

THE FEATURES OF EUROPEAN **AGRICULTURE**

Agriculture and forests cover the vast majority of our territory and play a key role in determining the health of rural economies as well as the rural landscape. Agriculture still has a valuable contribution to make to their sustainable economic development. Farmers perform many different functions ranging from food and non-food agricultural products to countryside management, nature conservation, and tourism. Farming can thus be described as having multiple functions.

- Europe is both a major exporter and the world's largest importer of food, mainly from developing countries; • The European farming sector uses safe, clean, environmentally
- friendly production methods providing quality products to meet consumers' demands; • The EU farming sector serves rural communities. Its role is not
- only to produce food but also to guarantee the survival of the countryside as a place to live, work and visit.

Europe's agricultural policy is determined at EU level by the governments of Member States and operated by the Member States. It is aimed at supporting farmers' incomes while also encouraging them to produce high quality products demanded by the market and encouraging them to seek new development opportunities, such as renewable environmentally friendly energy sources.

A RECORD TO BE PROUD OF

Improvements in farm efficiency and the

onwards. There were dramatic improve-

els. At the same time farm incomes rose, helped in many cases

Europe can produce nearly all agricultural products. For several

also a major importer of many different types of product.

products Europe is considered as the world leader, for example in

MAIN EU AGRICULTURAL PRODUCTS

(% share of production by value – 2005)

TAKING CARE OF THE

Rural areas cover 90% of the EU territory,

of which more than half is farmed. This fact

alone highlights the importance of farming

for the EU's natural environment. Farming

COUNTRYSIDE

and nature exercise a profound influence over each other.

home to a rich variety of wildlife.

AGRO-ENVIRONMENT MEASURES

to these schemes.

those countries.

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

Agro-environment schemes have been supported by the EU since

they were introduced in by the CAP reforms of 1992. They encour-

following good agricultural practice and basic legal standards have

been consolidated in one specific axis of Rural Development policy

for the period 2007–2013. Aids may be paid to farmers who sign

up voluntarily to agro-environment commitments for a minimum

period of five years. Longer periods may be set for certain types of commitment, depending on their environmental effects. It is

schemes to farmers. This illustrates the political priority attached

THE EU - A MAJOR WORLD

TRADER IN AGRICULTURAL

The EU has extensive contacts and trading

relations with third countries and trading

blocks. The EU is a major player in global

obligatory for Member States to offer such agro-environment

GOODS

agricultural trade as the biggest importer and second largest

exporter of foodstuffs. The EU plays a leading role in establish-

ing global trade agreements in the World Trade Organisation

(WTO). It has also concluded and is in the process of negotiating

bilateral trade agreements with individual third countries, free

trade agreements with its near neighbours, special arrange-

cess to the EU market, and more extensive relationships with

Mercosur group. The EU is the only big trading group, among

the wealthier nations, which is not only granting preferential

is in practice actually importing considerable quantities from

The EU is clear that the growing trade between all countries,

whether developed or less so, must be conducted under mul-

tilateral trade rules for the benefit of all countries, in particular

developing countries. This is why the EU is a strong supporter of

COMMITTED TO MULTILATERAL TRADE RULES

regional groupings such as the South American countries of the

access to its markets for imports from developing countries, but

ments with developing countries, granting preferential ac-

age farmers to provide environmental services that go beyond

and farms amalgamated.

WE PRODUCE NEARLY EVERYTHING

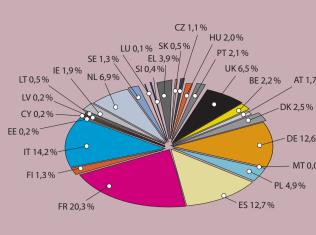
by growth in the size of farms, as some farmers left the industry

incentives offered by the CAP, led to a major

increase in food production from the 1960s

ments in production and self-sufficiency lev-

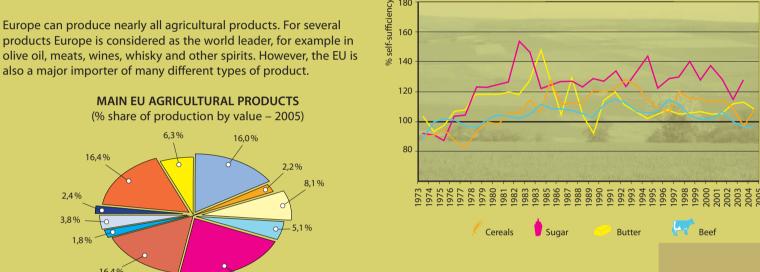
SHARE (%) IN EU AGRICULTURE (2005)





These natural advantages, together with the CAP's benefits, led to

CEREALS, SUGAR, BUTTER AND BEEF IN THE EU

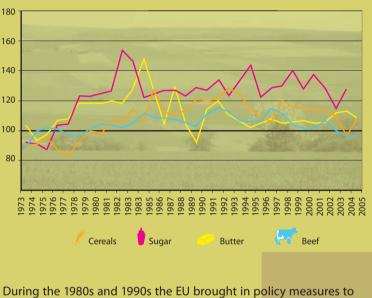


try to limit production of surplus products. A variety of measures was used: fixed quotas on milk production, with penalties for overshoots; limits on the area of crops/numbers of animals for which

rapid productivity improvements, higher production, food security for most products and ultimately, to surpluses of many farm goods.

Surpluses were taken off the market by subsidising product storage (the public intervention system) or by exporting products, with subsidies, to third countries to avoid a collapse of farmgate prices.

DEVELOPMENT OF SELF-SUFFICIENCY FOR



A CLEANER ENVIRONMENT

Cattle, pigs, sheep

Eggs & poultry

The EU tries to help the environment by:

 Offering financial assistance to farmers who agree to adapt their agricultural practices, in particular by reducing the number of inputs they use or the number of animals per hectare of land, leaving field boundaries uncultivated, creating ponds or other features, or by planting trees and hedges and so going beyond conventional good farming methods; • Helping with the cost of nature conservation; Insisting that farmers must respect environmental laws (laws)

on food safety and public, animal and plant health) and look after their land properly if they wish to qualify for direct income GENETICALLY-MODIFIED ORGANISMS AND EU AGRICULTURE

EU legislation on genetically-modified organisms (GMOs) has been in place since the early 1990s and extended and refined since then. The EU introduced specific legislation designed to protect its citizen' health and the environment (while also creating a unified market for biotechnology). There is an approval process based on a case-by-case assessment of the risks to human health and the environment before any GMO or product consisting of or containing GMOs (such as maize, oilseed rape or micro-organisms) can be released into the environment or placed on the market.



farm trade liberalisation than the previous trade negotiations (the 'Uruguay Round'). The agreement locks in the EU's CAP reform. It should bring a substantial cut in trade-distorting agricultural support, the elimination of trade-distorting export competition practices and contribute to a significant opening of agriculture markets whilst allowing for special treatment for sensi-

tive products. All developing countries will benefit from special treatment, allowing them to liberalise less over a longer period. THE SECOND LARGEST GLOBAL EXPORTER -

European agriculture is a major player in the world's agricultural markets. The ability of EU agriculture to produce large quantities of agricultural products, and the diversity and quality of those products, means that the EU has become a major exporter of many foodstuffs (the second biggest exporter globally with agricultural exports worth EUR 72.553 billion in 2006).

of agricultural products in the world. In 2006, EU imports of agricultural products were valued at EUR 67.876 billion.

But it is not all one-way traffic. The EU is also the biggest importer

The EU's net export position has declined in every single sector since 1990.

TRADE WITH DEVELOPING COUNTRIES

AND THE BIGGEST IMPORTER

the WTO and has always played an active role in the WTO discus-The EU's record of importing agricultural products from developing sions and negotiations on trade in agriculture. The EU is commitand least developed countries is already impressive and is greater ted to the 'Doha Development Agenda' (DDA), negotiations which than the USA, Japan, Canada, Australia, and New Zealand together. aim at further liberalising trade whilst enhancing development. As regards agriculture the agreement of August 2004 paved the way for further negotiations that should deliver a considerably bigger

a farmer could claim subsidies; at first voluntary, then compulsory set-aside obliging farmers to leave a percentage of their land uncultivated. Gradually these policies succeeded and surpluses were reduced. CAP reforms implemented in the 1990s, which served to reduce the gap between EU prices and world prices, as well as the outcome of the World Trade Organisation (WTO) agricultural agreement of 1995, reduced the usage of export subsidies (i.e: compensating exporters for exporting products at world market

THE FARMER'S ROLE

Farmers' primary occupation is food production. To do this they

employ time-honoured traditions that have been married to mod-

ern science and technology for the purpose of offering great food

at an affordable price. This involves using a combination of tradi-

tional skills and allied to technical know-how and marketing talent.

Farmers increasingly use information technology to aid their pro-

increasingly add land management and environmental expertise.

In recent years they have been required to include food safety in a

repertoire that already included animal health and welfare skills. It

is doubtful whether any other occupation requires the practitioner

important local employer in many rural regions and major players

Farmers do not work alone. They are the first link in the food chain,

sometimes processing their products on the farm, but more often

selling them on to others who transform them into the food prod-

Most farms are small businesses, often family-run. They are an

to have such a broad range of abilities.

ucts consumers eventually find in the shops.

prices which were lower than EU prices).

in the rural world.

duction and marketing efforts. To those attributes farmers must

Agriculture involves much more than the

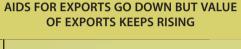
production of crops and animals for food

consumption. The complexity of their pro-

For most farmers it's a way of life too.

fession requires farmers to play many roles.

As a result of these policy initiatives the EU has managed to reduce its use of export subsidies while at the same time maintaining and even increasing its agricultural exports in certain cases. However, the EU remains a net importer of agricultural products, particularly from less developed countries.



SAFETY



KEEPING CONSUMERS CONFIDENT ABOUT FOOD

Developments in the CAP have occurred not only because of changes in farming, but also in response to the demands of society

as a whole. These include the increasing concern about food hygiene and safety and animal welfare. Here the CAP and other EU policies, such as consumer protection, have been considerably strengthened since the 1990s.

Cereals, milling products & starches

Beverages, spirits & vinegar

Sugar & confectionery

Fats & oils

FOOD SAFETY

Meat & edible offal

Flowers and plants

Fresh fruits & vegetables

Preparations of fruit & vegetables

Dairy products

Europe's consumers want food that is safe and wholesome. The concern of the EU is to make sure that the food we eat is of the same high standard for all its citizens. There was a major overhaul in response to food safety scares, for example over BSE and dioxincontaminated feed. The purpose was to make sure that EU food safety laws were as comprehensive as possible and that consumers have as much information as possible about potential risks and what is being done to minimise them.

Food safety starts on the farm. EU rules apply from 'farm to fork', whether the food is produced in the EU or is imported from elsewhere in the world.

There are four important elements to the EU's food safety strategy:

Rules on the safety of food and animal feed; Independent and publicly available scientific advice; Action to enforce the rules and control the processes; • Recognition of the consumer's right to make choices based on complete information about where food has come from and

MAIN EU 25 AGRICULTURAL EXPORTS

(% share by value – 2005)

ANIMAL HEALTH AND WELFARE

Agriculture

Other sectors

into or traded within the EU.

It is a principle underlying EU legislation on animal welfare that animals should not be subjected to avoidable pain or suffering. This is reflected in clear rules on the conditions in which hens, pigs and calves may be reared as well as in which farm animals can be transported and killed. These rules are regularly updated in the light of the latest scientific data and are some of the most rigorous

ter food, if they are well treated.

Meat & edible offal

Coffee, tea & spices

Cereals, milling products & starches

Oilseeds

Edible fruits

Ensuring food safety and high animal health and welfare standards is not just a matter of regulations. The CAP offers farmers incentives to improve their performance in these areas. Although respecting the standards in this regard, by applying the principles of cross-compliance, benefits society as a whole this may impose considerable costs on farmers, so financial support is available to help farmers make improvements in these areas under the scope of Rural Development.

If food is to be safe, the animals it comes from must be healthy. The need to keep animals healthy through good veterinary practice and to prevent outbreaks of contagious animal diseases, such as foot-and-mouth disease, swine fever, or bird flu is an EU priority. If an outbreak does occur, it is carefully monitored and steps are taken to prevent it spreading. All animals and animal products must meet strict health requirements before they can be imported

DEVELOPMENT OF AVERAGE GROSS MONTHLY WAGES IN THE

ECONOMY AND GROSS MONTHLY AGRICULTURAL INCOME

IN AGRICULTURE - EU 27

"FOOD MOUNTAINS" NO LONGER EXIST

Development of public storage of cereals

Development of public storage of beef and butter

(intervention stocks)

Research shows that farm animals are healthier, and produce bet-

CAP CONTRIBUTION

MAIN EU 25 AGRICULTURAL IMPORTS

(% share by value – 2005)

Preparations of fruit & vegetables

Beverages, spirits & vinegar

Cocoa & cocoa preparations

■ Butter intervention stocks

going back to the development of wine quality labelling in the 1980s, and taken forward in the olive oil and fruit and vegetables sectors. They are now a more central part of agricultural policy. In

Efforts to improve food quality have always been part of the CAP,

ASSISTANCE FOR RURAL COMMUNITIES

A HISTORY OF SUCCESSFUL

The CAP has always had and continues to

evolved to reflect the changing needs of

both agriculture and society as a whole.

have clear reasons to exist. It has constantly

CHANGE

The CAP has its roots in 1950s western Europe, whose societies

had been damaged by years of war, and where agriculture had

been crippled and food supplies could not be guaranteed. The

emphasis of the early CAP was on encouraging better agricultural

productivity so that consumers had a stable supply of affordable

food and ensure that the EU had a viable agricultural sector. The

CAP offered subsidies and systems guaranteeing high prices to

farmers, providing incentives for them to produce more. Financial

assistance was provided for the restructuring of farming, for exam

ple by subsidising farm investment in favour of farm growth and

management of technology skills so that they were adapted to the

economic and social conditions at the time. Certain measures were

introduced in the form of help for early retirement, for professional

QUALITY IS A KEY TO SUCCESS

Europe is known for the diversity of its farm-

from its natural environment and farming

with fine cookery, Europe's food and drink

play a major role in the cultural identity of Europe's peoples and

Europe has many different regions. The conditions for agricultural

production vary. The different regions have specific production

methods and culinary traditions. European and global consumers

are showing an increasing interest in the qualities of these foods.

The EU safeguards food quality in many ways, for example via

The EU plays a major role in enhancing these high quality attributes.

measures to enhance food safety and hygiene, clear labelling rules,

regulations on animal and plant health and animal welfare, control of pesticide residues and additives in food and via nutritional in-

formation. The EU approach includes strict monitoring and control

systems, while ensuring the effective functioning of the European

A CONSTANT SEARCH FOR IMPROVEMENT

regions. High quality is EU agriculture's key advantage.

HOW DOES THE EU ENCOURAGE BEST QUALITY FOOD

PRODUCTION?

single market.

methods developed over centuries. Together

ing and its agricultural products, which derive

training and in favour of less favoured regions.

THE ORIGINAL CAP

Given that nearly 60% of the population of the 27 Member States of the EU live in rural areas covering 90% of the territory, rural development is a vitally important policy area. Farming and forestry are the main land uses in rural areas, and as such play an important role at the heart of rural communities as the basis for a strong social fabric and economic viability and the management of natural resources and the landscape.

Numerous opinion polls the 27 Member States clearly demonstrate that a living and sustainable countryside matters to European citizens.

A SPECIFIC FUND FOR RURAL DEVELOPMENT

European strategic guidelines for rural development were set out in February 2006.

Rural Development policy was strengthened to help rural areas respond to economic, social and environmental issues of the 21st century. The new legal framework and the European Agricultural Fund for Rural Development stress the necessity to stimulate growth and to create employment in these areas to improve sustainable development in accordance with the Lisbon strategy and the Council of Gothenburg.

Rural Development policy for the period 2007–2013 will be based on 3 themes, in accordance with the three axes defined in the new Regulation relating to Rural Development: improving agricultural competitiveness; improving the environment and supporting land management and improving the quality of life and diversifying

it takes the place of national policy and expenditure on agricul-

ture. This situation has now changed as CAP expenditure has

been limited and as other EU-level policies have been devel-

oped. But there are several myths about the cost of the CAP that

HOW MUCH THE CAP COSTS

The CAP has existed for more than 40 years

as one of the most important pan-European

budget has represented a large proportion

of the overall EU budget and expenditure, as

policies. It is not surprising that the CAP

inspired by the experience of the Leader Community Initiative, aims at implementing local strategies for rural development through

local public-private partnerships. More resources will be available for rural development by reducing the direct payments to farms and transferring these funds to rural development measures (the practice known as modulation). The Member States are henceforth from 2007) of all direct payments exceeding 5000 euros per annum.

RURAL DEVELOPMENT

Assistance is provided for farmers and others in rural areas, for such actions as:

The CAP was very successful in meeting its objective of moving

of the major farm commodities, some of which were exported

(with the help of subsidies), others of which had to be stored or

disposed of within the EU. These measures had a high budgetary

cost, distorted some world markets, did not always serve the best

interests of farmers, to the extent that they quickly became un-

popular with consumers and taxpayers. At the same time society

became increasingly concerned about the environmental sustain-

ability of agriculture, with the Rio Earth Summit (1992) being a

all areas of the CAP efforts are being made to improve food qual-

• Beef cattle identification systems and labelling rules, designed to

allow full traceability of meat from retail outlet back to the farm

Financial incentives available under rural development policy for

The exceptional nature and quality of some products derives from

them. Consumers and the food trade are increasingly interested in

the geographical origin of food and other characteristics. The EU

A product bearing the PDO logo must have proven characteristics

which can result solely from the terrain and abilities of producers

A product bearing the PGI logo has a specific characteristic or

reputation associating it with a given area, and at least one stage

the economy in rural areas. A fourth axis the "Leader axis", which is

in the region of production with which it is associated.

in the production process is carried out in that area.

both their place of production and the methods used to make

• Specific encouragement for conversion to organic farming.

SPECIAL PRODUCTS HAVE SPECIAL CHARACTERISTICS

recognises this and has developed three 'quality logos'.

notable landmark in the early 1990s.

ity. Examples of such measures are:

farmers to improve product quality;

the EU towards self-sufficiency from the 1980s onwards. Suddenly,

however, the EU had to contend with almost permanent surpluses

• Training in new farming techniques and rural crafts; Assisting young farmers to set up on farms; Assisting older farmers to retire;

Modernising farm buildings and machines;

· Assisting farmers to meet demanding EU standards, e.g. environmental, animal welfare and public health; Helping establish food processing facilities on the farm so that

farmers can earn more income from farm products by adding value to them: • Improving product quality and marketing of quality products;

• Setting up of producer groups in the new Member States; • Support for farming in mountainous areas and other areas with handicaps:

• Renovating villages and rural facilities; Encouragement of tourism:

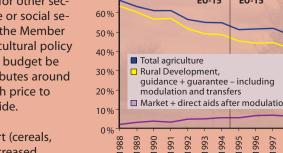
 Protection and conservation of rural heritage; Agri-environment measures to improve the environment;

• Development strategies put in place by local action groups.

whilst that for direct aid to producers and for rural development

limits are established to control expenditure in any one year and over periods of years. The limits envisaged for CAP market measures and direct aids for the period 2007–2013 allow for no increase in real terms and will effectively become tighter each year as the direct aid payments payable in the 12 new Member States are increased progressively during this period towards the full aid levels already applicable in the former 15 Member States. At the same time the CAP has been reformed (three times in 12 years), partly with the aim of better targeting and control of expenditure. CAP expenditure has been frozen (in real terms) until 2013. Spending will be strictly controlled – a new financial discipline control

AGRICULTURE IN PERCENTAGE OF EU TOTAL BUDGET Commitments



required to apply modulation which implies a reduction (of 5 % 2004, and Bulgaria and Romania on 1st January 2007, was a his-

toric milestone in the remaking of Europe after centuries of destructive divisions. Europe as a whole will gain from an assured political stability and security, as well as from the expansion of the internal EU market from 380 to nearly 500 million people. Numerically, enlargement's impact on EU agriculture is dramatic.

CHALLENGES

NEW MEMBER STATES, NEW

Enlargement of the EU to include 10 new

Member States (Cyprus, the Czech Republic,

Poland, Slovakia and Slovenia) from 1st May

Estonia, Hungary, Latvia, Lithuania, Malta,

A further 7 million farmers have been added to the EU's existing farming population of 6 million of the former 15 Member States. The new 12 Member States add about 55 million hectares of agricultural land to the 130 million hectares in the old EU of 15, an increase of 40%, although production in the EU of 27 will only expand by about 10–20% for most products. This confirms that the large agricultural production potential of the new Member States is still far from being used to its full extent.

Farmers in the new Member States have access to the single market in the EU and benefit from its relatively stable prices, plus direct payments (phased in gradually to reach the full EU level) and rural development measures.

Despite the progress in modernising and restructuring the agricultural sector which has occurred in the new Member States in recent years one of the key challenges has been to improve prosperity in agriculture and rural communities as a whole. The well-publicised differences in prosperity between the EU-15 and new Member States – in 2001 45% of the EU-15 level (GDP per person adjusted to

THE CAP - PROMOTING

to help in:

Improving the quality of Europe's food;

Looking after the well-being of rural society;

• Ensuring that the environment is protected for future

Providing better animal health and welfare conditions;

funded mainly by taxpayers, i.e. ordinary citizens).

Doing all this at minimal cost to the EU budget (which is

Guaranteeing food safety;

Ensuring a stable supply of affordable and safe food for its

Providing a reasonable standard of living for EU farmers,

• Enabling that farming could continue in all regions of the EU.

As the CAP has developed, in line with the requirements of EU

citizens, the following factors take on a greater importance:

while allowing the agriculture sector to modernise and

A GLOBAL ENVIRONMENT

SUSTAINABLE AGRICULTURE IN

The EU's role in agriculture has always been

The CAP had to change ... and it did!

THE CAP OF TODAY

1980s but, above all at the beginning of the 1990s. Production limits helped reduce surpluses (milk quotas in 1983). A new emphasis was then placed on environmentally sound farming. Farmers had to look more to the market place, while receiving direct income aid, and to respond to the public's changing priorities (MacSharry reform of 1992).

This shift of emphasis, which was effected in 1999 (the "Agenda

2000" reform) and which promotes the competitiveness of European agriculture, also included a major new element – a rural development policy encouraging many rural initiatives while also helping farmers to re-structure their farms, to diversify and to improve their product marketing. A ceiling was put on the budget to reassure taxpayers that CAP costs would not run out of control. Finally, in 2003 a further fundamental reform was agreed. Farmers are no longer paid just to produce food. Today's CAP is demand driven. It takes consumers' and taxpayers' concerns fully

into account, while giving EU farmers the freedom to produce what the market needs. In the past, the more farmers produced aid to farmers is paid independently of how much they produce Under the new system farmers still receive direct income pay-

Many important changes to the CAP were already made in the

the more they were subsidised. From now on, the vast majority of ments to maintain income stability, but the link to production has been severed. In addition, farmers have to respect environmental, food safety, phytosanitary and animal welfare standards. Farmers who fail to do this will face reductions in their direct payments (a condition known as 'cross-compliance'). Severing the link between subsidies and production (usually termed 'decoupling') will enable

The Traditional Speciality Guaranteed (TSG) logo is used for prod-

The advantages of protecting these quality indications are that they:

Offer guarantees for consumers about origin and methods of

Deliver effective marketing messages about high value-added

Underpin rural businesses producing quality products by protect-

By spring of 2007, the EU had registered nearly 750 geographical

indications, designations of origin and traditional speciality guar-

anteed products. In addition about 2000 geographical indications

for wines and spirits originating in the EU and in third countries

ucts with distinctive features and which either have traditional

ingredients or are made using traditional methods.

ing the label against fraudulent imitation.

are protected on the EU market.

EU farmers to be more market-orientated. They will be free to produce according to what is most profitable for them while still enjoying a required stability of income.

This series of reforms has now painted a clearer future for the CAP, making more apparent its value to all of society.

AGRICULTURE'S SHARE (%) OF GROSS DOMESTIC PRODUCT (GDP) (2005)





ORGANIC AGRICULTURE

Organic farming is a production method that maintains soil structure and fertility, promotes a high standard of animal welfare, and avoids the use of products authorised in conventional agriculture, such as synthetic pesticides, herbicides, chemical fertilisers, growth promoters such antibiotics or genetically modified organisms. Farmers use techniques that help sustain ecosystems and reduce pollution. Only a very limited number of additives and processing aids can be used in organic food processing.

EU rules guarantee the authenticity of organic farming products

wherever they are produced and ensure that the labelling of or-

ganic products is accurate. By law the use of the word 'organic' and

its equivalent in other languages on foodstuffs is reserved solely for

products of organic farming. This gives guarantees to consumers about the quality and reliability of the organic produce they buy. EU organic agriculture is one of the most dynamic sectors, accounting in 2004 for an estimated 5.8 million hectares (3.5% of

total agricultural area) on 150 000 holdings. The EU **organic logo** is available for organic farmers and food producers to use on a voluntary basis. It signifies that:

• At least 95% of the product's ingredients have been organically produced:

• The product complies with the rules of the official

inspection scheme; The product bears the name of the producer, the

preparer or vendor and the name or code of the inspection body.

specific situation of the new Member States.

Purchasing Power Parity) are even more pronounced in rural areas,

because of a combination of lower income and higher unemployment levels in these areas compared with urban regions (these disparities are greater in the new Member States than in the EU-15). This is a challenge that the EU has already begun to take up, by

creating new rural development measures designed to address the

It is important to point out that the obligations of EU membership applied immediately to farmers in the new Member States. A key example is food safety, which is such an important issue for EU consumers that no drop in standards at community level could be considered.



support EU agriculture while responding to the expectations of citizens, taxpayers and consumers, with the least distortion of international trade. During the coming years the CAP will change further in order to

continue to:

• Be a living policy which reflects the needs and expectations of European society;

 Promote a sustainable agriculture offering safe, quality products while protecting the environment and animal welfare; • Support the multifunctional role of farmers as suppliers of public

goods to society: Promote the growth and creation of jobs in rural areas; • Reinforce a competitive and innovative agricultural sector that

can respond to the challenges of the world market; Be managed by simple and transparent rules.



THE CAP HAS A SEEMINGLY HIGH COST During the first years of the EU's existence the CAP represented a

need to be dispelled.

significant proportion of budget expenditure, over two-thirds on occasions. The CAP costs about EUR 55 billion per year. This represents 40% of the total EU budget, less than 0,5% of GDP in the EU. Not only is the share of CAP in EU GDP declining, but this share is also declining much faster than EU public expenditure. COMPARED TO OTHER PUBLIC EXPENDITURE IT IS REASONABLE

And the CAP's cost should be seen in context. Unlike for other sec-

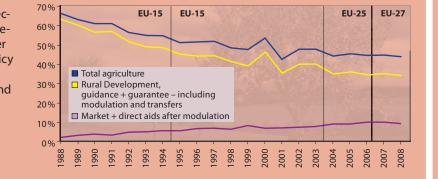
tors, such as education, defence, transport health care or social security, whose cost is borne by national governments, the Member States have agreed that decisions about the EU's agricultural policy be taken at community level, and that an appropriate budget be put in place to do this. On average each citizen contributes around 2 euros a week to finance the CAP. This is hardly a high price to pay for a healthy supply of food and a living countryside.

The proportion of the budget used for market support (cereals, sugar, beef and milk) and for export subsidies has decreased,

BUDGETARY CONTROL

The CAP operates within a set of strict parameters. Budgetary

mechanism is now in place to ensure that the expenditure ceiling is not broken



The direction of the current CAP reflects strategic objectives: An agriculture that is competitive on world markets, which respects very strict standards on environment, food safety, and animal welfare, within a framework of a sustainable and dynamic rural economy.