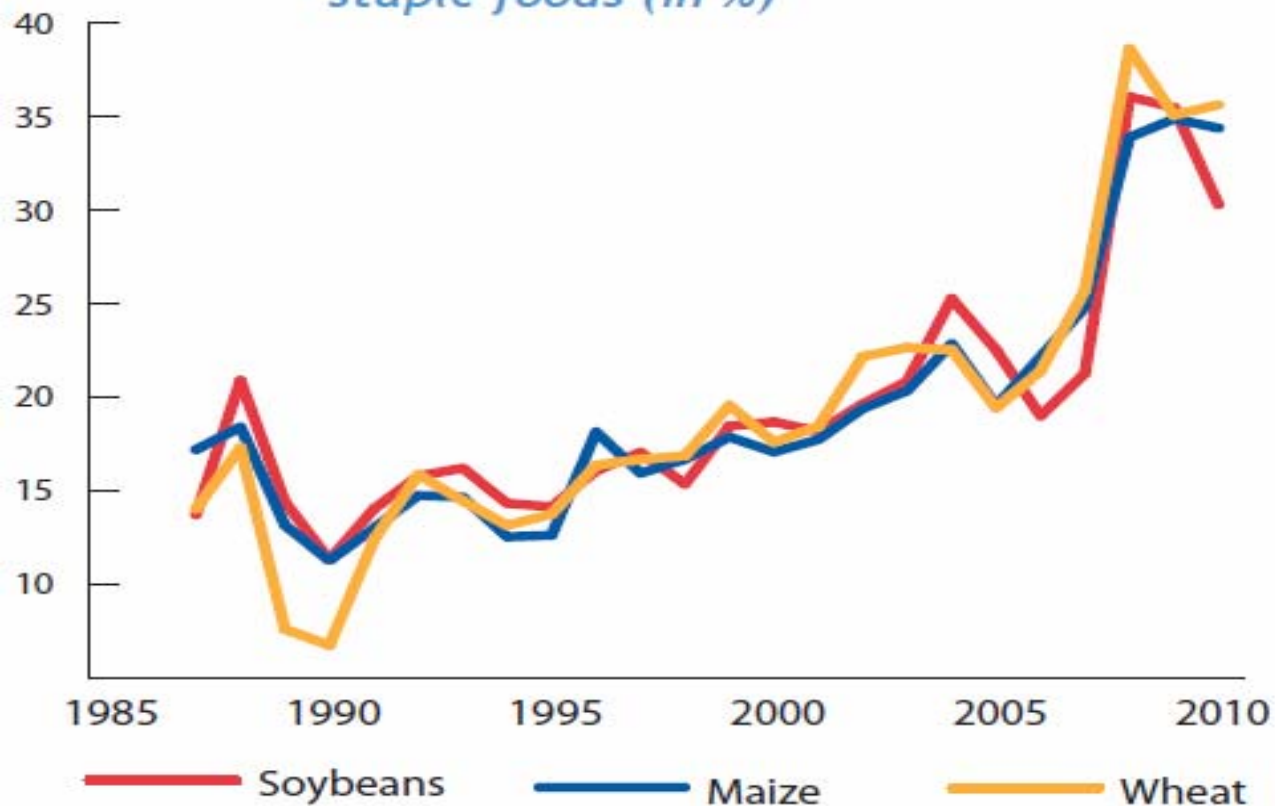




Price fluctuation

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Figure 1: Implied price volatility of selected staple foods (in %)



Source: FAO (2010)

Note: Implied volatility represents the market's expectation of how much the price of a commodity might move in the future.



Price fluctuation

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- Food prices surged in 2007/8 and again in 2010/11.
- Is food security a future objective for Europe?
- Safety net plus Risk management toolkit plus better organisation of agricultural markets.



The issue of public goods

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- CAP is changing from production subsidies to targeting the provision of public goods.
 - ▣ **Environmental:** climate, biodiversity, water, etc,
 - ▣ Landscape,
 - ▣ Vitality of rural areas,
 - ▣ Food quality, food safety.
- How to price them, particularly in a period of high agricultural prices?



Final comments

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- *FAO: World population will grow by 2.3 bln people between 2009 and 2050. It is estimated that feeding a population of 9 billion would require a 70% increase in global food production between 2005-07 and 2050.*

Is CAP adjusting to this challenge?

- Remove the divide between old/new member states – how long will be a transition period?
- Contradiction between paying for public goods vs support to competitiveness, etc.
- Political discussion is not going very far. Crisis?
- Evolution not revolution and rather slow. Maybe even a *status quo*?