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THE EUROPEAN
UNION
EXPLAINED

Agriculture

A partnership
between
Europe and
farmers

The EU's common agricultural policy
(CAP): for our food, for our
countryside, for our environment



THE EUROPEAN UNION EXPLAINED

This publication is a part of a series that explains what the EU does in different policy areas, why the EU is involved and what the results are.

You can find the publications online:

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The EU explained: Agriculture

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Why we need a common agricultural policy

Challenges for agriculture for over 50 years

Launched in 1962, the EU's common agricultural policy (CAP) is a partnership between agriculture and society and between Europe and its farmers. Its main aims are:

- *to improve agricultural productivity, so that consumers have a stable supply of affordable food;*
- *to ensure that EU farmers can make a reasonable living;*

Now, 50 years later, the EU has to address more challenges:

- *food security — at the global level, food production will have to double in order to feed a world population of 9 billion people in 2050;*
- *climate change and sustainable management of natural resources;*
- *looking after the countryside across the EU and keeping the rural economy alive;*

The CAP is a common policy for all the Member States of the European Union. It is managed and funded at European level from the resources of the EU annual budget.

The EU has 500 million consumers and they all need a reliable supply of healthy and nutritious food at an affordable price. The economic environment is set to remain uncertain and unpredictable. Moreover, there are many current and future challenges including global competition, economic and financial crises, climate change and rising costs of inputs such as fuel and fertiliser.

The CAP is about our food

To meet these challenges the EU has created and implemented the common agricultural policy (CAP).

Its purpose is to set the conditions that will allow farmers to fulfil their multiple functions in society — the first of which is to produce food.

Thanks to the CAP, Europe's citizens enjoy food security. As a society, we can be sure that our farmers produce the food we need.

They provide an impressive variety of abundant, affordable, safe and good quality products. The EU is known throughout the world for its food and culinary traditions. Due to its exceptional agricultural resources the EU could and should play a key role in ensuring food security of the world at large.

Europeans can be sure that farmers produce the food they need.



The CAP is about our countryside

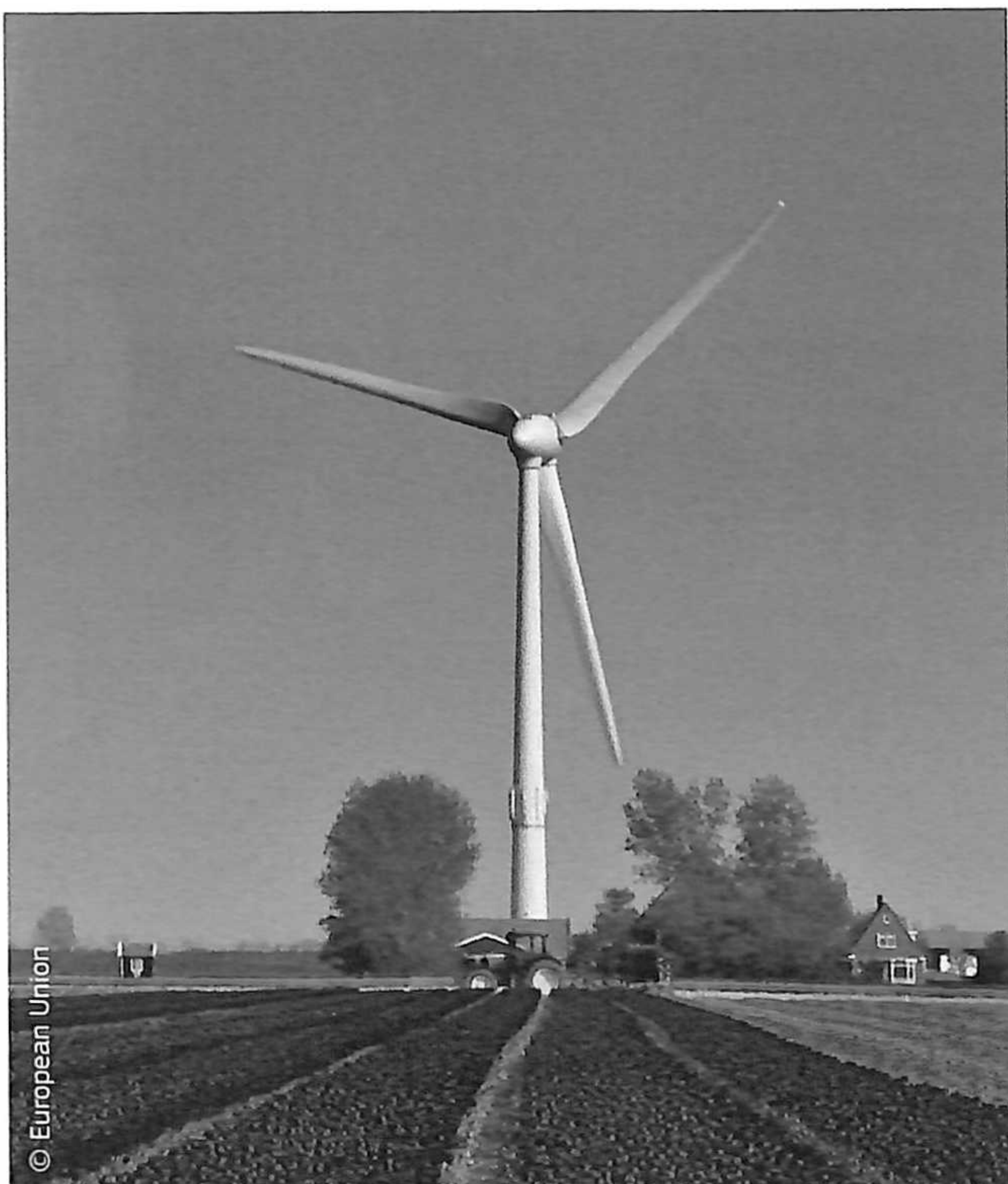
Farming is not just about food. It is about rural communities and the people who live in them. It is about our countryside and its precious natural resources.

In all EU Member States, farmers keep the countryside alive and maintain the rural way of life. If there were no farms or farmers, our hamlets, villages and market towns would be profoundly affected — for the worse.

Many jobs in the countryside are linked to farming. Farmers need machinery, buildings, fuel, fertilisers and healthcare for their animals. Many people have jobs in these 'upstream' sectors. Other people are busy in 'downstream' operations — such as preparing, processing and packaging food. Still others are involved in food storage, transport and retailing.

All in all, farming and food production are essential elements of our economy and society. With its 28 Member States, the EU has some 12 million farmers with a further 4 million people working in the food sector. The farming and food sectors together provide 7% of all jobs and generate 6% of European gross domestic product.

Farmers manage the countryside for the benefit of us all.



The CAP is about our environment

Our countryside is not in its original natural state. It has been shaped by farming over the centuries. Farming has created our diverse environment and its varied landscapes. Our countryside provides the habitat for a great diversity of fauna and flora. This biodiversity is critical for the sustainable development of the countryside.

Farmers manage the countryside for the benefit of us all. They supply public goods — the most important of which is the good care and maintenance of our soils, our landscapes and our biodiversity. The market does not pay for these public goods. To remunerate farmers for this service to society as a whole, the EU provides farmers with income support.

Farmers can be adversely affected by climate change. The CAP provides them with financial assistance to adjust their farming methods and systems to cope with the effects of a changing climate.

Farmers are the first to realise the need to care for our natural resources — after all farmers rely upon them for their day-to-day living. To avoid negative side effects of some farming practices, the EU provides incentives to farmers to work in a sustainable and environmentally friendly manner.

In effect, farmers have a double challenge: to produce food whilst simultaneously protecting nature and safeguarding biodiversity.

Environmentally sustainable farming, which uses natural resources prudently, is essential for our food production and for our quality of life — today, tomorrow and for future generations.

Europe's agriculture through time

1957

The Treaty of Rome creates the European Economic Community (the precursor of today's EU), between six western European countries.

1962

The common agricultural policy is born. The CAP is foreseen as a common policy, with the objectives to provide affordable food for EU citizens and a fair standard of living for farmers.

1984

The CAP falls victim to its own success. Farms become so productive that they grow more food than needed. The surpluses are stored and lead to 'food mountains'. Several measures are introduced to bring production levels closer to what the market needs.

1992

The CAP shifts from market support to producer support. Price support is scaled down, and replaced with direct aid payments to farmers. They are encouraged to be more environmentally friendly. The reform coincides with the 1992 Rio Earth Summit, which launches the principle of sustainable development.

2003

The CAP provides income support. A new CAP reform cuts the link between subsidies and production. Farmers now receive an income support payment, on condition that they look after the farmland and fulfil environmental, animal welfare and food safety standards.

2013

The CAP is reformed to strengthen the competitiveness of the sector, promote sustainable farming and innovation and support jobs and growth in rural areas.

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How do we protect nature and the biodiversity?

47. H.C. S. n. (2018)

Why is agriculture policy set at European level?

The main aims of the CAP are: to improve agricultural productivity, so that consumers have a stable supply of affordable food, and to ensure that EU farmers can make a reasonable living.

All the Member States share these two objectives, neither of which can be attained without providing financial support to farming and rural areas. A collective EU policy makes for better use of budgetary resources than would the coexistence of 28 national policies.

There is one big European market for agricultural products, in which a common approach towards supporting agriculture ensures fair conditions for farmers competing in the internal European market and globally.

There can be no doubt that without a common policy, each EU member state would proceed with national policies with variable scope and with different degrees of public intervention. A policy set at the European level ensures common rules in a single market; addresses market volatility where needed; safeguards the progress made in recent reforms towards increased competitiveness of European agriculture and provides for a common trade policy allowing the EU to negotiate as one, vis-à-vis our global trading partners.



Agriculture is one of the few areas where a common policy is mainly financed by the EU budget, rather than by national budgets.

How the agricultural policy works

The CAP can be described as having three dimensions: market support, income support and rural development. The three dimensions are interconnected and overall sustainability depends on the ability of the three dimensions to act collectively.

Concerning **market support**, agriculture is more weather- and climate-dependent than many other sectors. Furthermore, in agriculture there is an inevitable time gap between demand signals and the possibility for supply responses, and small changes in the amounts produced can have big effects on prices as our consumption of food is largely constant compared to other products.

These business uncertainties justify the important role that the public sector plays in ensuring stability for farmers.

A number of market instruments are used to provide market safety nets.

Regarding the second dimension — **income support** — direct payments not only provide farmers with a basic income but also ensure the provision of environmental public goods.

The third dimension is **rural development**. National (sometimes regional) programmes of development are established to address the specific needs and challenges facing rural areas.

Whilst Member States compose their programmes from the same list of measures, they have the flexibility to address the issues of most concern within their respective territory reflecting their specific economic, natural and structural conditions. As an integral part of rural development programmes, the 'Leader approach' encourages local people to address local issues.

As regards the **funding** of the CAP, there is a predetermined maximum budget (as with all EU policies) which is fixed for 7 years at a time. This ensures a ceiling on expenditure but also predictability for farmers as to what is available. Successive policy reforms have improved the efficiency of the tools available. Gradually the least efficient policy tools have been replaced with more efficient instruments, allowing the CAP to better respond to the needs of farmers as well as to the requirements and needs of consumers.

The first two dimensions — market support and income support — are solely funded by the EU budget, whilst the rural development dimension is based on multiannual programming and is co-financed by Member States.

A policy financed by the EU budget

The budget dedicated to the CAP is considered by some people to be a controversial issue. For instance, the statement 'half the EU budget is dedicated to the CAP' is frequently voiced. Such a statement does not take proper consideration of the EU budgetary mechanism or the objectives of the CAP.

It is true that the policy requires about 40% of the EU budget. This arises because the common agricultural policy is one of the few areas where one common policy is financed mainly by the EU. In contrast, most other public policies are financed principally by the Member States.

It is therefore important to place the budget of the common agricultural policy within the context of all public expenditure within the EU. When seen in this context, the budget of the policy is small – it constitutes only 1% of all public expenditure in the EU. In 2014, this was about €58 billion.

Finally, as a share of the EU budget, the budget of the common agricultural policy has decreased very sharply over the past 30 years, from almost 75% to around 40%.

During this period 18 new Member States have joined the Union (more than doubling the number of farmers) and as a result the spending per farmer is much lower today than in the past.

What the EU does

The CAP is about our farmers

Farmers are very important economic players in rural areas which the EU cannot afford to lose. Fundamental, instinctive farming skills are not learned from the pages of a book, but are passed down from one generation to the next.

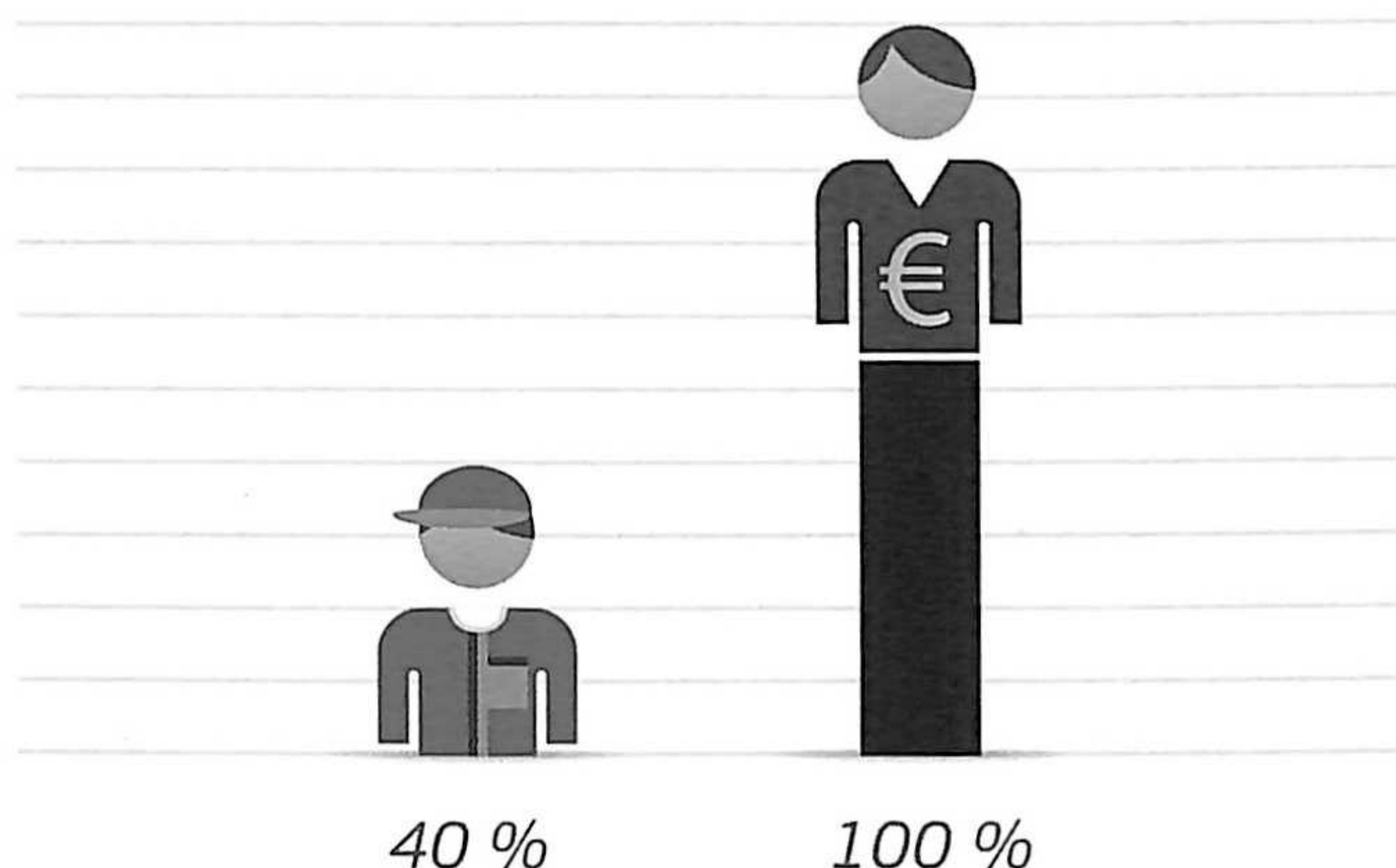
However, many young people no longer see farming as an attractive profession, with the result that there are fewer farmers. In the 1960s, the original six EU countries had 6 million farmers, but since then the number has more than halved.

This is why the CAP helps young people to get started in farming with funds to buy land, machinery and equipment. It also provides grants to train both new entrants and established farmers in the latest technical production methods.

Encouraging young farmers and ensuring continuity from one generation to the next is a real challenge for rural development in the EU.

In some parts of Europe, farming is particularly difficult — as in hilly, mountainous and/or remote areas. It is important to keep communities alive in these regions. The CAP provides funds to ensure that rural

RELATIVE SITUATION OF FARM INCOME COMPARED TO NON-AGRICULTURAL INCOME















The figures are the EU average of entrepreneurial income in agriculture per non-salaried annual work unit as a percentage of average wages in the total economy per full-time equivalent.

Source: European Commission.

HERE'S WHAT OUR FARMERS PRODUCE EACH YEAR

Average for 2009–11.

	Cereals: 300 million tonnes
	Sugar: 17 million tonnes
	Oilseeds: 20 million tonnes
	Olive oil: 2 million tonnes
	Apples: 10 million tonnes
	Pears: 2 million tonnes
	Citrus fruit: 11 million tonnes
	Wine: 160 million hectolitres
	Beef and veal: 8 million tonnes
	Pigmeat: 20 million tonnes
	Poultrymeat: 12 million tonnes
	Eggs: 7 million tonnes
	Milk: 150 million tonnes

communities in vulnerable areas remain in good economic health and do not gradually disappear.

Thanks to the CAP, farmers produce what consumers want

EU citizens are the ultimate beneficiaries of the CAP. There is always plenty of food in our shops and supermarkets at prices which are generally affordable. In most EU countries today, the average family spends around 15 % of its monthly income on food. The proportion is half what it was in 1962.



Farmers work more and more to protect the environment and the beauty of the landscapes.

We enjoy a secure supply of high-quality food from our farmers. Europe is considered as a world leader in sectors like olive oil, dairy products, meats, wines and spirits. Furthermore, we can easily find out how and where our food was produced because the EU's labelling and traceability rules give consumers the information they need to make an informed choice when buying their food.

Many EU consumers prefer local or regional products where these are available. Traditional specialities are more and more in demand. As a result, farmers are increasingly selling directly to consumers at farmers' markets and are processing their own products to add local value.

Farmers act as managers of the countryside

Around half the EU's land is farmed. This makes farming very important indeed for our natural environment. 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 home to a rich variety of wildlife. Farming and nature influence each other. Thanks to the successive reforms of the CAP, our farming methods are becoming more environmentally friendly.

Today's farmers therefore have two roles – producing our food and managing the countryside. In the second of these they provide public goods. The whole of society – present and future – benefits from a countryside that is carefully managed and well looked after. It is only fair that farmers are rewarded by the CAP for providing us with this valuable public good.

Following the 2013 reform, in order to receive their full entitlement of income support payments, farmers have to adopt environmentally-sustainable farming methods. In practice this means that they must maintain permanent grassland areas (grass is good at absorbing carbon dioxide, which helps in the fight against climate change); they must grow a minimum number of crops and must farm 5 % of their arable area in a manner that promotes biodiversity (known as an ecological focus area). Farmers may also receive additional support if they adopt more strict agri-environmental farming practices.

In addition, the CAP promotes agricultural practices such as safeguarding the scenic value of the landscape – in line with what the public wants.

Protecting biodiversity and wildlife habitats, managing water resources and dealing with climate change are other priorities that farmers are required to respect.

In this regard, the EU's Natura 2000 programme is relevant. This is a network of some 25 000 sites – covering about one-fifth of the territory of the EU – and is aimed at protecting Europe's biodiversity. The sites are not 'fenced-off' protected areas but are open and are often dependent on sustainable human activities and land-use that have shaped and maintained them over the years. Many sites are on farmland and the farmers undertake to manage the land in a specific manner so that the biodiversity is maintained.

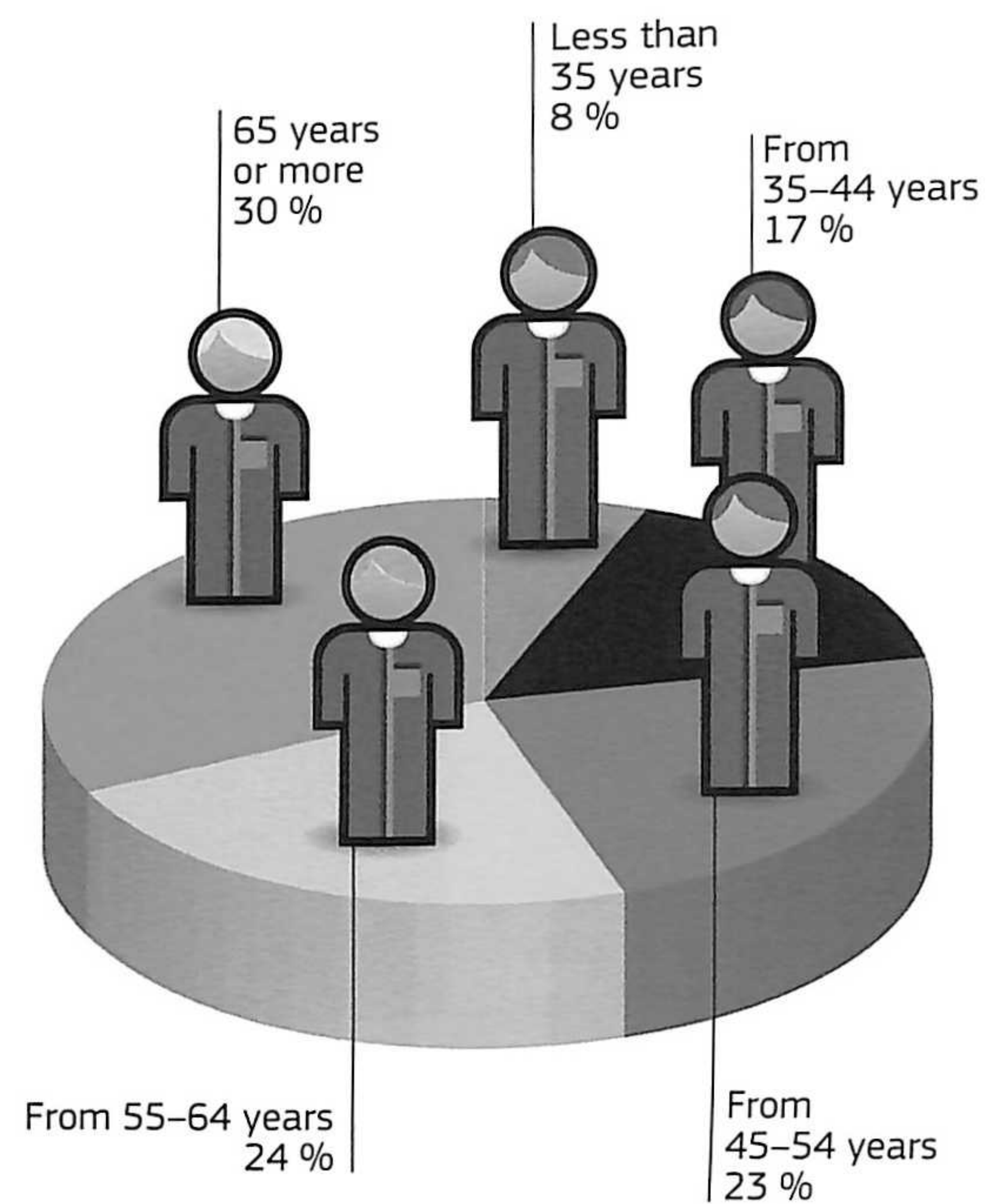
The rural economy and way of life depend on farming

Although farming is the principal economic activity in most rural areas, farmers do more than grow food. They often process their products and sell them directly to consumers. Indeed, the 2013 reform promotes the direct sale of food products — for instance via farmers' markets.

About half the population of the EU lives in rural areas. Without farming there would be little to keep many communities alive and hold them together. If farming were to disappear, in many areas there would be a problem of land abandonment.

This is why the CAP gives farmers financial assistance to ensure that they continue working the land and to create additional jobs through the renovation of their villages, landscape preservation or cultural heritage projects and many other tasks directly or indirectly associated with farming and the rural economy.

FARMERS ARE BECOMING OLDER

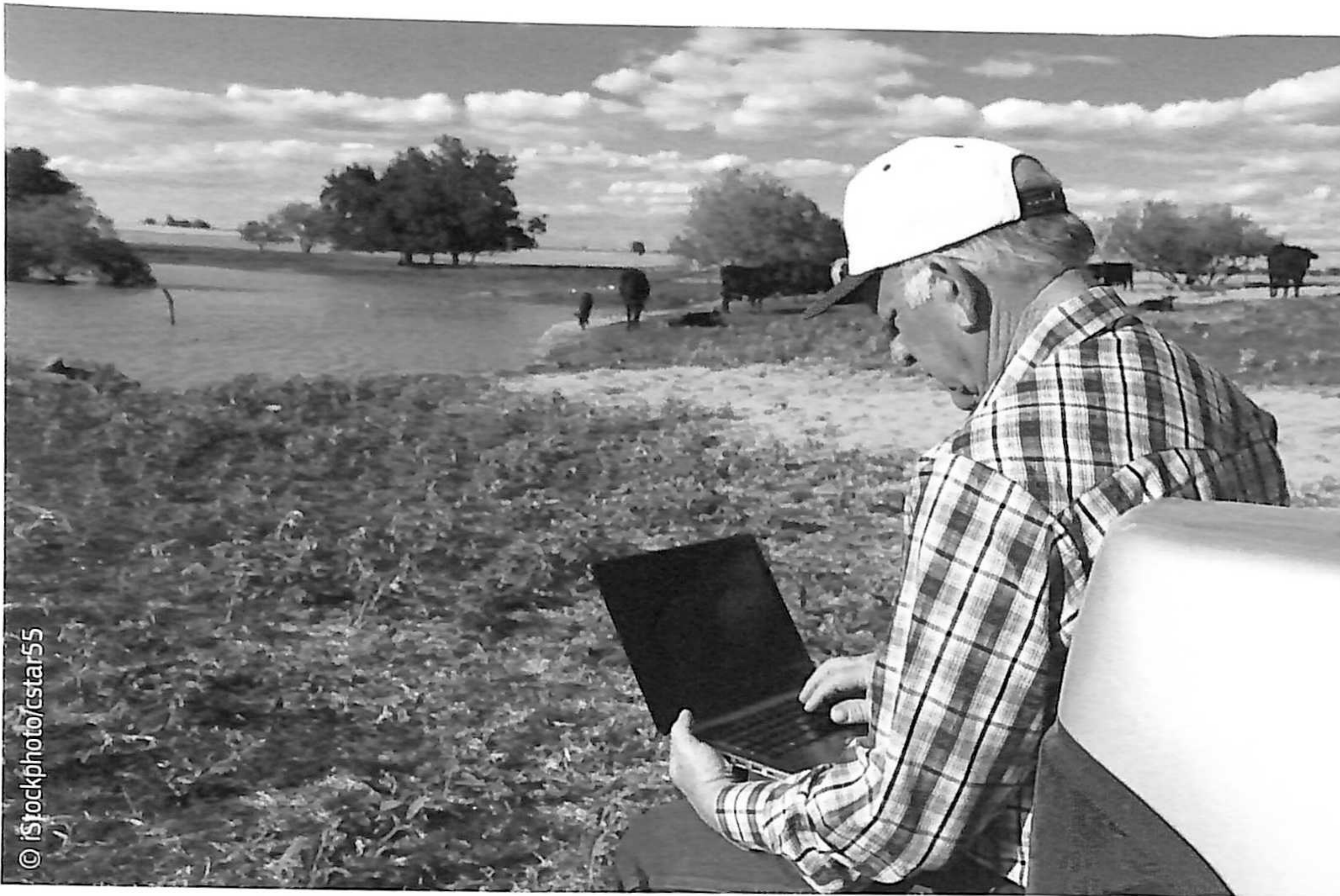


Source: Eurostat, 2010.

This helps prevent rural depopulation in the face of few job opportunities and high unemployment. Public services — such as schools and healthcare amenities — are preserved and improved, giving people a good reason to remain in the countryside and bring up their children there.



Younger people are needed in farming.



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Efficient and competitive farmers are needed to create growth and employment in Europe.

The dynamism of small family farms will have to be reinforced. Many farmers are over the age of 55 and will retire from active farming at some point in the future. The EU recognises that the age structure of farmers has become a matter of concern. Helping young farmers get started is a policy 'must' if Europe's rural areas are successfully to meet the many challenges that face them.

The CAP drives productivity and innovation

The CAP helps farmers to be more productive and to improve their technical skills.

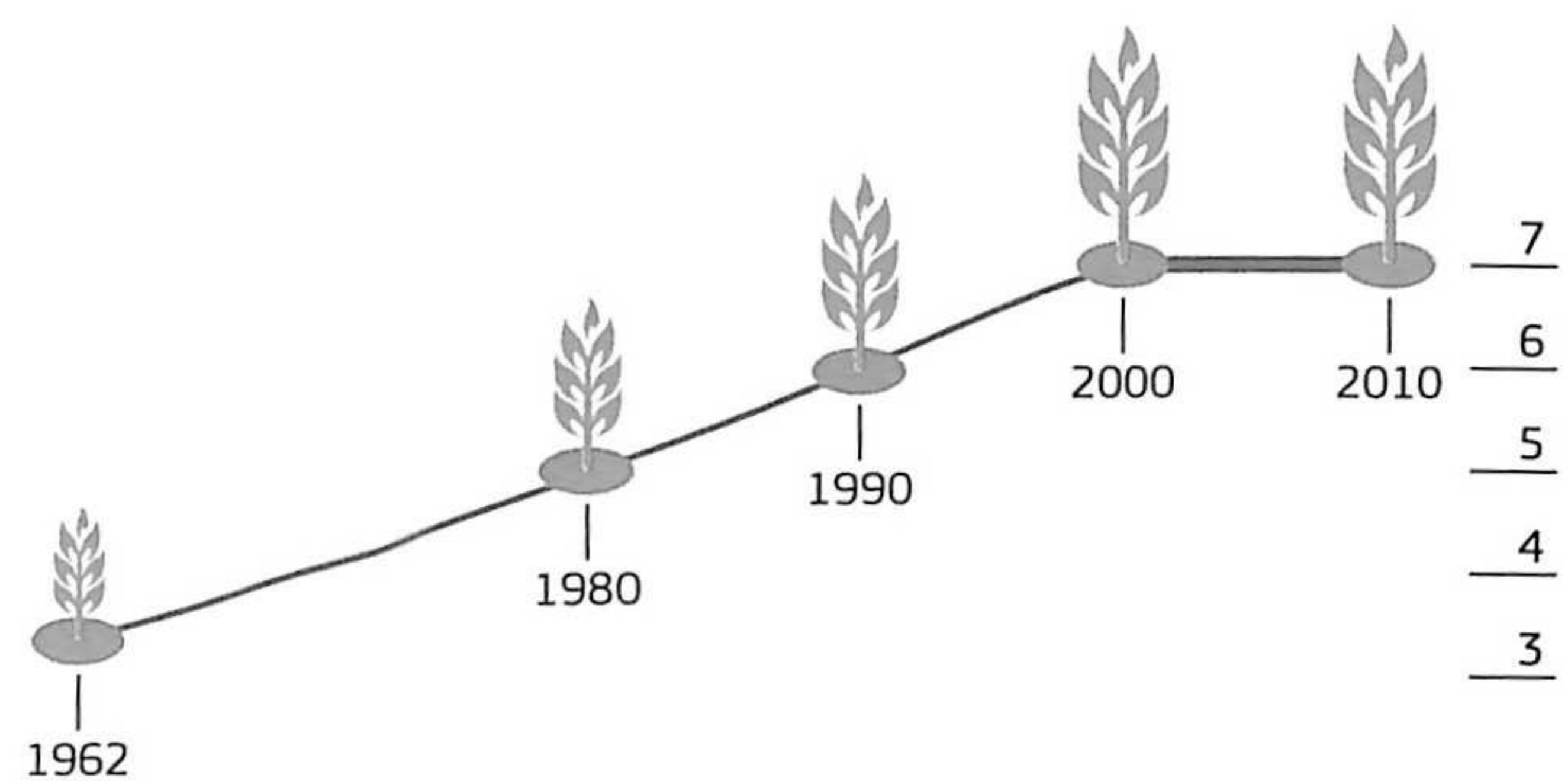
In its early years, the CAP encouraged farmers to use modern machinery and new techniques, including chemical fertilisers and plant protection products. These were necessary because the priority at that time was to grow more food for the population.

The policy was very effective. Productivity greatly increased. Crop yields rose dramatically but have been stable since 2000. In the years to come, research and innovation will be crucial for farmers to produce more from less.

In the face of the food surpluses which resulted, the emphasis has changed. Now the CAP helps farmers to:

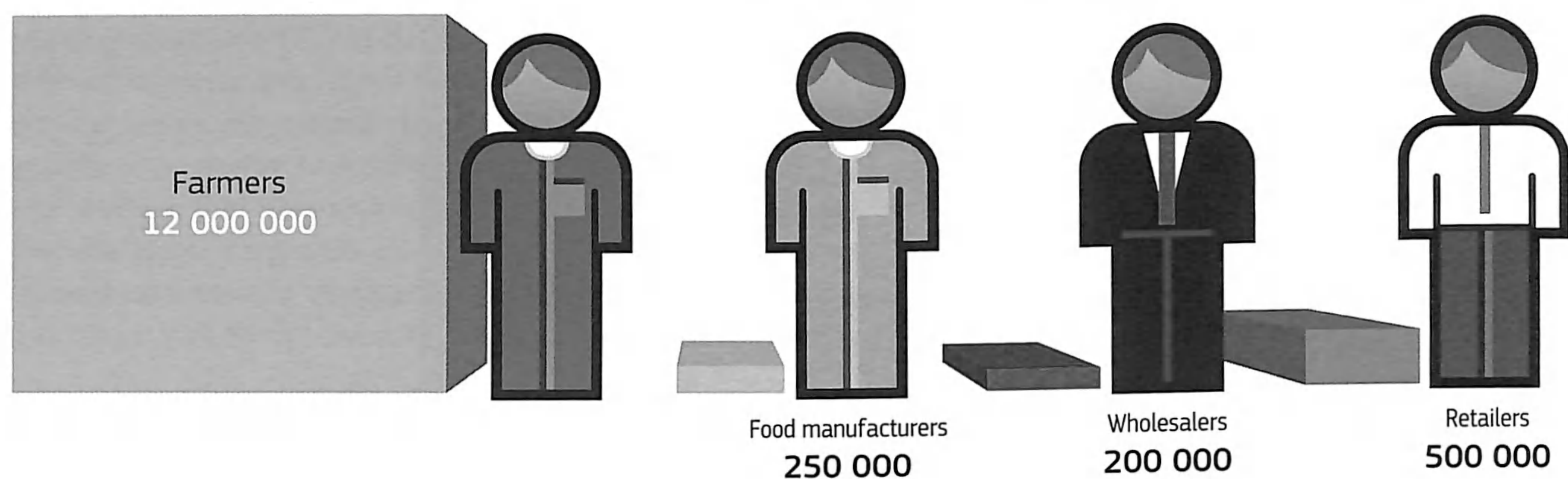
- farm in a manner that reduces emissions of greenhouse gases;
- use eco-friendly farming techniques;
- meet public health, environmental and animal welfare standards;
- produce and market the food specialities of their region;
- make more productive use of forests and woodland;
- develop new uses for farm products in sectors like cosmetics, medicine and handicrafts.

MORE EFFICIENT FARMERS: WHEAT YIELDS IN THE ORIGINAL SIX MEMBER STATES



Yield in tonnes per hectare. Source: European Commission

CONCENTRATION ALONG THE FOOD CHAIN: NUMBER OF ENTERPRISES



Figures are for 2010 (agriculture) and 2009 (other sectors). *Source: Eurostat.*

EU research funds are devoted to developing new farming systems so that farmers can respond to the many challenges that lie ahead — not least those of a changing climate and growing pressure on natural resources. In the future, our farmers will have to produce more with less. This could be achieved through the development of instruments, such as innovation partnerships, to promote innovation in agriculture by bridging the existing gap between research and farming practice and facilitating communication and cooperation among stakeholders (farmers, advisors, agro-business, scientists, administrations and others).

Modernisation is another CAP priority

Farm modernisation has always been, and still is, an important CAP objective. Many EU farmers have benefited from grants to modernise their farm buildings and machinery. Others have made use of grants to improve the quality of their livestock and the conditions under which they are reared.

The challenge is to ensure that modernisation will assist farmers to become economically competitive and to apply environmentally sustainable techniques.

The CAP's rural development programme will remain a significant driver of change and progress: it will continue to offer opportunities to farmers to improve their farms and, more generally, the countryside they live in.

In line with Europe's growth strategy for the coming decade — 'Europe 2020' — our farmers will become more efficient and more competitive.

While grants and loans play a major role, there are other means to help farmers. Training programmes and farm advisory services are among the less visible ways to provide valuable assistance to farmers throughout the EU.

Why farmers don't always get a fair deal

The vast majority of farms are relatively small. The average EU farmer has only 12 hectares of land (equivalent to about 20 football pitches) and 70 % of farms are less than five hectares in size.

The small size of their farms means that farmers can find it hard to get the best market price for their produce. Their efforts to improve quality and add value can go unrewarded by the market price.

The CAP increasingly helps farmers to strengthen their bargaining position vis-à-vis other players in the food chain.

The EU helps farmers by encouraging:

- the formation of producer organisations: these allow farmers to form groups so that they can sell their products collectively, enabling them to exert greater market power within the food chain;
- other forms of cooperation to give farmers more leverage in the marketplace and raise profit margins and competitiveness;
- specialised types of production such as organic farming;
- contractual relationships throughout the food chain;



Europe's good reputation for quality food is supported by a number of EU schemes.

- the creation of mutual funds and insurance schemes to allow farmers to respond better to market instability or fast-falling prices.

Risk management and marketing tools can improve farmers' position in the food chain. The 2013 reform provides financial support to farmers who wish to use such tools.

Quality food — a key to success

Europe is renowned for its huge range of fine foods, wines and beers, as reflected in its great culinary traditions.

In pursuance of safe and high-quality food, over the years Europe has developed a range of tools. These include marketing standards, quality systems to identify products with a specific quality, certification systems and hygiene rules.

MARKETING STANDARDS: these standards exist for most farm products. They define product categories, minimum product standards and some labelling requirements. They inform the consumer (on the origin or variety of fruits and vegetables for example) and allow for price comparison between products of a similar quality. These standards make trade in Europe easier.

QUALITY SYSTEMS TO IDENTIFY PRODUCTS WITH A SPECIFIC QUALITY: specially linked to their geographical origin, there are two logos: 'Protected Designation of Origin' and 'Protected Geographical Indication'. What's the difference?

- A Protected Designation of Origin gives status to a food product which is produced entirely within a defined geographical area using recognised skills and ingredients from the region and which is linked to its geographical origin. This includes many cheeses (such as *Queso Manchego* or *Feta*), meat products (such as *Prosciutto di S. Daniele*), olive oil (*Umbria*, *Kalamata*, *Montoro-Adamuz*), fruits and vegetables and, of course, many wines.



Protected designation of origin: the label for European quality food with a guaranteed geographical origin.



Protected geographical indication: the label for European quality food closely linked to a certain region.



The European logo for organically produced products.

- A Protected Geographical Indication denotes a food linked by its quality and reputation to a region in which at least one stage of production took place. This includes beers (*Münchener Bier*, *Ceskobudejovické Pivo*), meat (Scotch beef, many types of French poultry) and also bakery products and fish (notably Scottish farmed salmon).

ORGANIC FARMING: there is a special European logo for organically produced products which guarantees that European organic production standards have been complied with. Organic farming respects the natural life cycles of plants and animals. It minimises our impact on the environment. Production methods comply with precise and strict European legislation.

CERTIFICATION SYSTEMS: the voluntary certification systems for food quality guarantee compliance with specifications which may include requirements on environmental protection, animal welfare, the odour and taste of a product and fair trade. The European Commission has developed guidelines to harmonise these systems, to limit the constraints on producers and to ensure that consumers are not misled.

HYGIENE RULES: these rules are applied from the 'farm to the table' for foods produced in the EU or imported from third countries. The EU's food security strategy is based on: rules related to the security of products intended for human and animal consumption; independent and publicly available scientific advice; safeguards; and the right of the consumer to make a fully informed choice.

Finally, the European Commission and the EU Member States support farmers who commit to quality through rural development measures and promotion aid.

The EU opens its market for developing countries

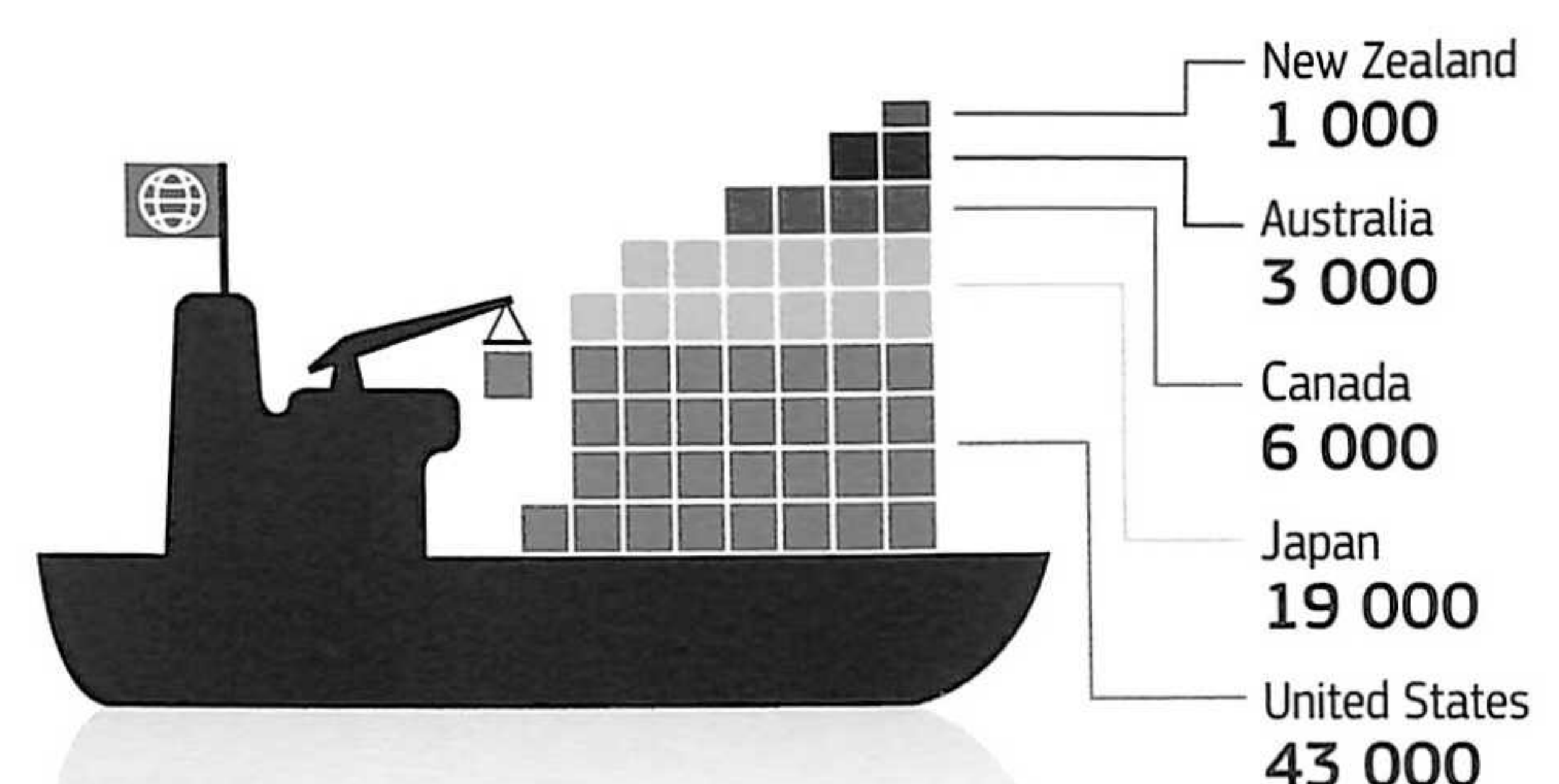
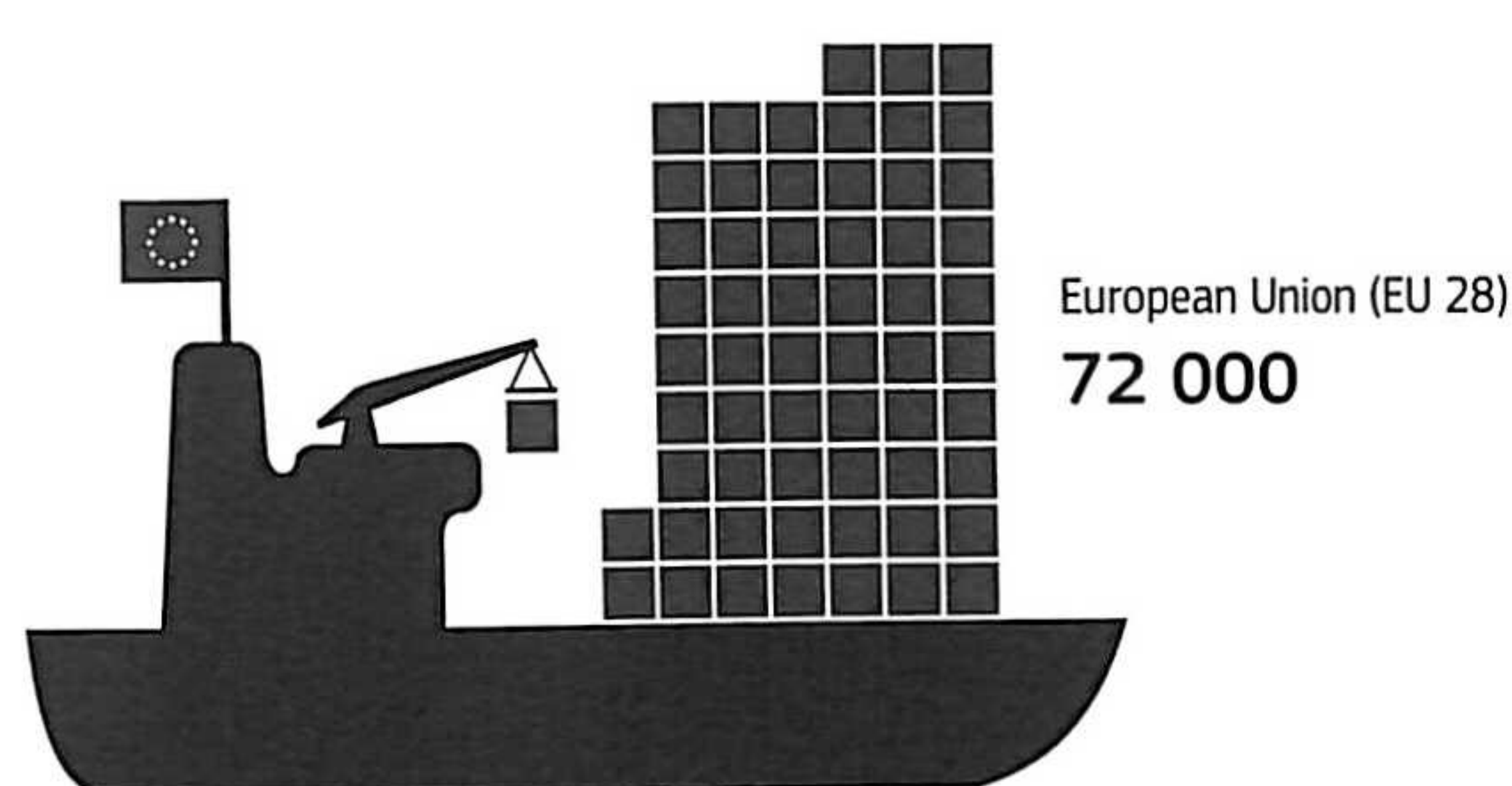
The European Union is the world's biggest importer of foodstuffs — by a big margin.

Through its overseas development policy, the EU helps developing countries to sell their agricultural products in the EU. It does this by granting preferential access to its market.

Each year, the EU typically imports close to €60 billion worth of agricultural products from developing countries. This is more than the other five major importers combined (the USA, Japan, Canada, Australia and New Zealand).

The EU has extensive commercial and cooperation links with third countries and regional trading blocs. In addition, it has concluded (or is negotiating) bilateral trade agreements with its near neighbours and other third countries as well as economic partnership agreements with developing countries.

AGRICULTURAL IMPORTS FROM DEVELOPING COUNTRIES



Europe is a major exporter of quality food

Thanks to its favourable climate, its fertile soils and the technical skills of its farmers, Europe is one of the world's most important producers of agricultural products.

At the global level, food production will have to double in order to feed 9 billion people — the estimated world population in 2050. The EU, through the CAP, plays a significant role in meeting this challenge. This is why it needs to continue investing in its farming sector.

The volume, diversity and quality of its products make the EU a major exporter. In fact, the EU is the leading exporter of agricultural products (mostly processed and high-value-added products).

The EU is one of the most important and active members of the World Trade Organisation and plays a constructive role in devising innovative and forward-looking common rules for global trade, including agriculture. By supporting the role of the WTO, the EU helps to maintain a free, fair and open trading system for all countries of the world.

The flow of agricultural imports and exports to and from the European Union is shown below.

EU EXPORTS BY SECTOR

Machinery and appliances **21 %**

Chemicals **11 %**

Pharmaceuticals **8 %**

Agriculture **7 %**

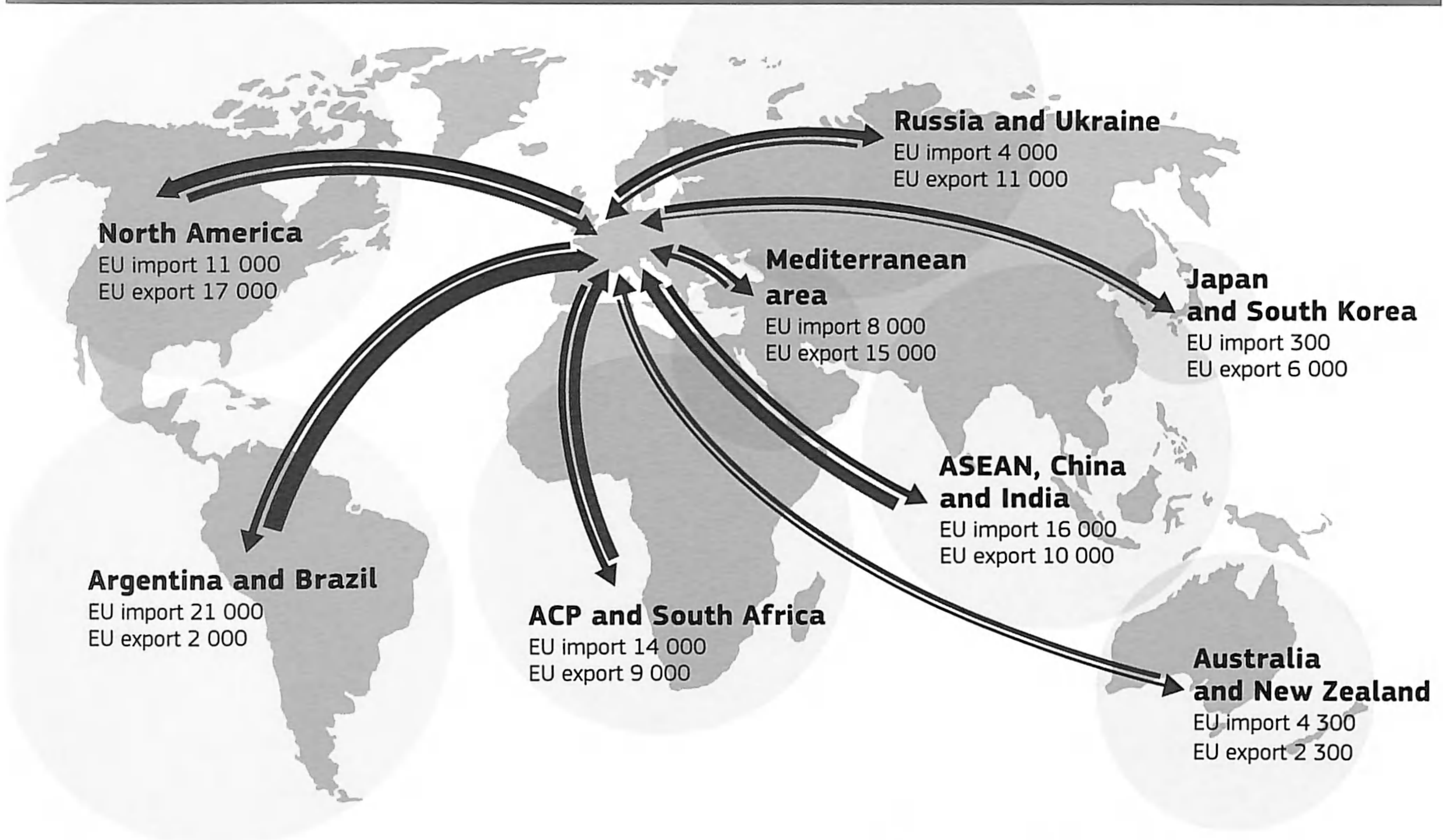
Vehicles and parts **6 %**

Textiles **3 %**

Construction equipment **2 %**

Source: European Commission.

EU AGRICULTURAL TRADE



Million euro. Average 2010–12.
Source: European Commission.

Europe's agriculture towards 2020: meeting the challenges ahead

The common agricultural policy delivers food to our tables, providing wholesome, high-quality and safe products at an affordable and fair price.

The CAP has evolved over the years to meet changing economic circumstances and citizens' requirements. The vast majority of citizens support this policy and recognise its substantial benefits.

In 2013 the policy was reshaped to meet the challenges of the future. It takes into account the expectations of society and will lead to far-reaching changes: direct

support will become fairer and greener, the position of farmers vis-à-vis other players in the food chain will be strengthened and the policy as a whole will become more efficient and more transparent. The reform represents the EU's strong response to the challenges of food security, climate change and growth and jobs in rural areas. The CAP will continue to play a key part in achieving the overall objective of promoting smart, sustainable and inclusive growth.

As it has done over the last 50 years, it will continue to bring benefits to all EU citizens.

Find out more

- ▶ **The European Commission's website about agriculture:** http://ec.europa.eu/agriculture/index_en.htm
- ▶ **We take care of our roots:** presentation of Europe's common agricultural policy:
http://ec.europa.eu/agriculture/cap-for-our-roots/index_en.htm
- ▶ **Questions about the European Union? Europe Direct can help:** 00 800 6 7 8 9 10 11
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