

EUROPEAN UNION EXPERIENCE WITH AGRICULTURAL POLICY REFORM IN LIGHT OF WTO COMMITMENTS

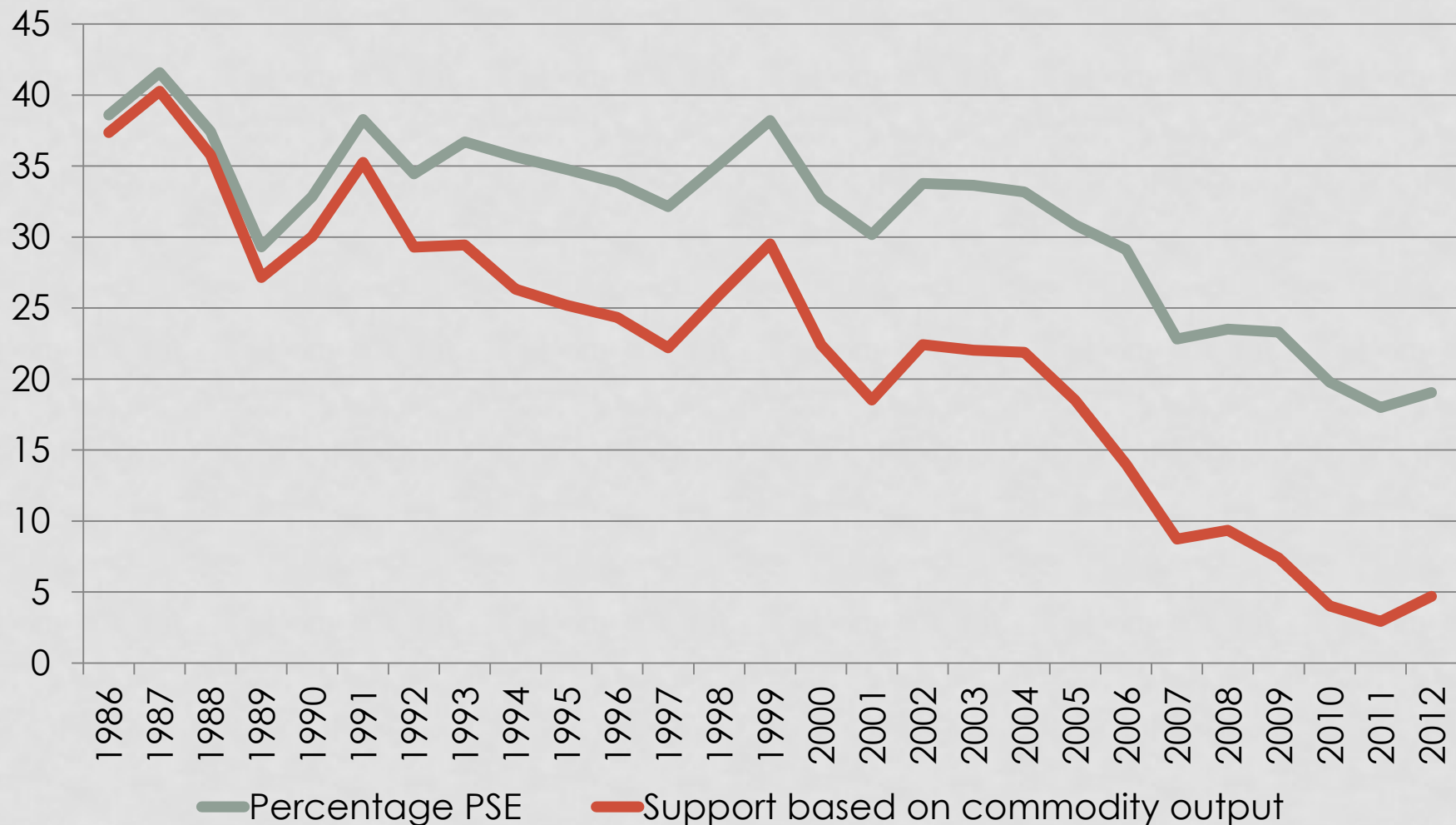
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EU COMMON AGRICULTURAL POLICY

- A common policy covering 28 Member States
 - Common **external trade regime**
 - **Internal free trade** and common regulations
 - Mutual recognition principle
 - Two Pillars
 - **Pillar 1** Market and income support (direct payments)
 - 100% financed by EU budget
 - **Pillar 2** Rural development measures (improvement of farm structures, agricultural modernisation, agri-environmental measures, rural quality of life)
 - 15-50% co-financed by Member States
 - **Common financing** through EU budget

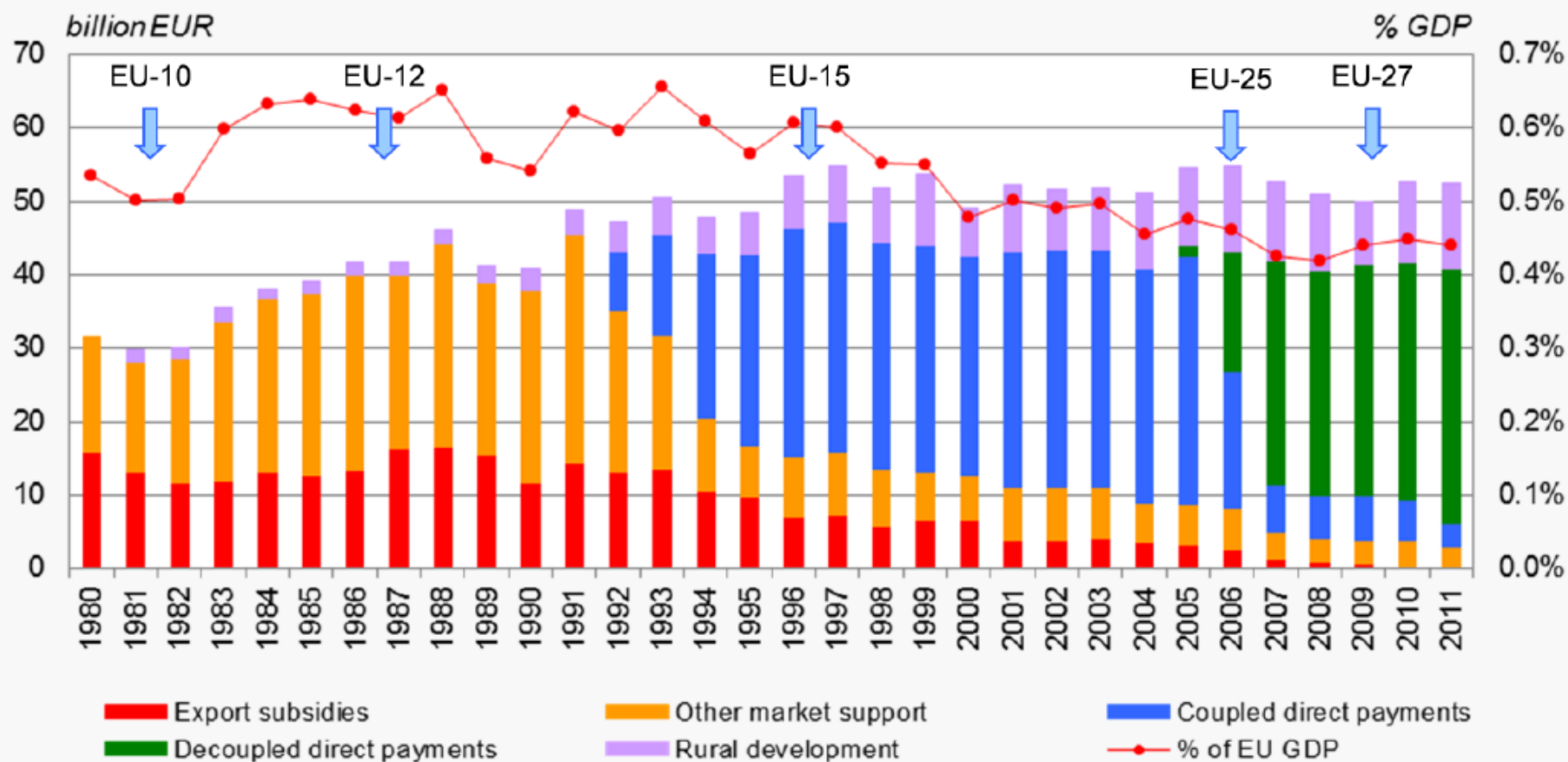
TREND IN EU PRODUCER SUPPORT ESTIMATE, PERCENTAGE %



STAGES OF CAP REFORM

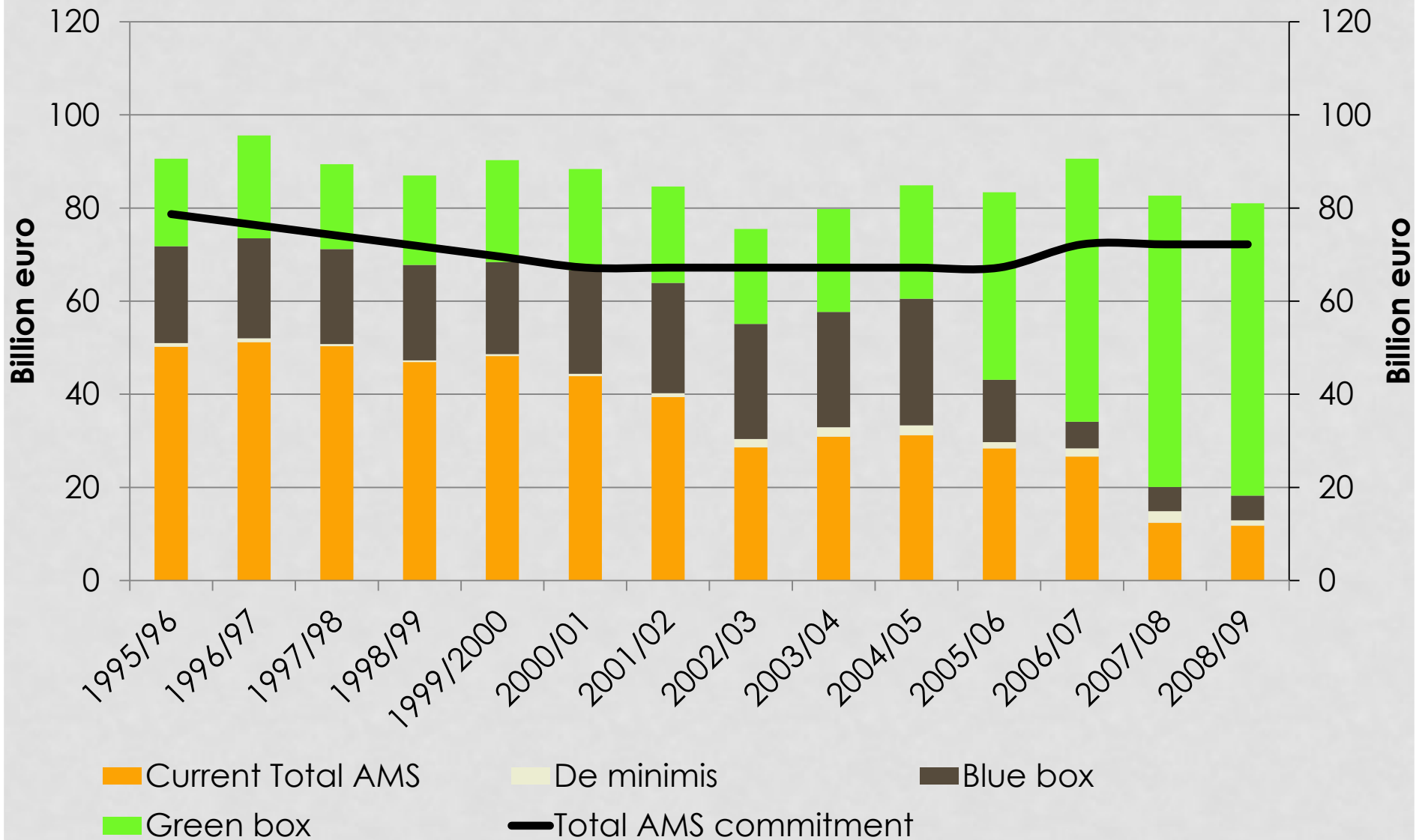
Years	Reform	Effect
1962-1992	The classical CAP	High market price guarantees ; large intervention purchases; variable border protection; increasing self-sufficiency and export surpluses; high budget costs
1992	MacSharry reform	Lowered guaranteed support prices; provided coupled direct payments to farmers in compensation. Defensive response to WTO pressures
2003	Mid-Term Review	Changed coupled to decoupled direct payments ; payments subject to cross-compliance . Offensive response to WTO pressures.
2014	CAP 2020	Decoupled payments linked to greening with greater environmental focus

CAP EXPENDITURE SHOWING IMPACT OF REFORMS



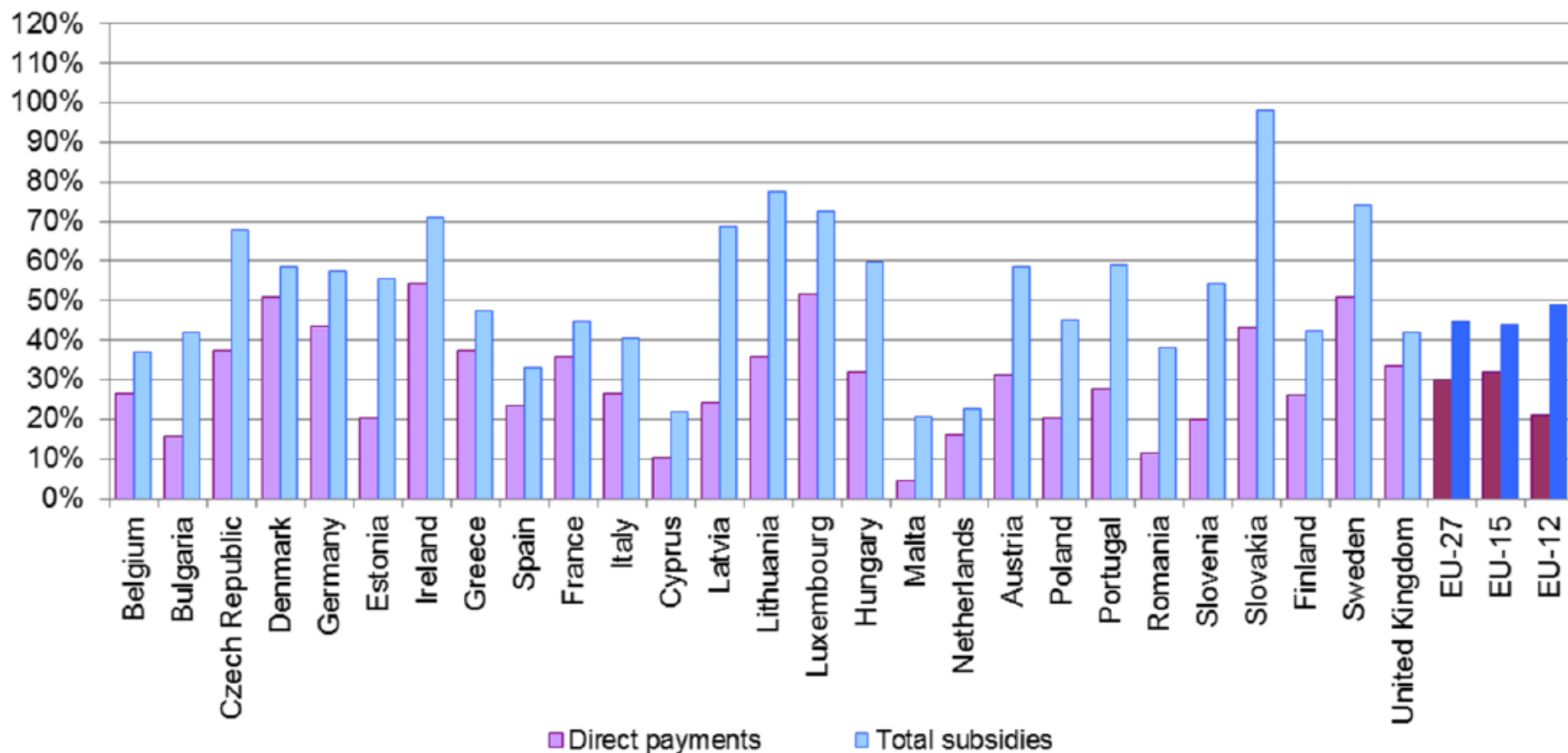
Source: DG Agri website

EU WTO domestic support notifications



DEPENDENCE ON DIRECT PAYMENTS

- Share of direct payments and total subsidies in agricultural factor income (2009-2011 average) -



IMPACT OF REFORMS ON COMMODITY MARKETS

- **Border tariffs** remain high on sensitive CAP products
 - Many preferential agreements
 - Tariffs do not influence market prices for export commodities
- **Market price support** (intervention and aids to private storage) now set at safety net levels
- **Export subsidies** now eliminated except in cases of severe market disturbance
- **Production quotas** eliminated in 2015 (milk) and 2017 (sugar), planting authorisations remain for wine

EU DOMESTIC SUPPORT NOTIFICATION

MARKET PRICE SUPPORT 2008-09

Basic product	Applied administered price Euro/tonne	External reference price Euro/tonne	Eligible production *'000t	Total market price support Million euro
Common wheat	101.3	86.5	129,475	1,917.5
Durum wheat	101.3	148.5	0	0.0
Barley	101.3	67.3	0	0.0
Sugar	323.5	193.8	13,276	1,722.2
Butter	2217.5	943.3	2,137	2,723.0
Beef	1,560.0	1,729.8	7,929	-1,346.3

Source: EU notification Table DS:5

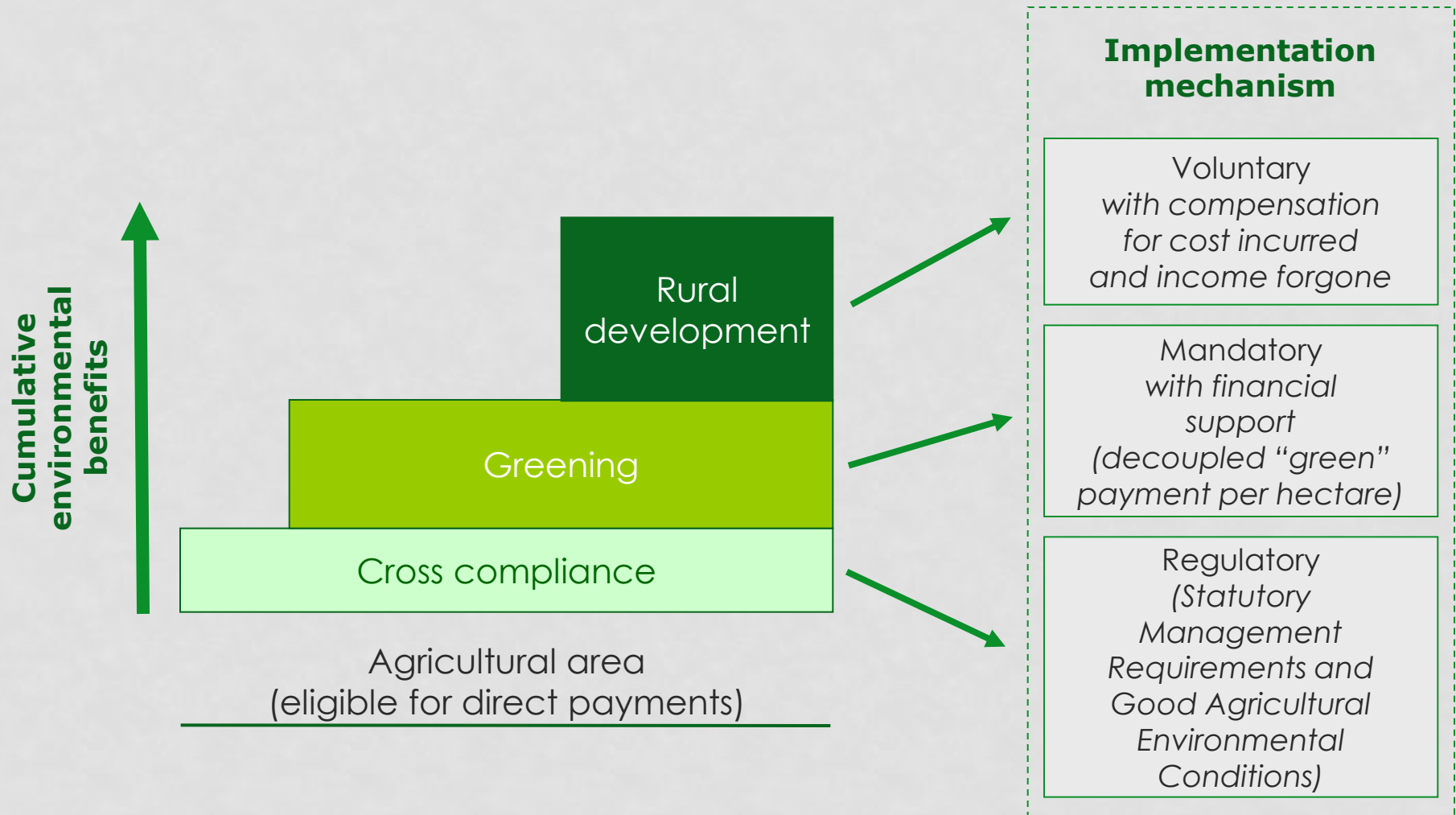
CAP REVIEW POST-2013

- Review focused on **role and structure of direct payments** (Pillar 1) and addressing issues of environment, climate, innovation and risk management (in Pillar 2)
- Review did not address levels of **external protection** (negotiated in WTO)
- Commission proposal Oct 2011
- Political agreement late 2013
- Entry into force 1 January 2014 until 2020

ISSUES IN CAP REVIEW POST-2013

- **External convergence** (reducing differences in value of per hectare payments across Member States)
- **Internal convergence** (moving to more uniform distribution of payments per hectare within Member States)
- Allocate a proportion of direct payments (30%) to farmers who follow practices favourable for the environment and climate
 - **greening**

THE NEW GREENING ARCHITECTURE OF THE CAP



THANK YOU!

QUESTIONS AND COMMENTS?