European Commission
Directorate-General for Agriculture

The common agricultural policy

2000 Review

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (http://europa.eu.int)

Luxembourg: Office for Official Publications of the European Communities, 2001

ISBN 92-894-1633-5

Printed in Belgium

PRINTED ON WHITE CHLORINE-FREE PAPER

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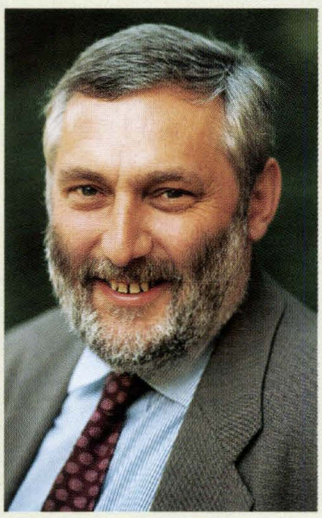
Foreword



The year 2000 saw the start of one of the most important reforms of the CAP: Agenda 2000. The reforms mark a new stage in the continuing reform process, which aims to bring about a farm sector closer to market realities, closer to the environment, and closer to consumers.

The BSE crisis that broke out in the autumn hit the agricultural sector hard in a year that had already been difficult for our farmers, with high fuel prices, in particular, pushing up costs.

But the crisis demonstrated once more that the agricultural sector must work in harmony with nature if it is to develop sustainably. The new CAP is not the CAP of old. The cereals mountains and wine lakes of the 1980s are firmly behind us, guaranteed prices are closer to market prices, and EU funds in the sector are mostly channelled to farmers themselves rather than to the commodities they produce. A growing part of the budget is devoted to rural development, and the first of the 2000-2006 generation of rural development plans were rolled out in the course of the year. For the first time, the plans must include specific agri-environmental programmes, which were an optional feature of the 1994-1999 generation of programmes.

Developments on the international scene have also influenced agricultural reform, both in the EU and further afield. In the interests of creating a level playing field for farmers across the world, rules agreed at the World Trade Organisation (WTO) now place limits on the support nations can give their farming communities. New appeals procedures ensure these limits are respected, and the EU has been an active supporter of this process.

New talks on farm trade started at the WTO in 2000, and the Communities' proposal reaches a fair balance that reflects its interests and responsibilities as one of the major players on world agricultural markets.

Closer to home, talks continued with the countries that have applied to join the Union. Progress was made with negotiations, and investments were put into place to restructure the farm sector in the central and eastern European candidate countries.

The year saw the conclusion of important new trade agreements with trading partners around the world, that also cover agricultural products.

F. Fischler

Franz Fischler
Commissioner for Agriculture and Rural Development

2000 – The year in review

January
- Commission adopts regulation on the financial management of the pre-accession programmes to run in the central and eastern European candidate countries to restructure the agricultural sector and boost rural development (Sapard plans).

February
- Commission adopts proposal on 2000/2001 farm price package.

March
- Farm trade talks officially start at the WTO.

April
- Commission adopts guidelines on Leader+ Community initiative on rural development.
- Council adopts regulation on information on the CAP.

May
- Agriculture Council/Informal Evora Council.

June
- Commission adopts proposal to reform the rice market organisation.

July
- Commission adopts proposal to reform the fruit and vegetable market organisation.
- Commission adopts the first of the 2000-2006 generation of rural development programmes.
- Parliament and Council adopt a new regulation making the labelling of beef products compulsory from September.
- Council adopts 2000/2001 farm price package.
- Council adopts reform of the flax and hemp sector.

J F M A M J

September

- The Commission and Poland finalise talks on liberalising trade in agricultural products. Similar talks with the nine other central and eastern European candidate countries concluded in the summer.

October

- Commission adopts proposal to reform the sugar market organisation.
- Franz Fischler addresses the Cairns group, the 18-member organisation of agricultural exporting countries, on the EU's stance in the WTO farm trade talks.

November

- The Agriculture Council adopts BSE tests for cattle over 30 months old.
- Council adopts amendment to fruit and vegetable market organisation.
- Commission authorises Franz Fischler to sign financing agreements with central and eastern European candidate countries for pre-accession programmes to restructure the agricultural sector and boost rural development (Sapard plans).
- The Agriculture Council adopts the Communities' comprehensive proposal for the farm trade talks at the WTO.

December

- Franz Fischler addresses conference on WTO farm trade talks and developing countries.
- The Agriculture Council adopts temporary ban on meat and bonemeal for all farm animals.
- Council adopts new rules on the promotion of agricultural products on the EU market.
- Council adopts Commission proposal to reform the banana market organisation.

J A S O N D

The year on the markets

Three main events dominated 2000: the recovery in prices in the pork and poultry sectors following their collapse in the wake of the 1999 dioxin crisis; the sharp rises in oil prices, which had an impact on energy costs across the whole of the economy; and the discovery in the autumn of new cases of BSE across the EU, and the consequent collapse in consumer demand for beef.

Developments in demand

On the EU market, demand for cereals grew 2.5% on the previous year, as a result of increased demand in the animal feed sector. Demand for beef collapsed following the discovery of new cases of BSE in several Member States, with demand plummeting by up to 70% in some Member States.

Producer prices increase slightly

Data available in December 2000 indicated a 2.9% increase in producer prices in the EU in 2000 (+0.6% after inflation), a recovery after the fall seen in 1999. However, these estimates need to be interpreted with caution, as they do not take account of beef price behaviour post-BSE. On plant products, prices in general fell 1.5% on the year, with sharp falls seen for potatoes (-19.5%), wine (-5.3%), rice (-4.3%), and fresh fruit (-2%). Prices for animal products were up 7.7% on the year, with good performance seen in the pork sector (+25%), poultry (+7%), and sheepmeat and goatmeat (+5.1%).

Outlook on world markets improves a little

The outlook on world markets looks a little brighter than in 1999, but continues to be fairly depressed. On particular commodities, wheat prices firmed in the second half of 2000 as a result of the lower stocks expected in 2000/2001, but are still lower than the 1994-1996 average. Maize/corn and soya prices ended the year at more or less the same level as at the start of the year. Beef prices rose on the back of increases in demand on the North American market, while poultry prices remained depressed as a result of an increase in supply and a slackening-off in demand. In the milk and dairy products sector, world prices for skimmed milk powder rose strongly, while those for butter and cheese saw more moderate increases.

Weak euro helps export performance

The EU's export performance in 2000 was influenced by the more favourable international climate and by the depreciation of the euro against the dollar. In the year to October, exports rose 13.6% in value on the same period in 1999. Cereals exports grew 7% in volume and 27% in value, with EU exports of wheat and barley being made without export refunds in the second half of the year. Exports of milk and dairy products also put in a good performance (up 22.6% in value), with skimmed milk powder (SMP) leaping 84.7% and cheeses increasing by 19.8%. Other sectors where exports did well were olive oil (+46.9%), sugar (+22.7%), fruits (+25.7%), vegetables (+7.2%), wine (+7.2%), pork (+24.3%), poultry (+4.2%). Beef exports reflected the difficulties the sector faced, falling 20% in volume and in value.

Public stocks fall

Stock levels improved for products where common market organisations (CMOs) make provision for public intervention. Cereals stocks fell to 7.8 million tonnes at the end of September from 14.9 million at the beginning of the year. Stock levels remained high for rye (3 million tonnes) and rice (700 000 tonnes).

Focus on cereals

Cereal production hit a new record of 211 million tonnes in 2000 (up 6% on the previous year) as a result of increases in areas cultivated (up 3%) and yield (up 3% on 1999 to 5.7 tonnes/hectare). Prices rose until May in parallel with falls in intervention stocks. Prices started weakening from June onwards as it became clear that there would be a record harvest. In July, the first step in the Agenda 2000 price cuts took effect, with intervention prices being cut by 7.5%. This decrease was partially offset by an increase in direct payments (to 58.67 euro/tonne from 54.34 euro/tonne).

Oilseeds (rapeseed, sunflower and soya) production fell 15% in 2000 as a result of a fall in area cultivated (down 7%) and yield (down 8%). Rapeseed in particular saw a dramatic fall in production (down 24%), while sunflower production rose 11%. Soya production fell 5% on the previous year.

Production of protein crops fell 15% while non-textile linen production collapsed by 50%.

Focus on beef

Prices on the beef market were stable until the autumn, but the sector was then hit hard by the new crisis in consumer confidence unleashed by the discovery of new cases of BSE. Demand collapsed by up to 70% in some Member States, while many third countries closed their markets to EU beef products. In total it is estimated that production fell 5% on 1999. Prices for adult males fell 14% in November and December, steer prices by 14%, and adult females by 20%. By the end of the year, prices in several Member States were close to the safety net intervention level (60-70% of the intervention price).

In December, the Commission adopted support measures for the beef sector. Three measures were adopted: a "purchase for destruction" scheme; public intervention; and an increase of the advances for the beef premia. The purchase for destruction scheme started for cattle older than 30 months, unless they tested BSE-negative, from 1 January 2001. Farmers will receive compensation, with the EU budget providing 70% of the cost of the compensation.

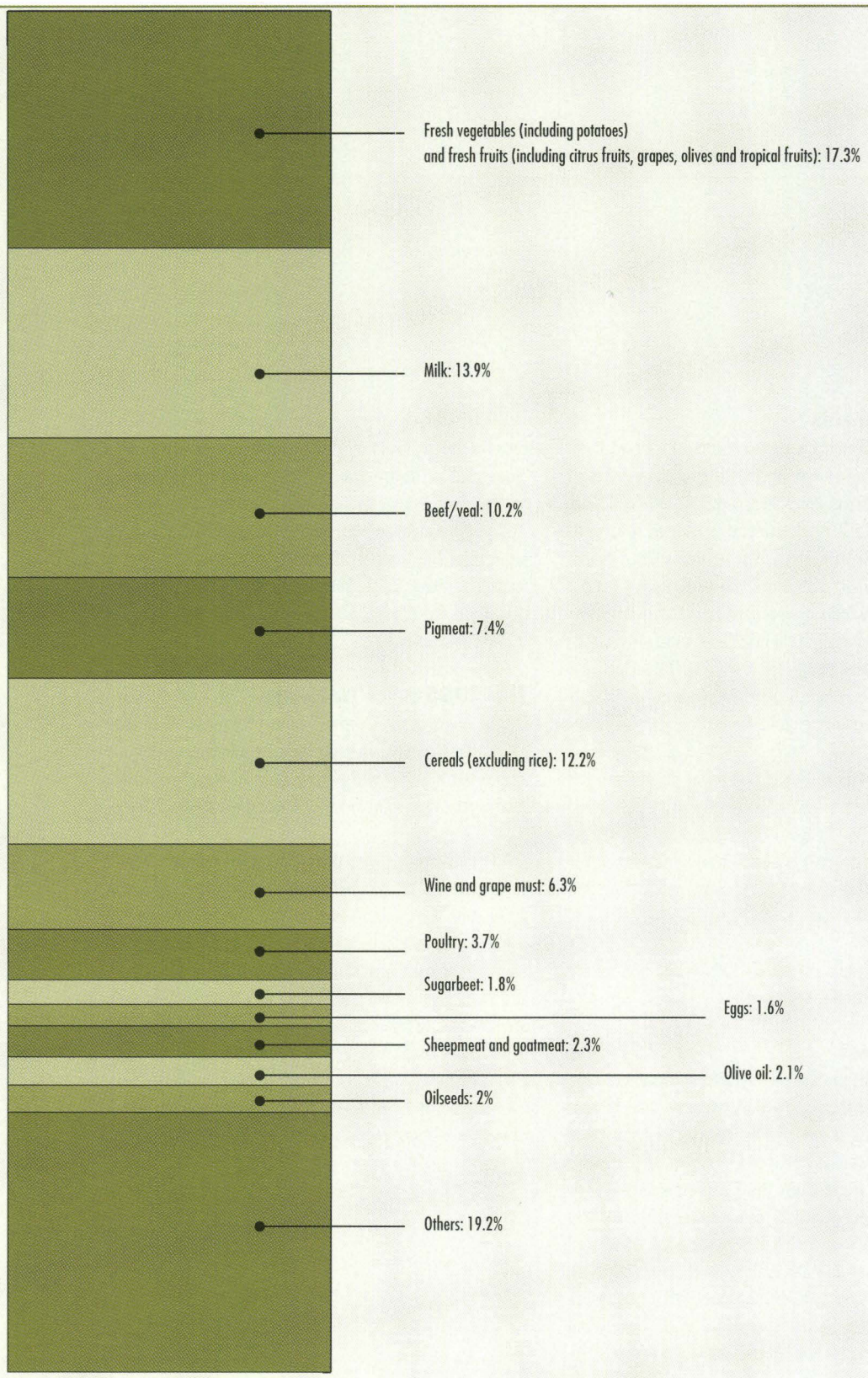
The 2000 price package

On the basis of the Commission's proposals of 23 February, the Council adopted the institutional prices and amounts for sugar and pigmeat on 19 June, and those for cereals, rice, silkworms and sheepmeat on 17 July.

CAP reform - an ongoing process

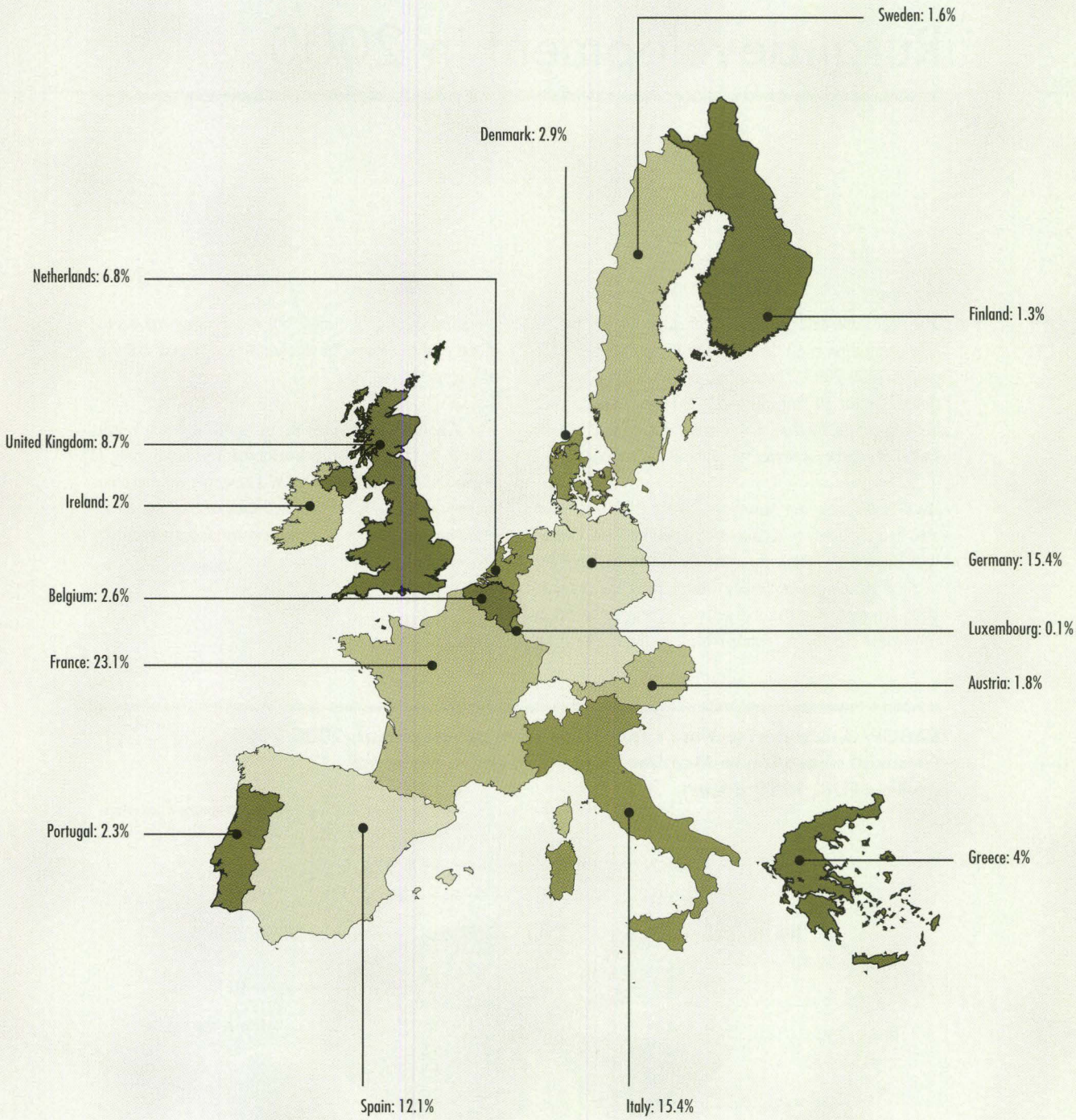
Reform of CAP market sectors continued apace in 2000, with the Commission tabling reform proposals in some major market sectors, including rice (proposal adopted by the Commission in June), sugar (October), and hops (December). Discussions on these proposals are now taking place in the Council, the Parliament, and in the Economic and Social Committee. Discussions also continued during the course of the year on proposals adopted in 1999. These included talks on the Commission's proposal for reform of the cotton sector.

Shares of individual products in final agriculture production in the European Union (1999)



Source: Eurostat, EAA (Economic Accounts for Agriculture).

Individual Member States' shares in final agricultural production in the European Union (1999)



Source: Eurostat, EAA (Economic Accounts for Agriculture).

Rural development in 2000

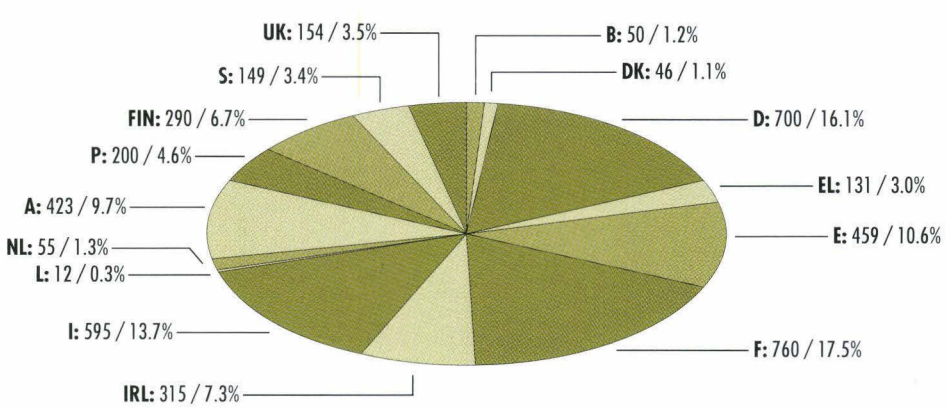
The year 2000 saw the start of the adoption of the first new generation rural development programmes for the period 2000-2006. These programmes, which will be funded by the EU budget and by Member States' own budgets (co-financing), aim to contribute to the revitalisation of rural economies throughout the Union.

Rural areas make up some 80% of the EU's total land area and are home to a quarter of its population. One in four Europeans is thus directly affected by the changes in rural development policy initiated by the Agenda 2000 reforms. Agricultural activity continues to be an important factor in establishing and maintaining dynamic rural economies, but the agricultural sector alone cannot ensure the economic and social viability of our rural areas.

The Agenda 2000 reforms brought about a major rethink in the way rural development programming is organised at Community level. The new rural development policy builds on the successes of existing measures, but introduces a more streamlined approach to programme financing and delivery.

EAGGF/Guarantee section: support for rural development, 2000-2006
Financial allocation to Member States[1]: indicative amounts
(million EUR, 1999 prices)

Annual average / percentage



1 When calculating the annual allocation to Member States for the period 2000-2006, the percentages indicated above should be applied to the ceilings in the annual financial perspectives fixed in section 23 of the Conclusions of the European Council Presidency in Berlin.

Source: European Commission, Directorate-General for Agriculture.

For the first time, EU funding is now available for rural development programmes everywhere in the Community, instead of being only available in designated regions, as was the case in the past.

Another new feature is that agri-environmental schemes, which used to be optional, now have to be included in all programmes. These schemes compensate farmers for income losses they might suffer as a result of managing their farms in more environmentally-friendly ways.

The basic Council regulation[1] gives Member States a choice of measures they can include in their programmes. These are shown in the following box. Member States then draw up seven-year rural development programmes, reflecting the specific needs and priorities of their rural areas. Following discussion with the Commission, the Commission formally adopts the programmes, and EU funds are released.

At the end of 2000, 56 programmes had been adopted out of a total of 69 submitted by the Member States. While the programmes set the main targets to be reached during the seven-year period, adjustments are possible, for instance, if Member States want to transfer extra funds to encourage the organic farming sector.

Another potential source of funding for the programmes is the cross-compliance scheme offered to Member States in the direct payments made in many common market organisations. If Member States choose this option, they can use funds released to top-up funding for rural development.

Leader, the Community initiative in favour of rural development, also got off the ground in 2000. Known as Leader+ for the 2000-2006 period, the initiative aims to serve as a laboratory for new local solutions to local problems in rural areas. The emphasis is very much on exchanging ideas and best practice and co-operating on transnational projects. In April, the Commission adopted guidelines on Leader+. These identify a number of priority themes around which national programmes should be based. They are:

- using information technology in rural areas;
- improving the quality of life in rural communities;
- adding value to local products;
- making the best use of natural and cultural resources;
- promoting equal opportunities for women and young people.

By the end of the year, Member States had submitted some 70 programmes. These are set to be adopted in 2001.

Rural development measures:

- Investment in agricultural holdings
- Setting-up of young farmers
- Training
- Early retirement
- Less Favoured Areas and areas with environmental restrictions
- Agri-environment
- Improving processing and marketing of agricultural products
- Forestry
- Promoting the adaptation and development of rural areas

1 Council Regulation (EC) No 1257/1999 of 17 May 1999 (OJ L 160, 26.6.1999, p. 80).

Protecting the environment

As stated in the previous chapter, the year 2000 saw the adoption of the 2000-2006 generation of rural development programmes. These programmes mark a new stage in the EU's commitment to strengthening agri-environmental policy. Agri-environmental measures are now obligatory in Member States' programmes (they were optional in the 1994-1999 period), and other elements of the Agenda 2000 reforms will also benefit the environment.

The basic idea behind the agri-environment scheme is to compensate farmers for losses of income they will incur by using more environmentally-friendly practices that are more labour-intensive, and which may lead to lower yields. These management techniques must go beyond usual good farming practice, and can in no way be used to comply with mandatory legislation such as the Nitrates Directive or the Habitats Directive.

Agri-environmental measures can include the following:

- developing the organic sector, for instance through training, market studies, and assistance with processing and marketing;
- water resources management;
- protecting specific production techniques, like traditional olive groves and vineyards, where terracing has environmental benefits (countering erosion, for instance), but can lead to lower yields;
- countryside management, where farmers are in the frontline in efforts to contribute to the sound stewardship of our natural spaces, for instance by using production techniques that encourage richer biodiversity, wetlands management, and so on.

This list is by no means exhaustive, but aims to give a general idea of some of the types of measures that can be financed under the schemes. The rich variety of farming systems in the EU is part of the competitive strength of our farming, and this variety means that each Member State has its own needs and priorities on the agri-environmental front. A first analysis of Member States' rural development plans shows that some 25.9 billion euro - with a European Community contribution of 14.3 billion euro (EAGGF-Guarantee) - has been set aside for agroenvironment schemes over the seven-year period across all the Member States.

Other options on the rural development menu will also benefit the environment. These include land improvement measures, water resource management, landscape conservation, and training in environmentally-friendly farming practices. The way the compensatory allowances paid to farmers in Less Favoured Areas is calculated will also benefit the environment. From now on, they will be paid on the basis of area, thus contributing, for instance, to improving the competitiveness of less-intensive livestock farming.

Specific market organisations also include specific environmental schemes. These include the beef and veal regime, where farmers qualify for a premium if they reduce the number of animals that graze on a set area of land, and the fruit and vegetable market organisation, which provides funds for environmentally-friendly production techniques.

The Commission and the Member States have been working together, both at EU level and internationally on establishing sets of agri-environmental indicators. These will provide common standards against which to assess the performance of agri-environmental programmes. Armed with such information, the Commission and the Member States will be able to judge the effectiveness of the actions undertaken to reduce the burden of agriculture on the environment.

Putting consumers first

Beef labelling

On 17 July the Parliament and the Council adopted a new regulation[1] which makes Community labelling of beef and veal compulsory in two stages: the first from 1 September 2000 and the second from 1 January 2002. From September 2000, labels will contain a reference number ensuring the link between the meat and the animal or animals and will include the words "slaughtered in…" and "cutting in…". From January 2002, the label will in addition contain an indication of the Member State or third country of birth, all Member States or third countries where fattening took place, and the Member State or third country where slaughter took place. There will also be an obligation to provide information about minced meat from 2000. The regulation includes the existing provisions on the identification and registration of bovine animals.

Organic farming

According to the Codex Alimentarius Commission, the UN body which sets international food standards, organic farming involves holistic production management systems (for crops and livestock) emphasising the use of management practices in preference to the use of off-farm inputs. This is achieved by using, where possible, cultural, biological and mechanical methods in preference to synthetic materials. The aims of organic farming are identical whether we consider crop products or animal products: they comprise the application of production methods that do not damage the environment, that encourage a more respectful use of the countryside, promote concern for animal welfare and achieve high-quality agricultural products.

In the year 2000, the Commission embarked on a work programme to examine some of the issues that had been raised during the adoption of the 1999 organic regulation, which extended Community recognition of organic methods to animal products. These questions include inspection requirements, animal feed issues, pasture issues, and the prohibition of GMOs and GMO derivatives.

On the international front, the Community agreed to recognise legislation on organic livestock production in Argentina, the Czech Republic, Hungary and Switzerland as having the equivalent effect as its own, thus opening up new opportunities for trade in organic livestock products between the EU and these countries.

The organic sector in figures

Number of holdings certified as organic or in conversion

	1999	%
Belgium	550	0.5
Denmark	3 099	2.6
Germany	10 400	8.6
Greece	4 500	3.7
Spain	11 773	9.7
France	8 149	6.7
Ireland	1 058	0.9
Italy	49 018	40.5
Luxembourg	29	0.0
Netherlands	1 216	1.0
Austria	19 741	16.3
Portugal	750	0.6
Finland	5 197	4.3
Sweden	3 253	2.7
United Kingdom	2 322	1.9
Total EU	**121 055**	**100**

Source: DG AGRI organic database (mainly based on: Lampkin, Welsh Institute of Rural Studies, University of Wales).

1 Regulation (EC) No 1760/2000; OJ L 204, 11.8.2000.

Quality policy

Competitiveness entails much more than price alone. Consumers are clear in stating that the food they buy must be safe, wholesome and of high quality, as well as affordable. Consumers are making more sophisticated and informed purchasing choices, and retailers are responding to these developments by offering a wider range of quality foodstuffs from both Community and non-Community sources. Farmers are thus fully aware of the priority their purchasers attach to quality, whether they be retailers or consumers buying directly on-farm or in farmers' markets.

At Community level, these developments are reflected in several closely-linked policy areas. These are policies to register products from defined areas, or produced using traditional methods, policies to promote European Union agricultural products on the Community market and, increasingly, abroad.

European Union legislation on quality labels covers three main types of products:

- Protected Designation of Origin (PDO) is the term that is used to describe foodstuffs which are produced, processed and prepared in a specific geographical area using recognised know-how;
- Protected Geographical Indication (PGI) covers products where there is a geographical link during at least one of the stages of production, processing, or preparation;
- Traditional Speciality Guaranteed (TSG) covers products that have a traditional character, either with regard to their ingredients or in the way that they are made.

There are now some 550 products covered by this legislation. Much work in this area in 2000 focussed on establishing international recognition for these products, thus protecting them from fraudulent use (see also the chapter on trade relations).

Promotion - new rules simplify procedures

In December, the Agriculture Council adopted a regulation on the promotion of agricultural products on the internal market. The annual budget devoted to promotion is some 45 million euro. The action is part-financed by the Commission, with Member States and trade organisations also contributing. The purpose of Community assistance is to promote, through thematic or targeted campaigns, intrinsic product qualities or the advantages of specific production methods and control systems which meet the expectations of European consumers: high quality, nutritional values, food safety, labelling and traceability, environmental protection and animal welfare. It can also be used to confront specific problems or short-term difficulties in certain sectors. Promotion measures are intended to bring value added to measures carried out in the trade and at national level, while avoiding overlap. They may not be brand-oriented or based on product origin (except in the case of designations conferred under Community provisions on designations of origin).

Funding the CAP

In the year 2000, the agricultural budget (EAGGF Guarantee) amounted to 40 994 million euro[1], or 47% of the EU budget.

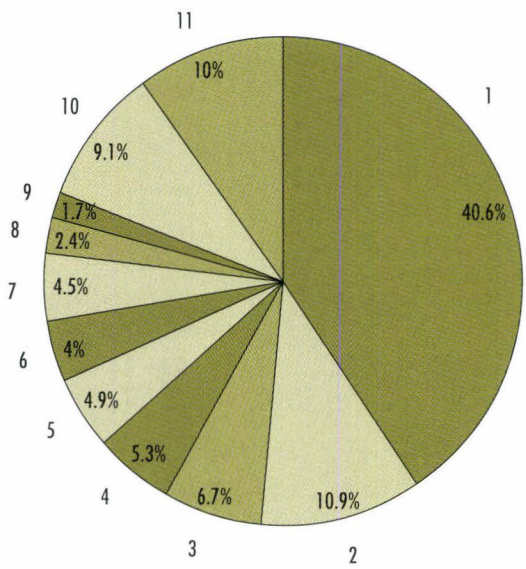
The budget for the CAP for the period 2000-2006 was fixed in 1999. The annual average for the CAP (excluding rural development) amounts to 38.1 billion euro. The annual average for rural development and accompanying measures (agri-environment, early retirement, afforestation, and compensatory allowances in Less Favoured Areas) amounts to 4.3 billion euro.

It should be noted that market measures are 100% financed by the Community budget, while rural development is co-financed. The rate of co-financing varies depending on the region in question.

Making sure the right amount goes to the right beneficiary is a complex task that involves Member States (who make the payments to beneficiaries) and the Commission (which checks the Member States have sound financial management systems in place). Where the Commission finds the Member States have not put the right control systems in place or where it judges those systems not

1 In payment appropriations.

Allocation of resources under the Guarantee section, 2000 (in million EUR)



1. Arable crops:	16 641
2. Beef:	4 465
3. Dairy products:	2 735
4. Olive oil:	2 190
5. Sugar:	1 996
6. Fruit and vegetables:	1 654
7. Sheep and goatmeat:	1 832
8. Tobacco:	975
9. Wine:	695
10. Other products and measures:	3 727
11. Rural development:	4 084
TOTAL:	**40 994**

Source: European Commission, Directorate-General for Agriculture.

strong enough to ensure adequate protection of the Community's financial resources, it adopts a decision to recover money from the Member State in question. In 2000, 632.6 million euro were recovered in this way.

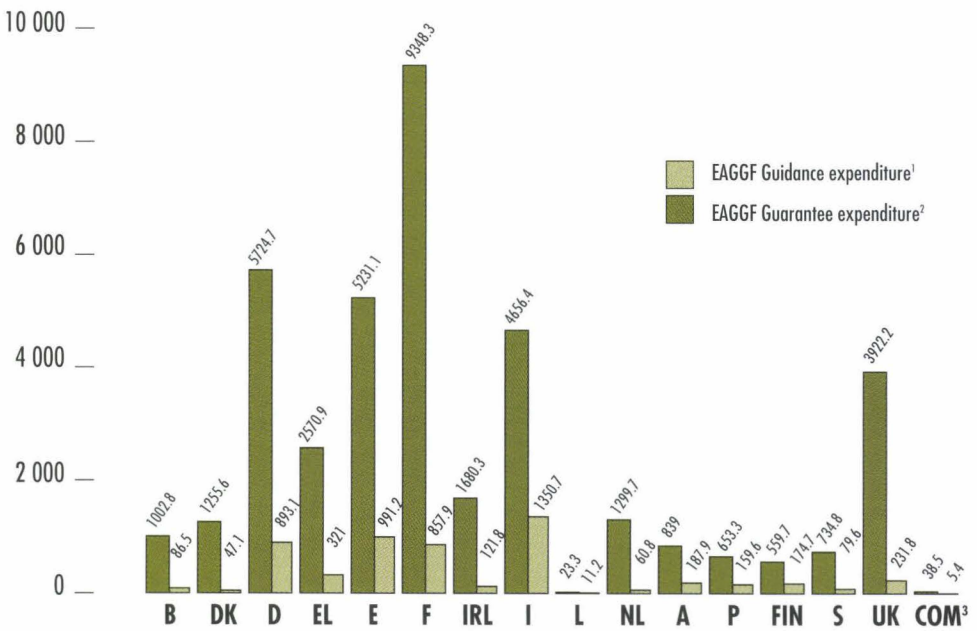
The euro has been with us since 1 January 1999. As Denmark, Sweden, and the United Kingdom remain outside the euro zone (Greece joined in 2000), an agri-monetary system remains in place to convert farm payments made in euro to the three national currencies. The scheme provides Member States with the option of compensating farmers if there is a substantial appreciation of the national currency.

Guidance or Guarantee? Which section finances what?

The Guarantee section of the EAGGF funds:
- expenditure flowing from the common market organisations;
- all rural development measures outside Objective 1 areas;
- agri-environmental measures, early retirement schemes, afforestation of agricultural land, and compensatory allowances in Less Favoured Areas across the whole of the EU.

The Guidance section of the EAGGF funds:
- rural development measures in Objective 1 regions;
- the Leader+ Community initiative in favour of rural development.

EAGGF Guarantee and Guidance expenditure, by Member State, 1999 (in million EUR)



1 Expenditure from appropriations for commitment.

2 Adjusted for expenditure against carryovers and financial consequences of clearance of accounts decisions.

3 Community initiative programme. Leader II programme, European Association for Information on Local Development (AEIDL) involving the 15 Member States.

Source: European Commission, Directorate-General for Agriculture.

Enlarging the Union

In the area of talks with the candidate countries, progress was made on four fronts: the screening of agricultural legislation, negotiations, bilateral trade relations, and the Sapard pre-accession rural development programme.

What are the different stages in the accession process?

1. Screening
2. Candidate country sends negotiation position
3. Commission adopts common position for the negotiation and forwards to Council
4. Member States adopt the common position by unanimity
5. Commission and candidate country hold negotiating sessions
6. Draft accession treaty
7. Draft treaty sent to Council for approval and to European Parliament for assent
8. Current EU Member States and candidate country ratify treaty
9. Treaty enters into force, candidate joins EU.

[source: adaptation of DG Enlargement brochure].

Screening

The first part of the accession involves screening all legislation. Screening with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia (the Luxembourg group) took place from 1998-1999. Screening with Bulgaria, Latvia, Lithuania, Malta, Romania, and Slovakia (the Helsinki group) started in 1999. Screening essentially looks at what the candidate countries need to do to transpose Community law into their national law. Turkey was officially recognised as a candidate at Helsinki. On agriculture, the first agricultural sub-committee of the Association Agreement was held in June to hold an exchange of views on the CAP, fisheries policy, and veterinary and phytosanitary issues.

Negotiations

Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia submitted their negotiating positions on agriculture in late 1999. The Commission submitted its proposal for a common position in April, and the agricultural chapter of the *acquis* was then formally opened at a ministerial conference in June.

Latvia, Lithuania, and Slovakia submitted their negotiating positions between November and December 2000.

Accession partnerships

Accession partnerships set out in a single framework priority areas of work to be undertaken to prepare the candidate countries for membership, the financial means available to reach those objectives, and the conditions that apply to this assistance.

There are some areas in the agricultural sector where the accession partnership priorities are the same for all candidate countries. These are:

- in the veterinary and phyto-sanitary sector, aligning and upgrading inspection arrangements, in particular at future external borders and establishing nationwide animal identification systems;
- strengthening CAP management mechanisms and administrative structures;
- restructuring of the agri-food sector and reinforcing the food control administration;
- establishing or improving a functioning land market, completing land registration and property registers, and land reform.

Bilateral trade relations with the central and eastern European candidate countries

Bilateral agreements between the EU and each of the candidate countries were signed in 2000 in the field of agricultural trade liberalisation. The negotiations covered three different approaches depending on the nature of the products at stake. The main features of the agreements are set out below:

- **List 1:** For the least sensitive products (i.e. CEEC products facing import duties into the EU of 10% or less), the agreements provide for full and immediate liberalisation with no quantitative restrictions. This list covers over 400 products, and includes, for instance, citrus fruit, olive oil, and horsemeat.
- **List 2:** The so-called "double-zero" approach provides for the reciprocal elimination of export refunds and the elimination of import tariffs within the framework of tariff quotas. The initial level of the tariff quota has been set, as far as possible, at the level corresponding to the current trade pattern (based on the average of the past three years). A substantial annual increase of the tariff quotas has been agreed bilaterally, taking into account the sensitivity of the products and the potential trade development. At this stage, the approach covers products for which the CAP provides for border protection (import tariffs and export refunds) such as pigmeat, poultry, cheese and some fruits and vegetables. Products for which an internal CAP support system is applied have not been included in the double-zero approach, but could be envisaged at a later stage.
- **List 3:** This involves a limited exchange of ad hoc concessions decided on the basis of specific requests made by the CEECs and agreed on a case-by-case basis.

Trade in agricultural products between the two regions amounted to 8.2 billion euro in 1999, or 5% of total trade.

Sapard

The Sapard programme is used mainly to prepare the agricultural sector and rural areas in candidate countries for EU membership. It aims to contribute to the implementation of Community legislation and to help candidate countries solve specific problems related to the sustainable development of the agricultural sector and of rural areas. It will also help administrations gain practical experience in the management of structural policies. Sapard assistance forms part of a wide-ranging package of Community programmes for the pre-accession period. The others are Phare (investments related to institution-building and economic and social development) and the ISPA programme (pre-accession support for transport and environment infrastructure projects).

In the course of 2000, the Commission adopted the formal decisions approving Sapard programmes in the 10 central and eastern European candidate countries.

The table below shows financial allocations per country for Sapard.

Annual allocations of Sapard funds in '000 EUR (1999 prices indexed to 2000)	
Bulgaria	53 026
Czech Republic	22 445
Estonia	12 347
Hungary	38 713
Latvia	22 226
Lithuania	30 345
Poland	171 603
Romania	153 243
Slovakia	18 606
Slovenia	6 447
Total	**529 001**

Management of the Sapard programmes is devolved as far as possible to the candidate countries. They will thus be responsible for monitoring the day-to-day aspects of the Sapard programme and ensuring that beneficiaries get paid. As is currently the case with the 15 Member States, the Commission will run checks on whether the candidate countries have sound control mechanisms in place. If they do not, or if the systems do not ensure an adequate protection of the Community's financial interests, funds will be clawed back.

EU/CEEC trade-flows, 1999 figures[1] (in million EUR)

Products	Imports	Exports
Live animals	264	50
Meat and edible meat offal	485	171
Dairy produce; eggs; natural honey	177	161
Other products of animal origin	76	78
Live plants; floricultural products	41	182
Edible vegetables; plants; roots and tubers	276	233
Edible fruit and nuts; peel of citrus fruit or melons	368	489
Coffee; tea; maté and spices	18	126
Cereals	113	79
Products of the milling industry; malt; starches	7	71
Oilseeds and oleaginous fruits	405	120
Lac; gums; resins; other vegetable saps and extracts	3	34
Vegetable plaiting materials; other products of vegetable origin	13	2
Animal or vegetable fats and oils	37	299
Meat preparations	116	26
Sugars and sugar confectionery	69	150
Cocoa and cocoa preparations	41	205
Preparations of cereals, flour or starch	29	248
Preparations of vegetables, fruit or nuts	255	171
Miscellaneous edible preparations	19	416
Beverages; spirits and vinegar	242	310
Residues and wastes from the food industries	152	482
Tobacco and manufactured tobacco substitutes	16	281
Other agricultural products[2]	187	497
TOTAL - AGRICULTURAL PRODUCTS	**3 409**	**4 880**

Sources: European Commission: Eurostat and Directorate-General for Agriculture. Totals may vary due to rounding.

1 Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

2 Included in the Uruguay Round.

Trade

The EU is the world's leading importer of agricultural products and its second leading exporter after the United States, with two-way trade in agricultural products exceeding 100 billion euro per year, or close to 7% of total trade flows. Continued development of export markets is important for the continued growth of the EU agriculture sector.

The major focus in 2000 was on the agricultural trade talks at the World Trade Organisation (WTO), and on bilateral trade deals.

The WTO agricultural trade talks

The conclusions of the 1986-1994 Uruguay Round provided for further talks on agricultural trade liberalisation to start in 2000. In the course of 2000, WTO members submitted their negotiating positions. The EU's position was agreed by the General Affairs Council of December 2000.

With regard to market access and more specifically tariffs, an issue of high importance to the EU since it is one of the largest exporters in the world, the EU's proposal is to use the same formula adopted under the Uruguay Round. That is to say, a commitment as to the overall average reduction of bound tariffs and a minimum reduction per tariff line. The proposal also advocates retaining the special safeguard clause to ease tariff reductions and to avoid more frequent use of the general safeguard clause. On tariff quotas, the proposal recognises the urgent need to establish clear application rules so that quotas are filled and legal certainty is assured. In order to secure fair competition for those products whose quality and reputation are linked to their geographical origin and traditional know-how, the EU proposes that the right to use geographical indications or designations of origin be protected and that consumer protection be guaranteed through regulation of labelling.

On export competition, the EU's position is that it will agree to negotiate further reductions in export refunds provided that other instruments that are used to boost exports are also disciplined. These latter include subsidised export credits and the abuse of food aid. In the case of the least developed countries and the net-food import developing countries, food aid should be granted only in fully grant form and in ways which do not damage local food production. Finally, the export operations of State-trading enterprises (STEs) should also be regulated and made more transparent.

As far as domestic support is concerned, the EU position is that rules on domestic support should facilitate a continuous process of reform. The structure of the "boxes" agreed in the Uruguay Round matches this central objective of promoting ongoing and fundamental reform and should be maintained. The impact on trade by the so-called blue and green box measures has proved, as anticipated, to be less distorting than market price support on the one hand, and payments based on output or on variable input use on the other hand. This framework will allow for further reductions in amber box commitments.

According to the EU proposal, the specific role of agriculture as a provider of public goods should be recognised. In this context, the multifunctional role of agriculture, which includes its contribution to sustainable development, the protection of the environment, the sustained vitality of rural areas and poverty alleviation, both in developing and developed countries, should be taken into account. The reform process is more likely to be acceptable to all members by meeting their non-trade concerns.

According to the EU's proposal, the need to use specific measures, including the precautionary principle, whenever there are concerns about the food safety of products, should be taken into account. The paper also underlines the need to ensure that trade liberalisation does not undermine efforts to improve the protection of the welfare of animals. Compensation for additional costs to meet animal welfare standards should be exempt from reduction commitments.

EU-15 trade, 2000 figures (in million EUR)

EU trade with:	Mercosur[1]		Mexico		South Africa		Tunisia	
Products	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Live animals	6.2	11.7	0.3	13.7	1.4	3.9	0.0	5.6
Meat and edible meat offal	1 081.9	31.8	4.7	8.3	18.1	22.0	0.1	4.2
Dairy produce; eggs; natural honey	54.6	55.1	27.2	187.7	2.6	28.5	0.0	16.4
Other products of animal origin	106.9	36.5	0.6	2.8	2.1	11.5	1.6	0.6
Live plants; floricultural products	12.5	12.2	15.8	7.8	27.9	4.1	1.4	3.8
Edible vegetables; plants; roots and tubers	82.2	23.5	64.8	1.0	10.2	2.2	5.1	15.3
Edible fruit and nuts; peel of citrus fruit or melons	557.3	38.1	52.4	1.0	700.9	3.4	63.2	3.5
Coffee; tea; maté and spices	1 100.1	7.7	90.9	1.3	22.8	6.0	4.1	0.9
Cereals	305.3	12.6	0.0	2.0	0.6	11.4	0.1	155.2
Products of the milling industry; malt; starches	1.5	53.5	0.1	7.1	0.2	18.8	0.0	3.0
Oilseeds and oleaginous fruits	1 820.6	23.7	6.3	7.9	18.3	9.2	0.9	8.6
Lac; gums; resins; other vegetable saps and extracts	19.4	23.7	1.5	12.8	1.6	6.5	0.0	1.2
Vegetable plaiting materials; other products of vegetable origin	0.8	1.4	5.7	0.1	1.7	0.1	0.1	0.2
Animal or vegetable fats and oils	118.1	81.1	5.4	16.6	4.7	15.3	187.6	48.6
Meat preparations	336.1	6.7	0.0	1.8	0.0	0.8	0.0	0.1
Sugars and sugar confectionery	26.5	18.5	11.4	6.0	10.2	6.3	0.3	27.4
Cocoa and cocoa preparations	21.9	19.3	0.5	14.4	0.6	6.2	0.0	3.5
Preparations of cereals. flour or starch	5.0	47.6	0.6	122.0	0.7	20.3	2.1	5.2
Preparations of vegetables. fruit or nuts	801.4	77.2	12.7	28.9	90.1	13.0	1.1	5.1
Miscellaneous edible preparations	34.7	48.9	5.9	38.0	4.3	19.9	1.7	3.6
Beverages; spirits and vinegar	96.6	250.0	95.0	104.0	273.9	90.6	5.7	7.2
Residues and wastes from the food industries	3 278.0	31.9	7.1	14.9	2.5	15.3	2.0	7.9
Tobacco and manufactured tobacco substitutes	430.7	26.0	18.5	3.9	3.8	17.8	0.3	6.8
Other agricultural products[2]	190.2	92.1	8.8	34.1	121.2	32.0	5.1	32.7
TOTAL - AGRICULTURAL PRODUCTS	**10 488.5**	**1 030.6**	**436.1**	**637.9**	**1 320.4**	**365.1**	**282.8**	**366.4**

Sources: European Commission: Eurostat and Directorate-General for Agriculture. Totals may vary due to rounding.
1 Argentina, Brazil, Paraguay, Uruguay.
2 Included in the Uruguay Round.

As regards developing countries, the Commission's proposal underlines that the EU is by far the largest market for agricultural exports from developing countries, in large part as a result of trade preferences, and that it is committed to opening up duty-free access to essentially all products from the least developed countries, including agricultural products. Such an approach will help exploit the potential of trade to create wealth for developing countries.

In order to increase market access to products originating in developing countries, the Commission proposes that developed countries and the wealthiest developing countries provide significant trade preferences to developing countries, and in particular the least developed.

As part of its general policy to promote the sustainable economic development of countries, the Commission proposes that all developed countries should intensify all forms of assistance to developing countries, in particular in areas of implementation, and making use of the appropriate WTO agreements.

Other bilateral agreements and issues

Mercosur and Chile

Talks were held with Mercosur (trade block established in 1995 between Argentina, Brazil, Paraguay, and Uruguay) as well as with Chile in April, June, and November on the future EU-Mercosur and EU-Chile association agreements. On agriculture, discussions focussed on non-tariff barriers and on preparing for the talks on tariffs scheduled to be held in 2002. Trade in agricultural products between the EU and Mercosur was worth 9.5 billion euro in 1999. With Chile, the figure was 900 million euro for the same year.

Mexico

The EU-Mexico free trade agreement came into force in July. The agricultural part of the agreement provides for liberalisation in trade in agricultural products. Trade in agricultural products between the EU and Mexico was worth close to 800 million euro in 1999.

South Africa

The Agreement on Trade, Development, and Co-operation between the EU and South Africa came into force on 1 July. The agricultural chapter of the agreement provides for liberalisation in trade in agricultural goods over a period of 10 years (for the EU) and 12 years (for South Africa). Trade in agricultural products between the EU and South Africa was worth 1.6 billion euro in 1999.

Tunisia

The EU concluded talks with Tunisia on further liberalisation in trade in agricultural products. The talks were held under the auspices of the 1995 EU-Tunisia association agreement, which provided for a review mechanism for agricultural trade. Trade in agricultural products amounted to some 640 million euro in 1999. Similar talks are ongoing with Israel, and are scheduled with Morocco.

Conclusions and outlook

The start of the new millennium saw the implementation of the comprehensive Agenda 2000 reform covering the period 2000-2006 with the revision of a number of the common market organisations and the continued decentralisation and simplification which are key elements of this reform.

Greater emphasis is being placed on the fact that, although agriculture is the prime determinant of the rural landscape, increasing consideration should be given to the rural community as a whole.

A growing proportion of the budget is now devoted to rural development and a new rural development policy was introduced which builds on the successes of existing measures. Funding is now made available for development programmes throughout the Community and not just in specified areas as previously. Concern for the environment continues to be an important aspect of the CAP and agri-environmental schemes have to be included in all development programmes.

Other aspects of increasing importance are quality and traceability. These are reflected in three types of new quality labels relating to origin and traditional production methods and a new regulation on labelling of beef and veal indicating the various stages of the production process.

The Agenda 2000 reform made provision for further preparation for enlargement and a new instrument, Sapard, was introduced in 2000 to fund pre-accession programmes within the central and eastern European candidate countries to prepare their agricultural sectors and rural areas in readiness for EU membership. Sapard supplements the ISPA and Phare programmes which have been introduced to prepare other sectors in the candidate countries for entry into the EU.

On the international front, the main focus in 2000 was on the agricultural trade talks at the WTO and bilateral trade agreements.

In putting forward its position to the WTO the Commission continues to promote the multifunctional role of agriculture which includes its contribution to rural development and protection of the environment. The EU position on the general opening up of trade is based on a continuation of what was initiated in the Uruguay Round. One of the main proposals to assist developing countries is for developed countries and the wealthier developing countries to provide trade preferences for developing countries.

Other areas of the international scene saw the coming into force of the free trade agreements with Mexico and South Africa which were agreed in 1999. Discussions also took place with Mercosur, Chile, Tunisia and Israel and are scheduled for Morocco.

As the largest importer of agricultural goods and with increased exports in 2000 the outlook for EU trade in agricultural products remains positive. New opportunities will arise as new bilateral agreements strengthen ties and increase the potential for trade flows with other countries.

The successful introduction of the Agenda 2000 measures demonstrate the ability of the CAP to adapt to the need of the times and this will also be reflected when the measures are reviewed mid-term. The challenges for the coming years will be to ensure that the agriculture talks at the WTO reach a successful conclusion and that the agriculture sectors of the candidate countries are smoothly integrated in the enlargement process.

European Commission

The common agricultural policy – 2000 Review

Luxembourg: Office for Official Publications of the European Communities

2001 – 25 pp. – 21.0 x 29.7 cm

ISBN 92-894-1633-5

KF-AB-01-001-EN-C

European Commission
Directorate-General for Agriculture

OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L – 2985 Luxembourg

ISBN 92-894-1633-5

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