



European Commission  
Directorate-General for Agriculture

# Newsletter

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## CAP mid-term review: towards sustainable farming

**Strengthening rural development, responding to consumer concerns and enhancing the market orientation of the European Union's (EU) agricultural sector are the goals set out in the European Commission's proposals for a mid-term review of the common agricultural policy (CAP). Commissioner Franz Fischler stressed that, in future, we must 'bring European agriculture more in line with the expectations of society' <sup>(1)</sup>. This means adapting the support system that the EU currently gives our farmers, providing them with more flexibility and enabling them to respond better to changing consumer demands. The proposals both protect producers' incomes and fully safeguard the European model of agriculture.**

Foreseen as part of the Agenda 2000 reforms <sup>(2)</sup> agreed in Berlin in March 1999, the mid-term review is necessary to ensure that the policies put in place continue to meet their objectives, and address concerns raised in recent public debates on the CAP. With this, and the conclusions of the Göteborg European Council that reiterated the importance of the environmental aspects of agriculture and sustainable rural development in mind, the Commission's proposals recommend that 'substantial adjustments' <sup>(3)</sup> should be made to the current policy within the framework of the objectives agreed in Agenda 2000.

### Meeting consumer demands

Public expenditure for the farm sector must be more justified, says Fischler. Besides supporting farming incomes, it must give the public more in return as regards food quality, the preservation of the environment, enhancement of landscapes and cultural heritage, as well as the promotion of animal welfare. Releasing farmers from the 'straitjacket' of production linked subsidies, the mid-term review will enable them to produce at continually high standards, but in response to market demand and consumer requirements and not the product which receives most support.

A progressive shift of 3 % per annum, up to a maximum 20 %, of funds from the first pillar (direct pay-

ments) to the second (rural development), under 'dynamic modulation' means that EU support for rural development would be significantly increased. By introducing a franchise of EUR 5 000 for those farms employing up to the equivalent of two full-time employees (annual work unit (AWU)), and capping the maximum amount of aid a farmer can receive at EUR 300 000, an estimated extra EUR 500-600 million will be generated for rural development in 2005. Together these will ensure a better balance of support.

### Breaking the link between payments and production

Continuing the work begun by previous reforms, the mid-term review proposals also look to cut the links between production and direct payments. Instead a single, decoupled income payment per farm will be introduced that will be subject to fulfilling mandatory environmental, food safety, occupational safety and animal welfare standards (known as 'cross-compliance'). Not only would a single payment considerably reduce the red tape for farmers, it will also ensure a greater efficiency of the payments system, increased transparency, improve their market orientation and will address other public concerns.

To support these changes, a new improved farm audit system would be introduced on a compulsory basis for all farms receiving more than EUR 5 000 in support, which would again simplify the administrative burden for farmers. Funding for this, and for other new programmes supporting farmers who wish to go beyond the compulsory norms of quality production, animal welfare and food safety will be covered by additional rural development measures.

### Energy crops

With respect to the environment, long-term set-aside (10 years) will also be compulsory on arable land and will be subject to the same standards required of land in production. Where energy crops could previously be grown on set-aside land, this would no longer be foreseen. Instead, the Commission proposes a 'carbon

<sup>(1)</sup> IP/02/1047 12 July 2002.

<sup>(2)</sup> For the background of the mid-term review please see Newsletter No 44.

<sup>(3)</sup> IP/02/1026 'Towards sustainable farming: Commission presents EU farm policy mid-term review'.

credit' of EUR 45/ha to be given for non-food crops produced with a view to substituting carbon dioxide as a biofuel for a maximum guaranteed area of 1.5 million hectares.

For market policy, the first pillar of the CAP, the mid-term review suggests further adjustments intended to make agriculture more market oriented and enabling it to respond better to market signals. Cereal reforms will be brought to a close with a final 5 % cut in intervention price, making this a real safety net mechanism, and bringing prices more into line with those on the world market. A new quality premium for durum wheat, and a compensated decrease of 50 % in the rice intervention price will also be introduced, as well as adjustments in the dried fodder, protein crops and nuts sector.

#### WTO commitments

Finally, the mid-term review proposals are fully compatible with EU international commitments and fall within the budgetary limits set by the Berlin Council in

1999 for the Agenda 2000 reforms. Not only will they facilitate the enlargement process, they will also improve opportunities for developing countries, they are fully compatible with our commitments within the WTO negotiations and, in fact, they should actually put the EU in a leading and exemplary position in this field.

EU agriculture policy must provide 'better value for money for farmers, consumers and taxpayers alike,' says Fischler (4). With these mid-term review proposals, the Commission foresees continued support to farmers, but to provide more efficiently the services that society wishes to benefit from as a whole with an increased emphasis on animal welfare, food safety, quality and the environment. Beyond this it also anticipates reduced administrative burden, increased flexibility and an increasingly competitive position on the world markets. The proposals will continue to be discussed over the coming months. For the full document please see: [http://europa.eu.int/comm/agriculture/mtr/comdoc\\_en.pdf](http://europa.eu.int/comm/agriculture/mtr/comdoc_en.pdf)

(4) IP/02/1026.

## News in brief

### □ Go-ahead for Polish Sapard scheme

Poland, the largest — by area and population — of the candidate countries, received the decision from the European Commission allowing it to commence implementation of its Sapard (1) programme in July, releasing EU funds amounting to EUR 171.6 million (2) per annum to fund the various rural development measures covered by the scheme. This decision covers the provisional conferral of management for five of the seven measures in the Polish rural development programme: improvement in processing and marketing of food and fishery products, investments in agricultural holdings, development of rural infrastructure, vocational training and technical assistance. The remaining measures, agri-environment and diversification will, when submitted for the Commission's evaluation, be subject to a subsequent Commission decision to confer management.

### □ Publication of report on 'Prospects for agricultural markets 2002–09' (3)

Published in June 2002 by the Directorate-General for Agriculture, this report outlines probable developments in agricultural markets up to 2009 by means of projections drawn up on the basis of specific assumptions with regard to macro-economic conditions, agriculture and trade policy environments, weather conditions and developments in international markets. Based on statistical information available as of April 2002, the implications of the new US Farm Bill and the Farm Security and Rural Investment Act of 2002 have not been incorporated into this analysis. However, in the light of the expected impact of the US Farm Bill in particular on world agricultural markets, an update of medium-term projections for the EU is being prepared and will become available shortly.

The report consists of three chapters. The first covers cereals, oilseeds, rice, meat, milk and the main dairy products. The second chapter summarises the likely prospects for agricultural markets in the 10 central and eastern European countries that have applied for membership of the EU, and the third details the medium and long-term prospects for world agriculture markets as established by different international organisations and institutes.

(1) Special accession programme for agriculture and rural development.

(2) At constant 2000 prices.

(3) The report (in English only) is available on the Agriculture DG's web site at: [http://europa.eu.int/comm/agriculture/publi/caprep/prospects2002/index\\_en.htm](http://europa.eu.int/comm/agriculture/publi/caprep/prospects2002/index_en.htm). Also available from the Agriculture DG's Library. Tel. (32-2) 295 32 40. Catalogue number: KF-44-02-375-EN-C.



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