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What's the best way to prepare the CAP of the future?

Whilst negotiations over the status report are well underway, it is not too early to initiate the debate about the future of the CAP. Indeed, we need to open up the discussion on the major orientations of this policy in a new context. This is the object of the deliberation proposed for this informal Council.

1 – The New context: a finding that requires analysis

- **The increase in the price** of certain agricultural raw materials, notably cereals, oil-producing plants, butter, and milk powder since 2006 is changing the face of farming. It raises questions with respect to the consumer through pressure on the price of food, but also within the farming sector through increased costs for livestock production.

According to the experts, whose analyses are summarised in the document entitled “Agricultural Outlook 2008-2017” published conjointly last May by the OCDE and the FAO, this situation is the result of current trends related to the succession of adverse climatic conditions in the producing countries, but also to structural changes in the evolution of demand linked to the rising population, changes in dietary habits, and the development of biofuels.

For the future, the principal question in the conception of an agricultural policy is that of the durability of this new situation. The increased productivity of farming, combined with the emergence of second-generation biofuels that are not in direct competition with food production, should make it possible to reduce the tensions on the markets of certain raw materials. However, farming will probably live, in the next decade at least, in uncertainty as to the final resulting balance between supply and demand.

- There is a broad consensus in the analyses over a greater **instability of prices** caused by:

- A greater opening of the markets,
- Climate change, which will increase the frequency and amplitude of adverse environmental conditions.
- The resurgence of health crises and their repercussions on the markets.

Furthermore, one must take into account the strategies of other major production zones in terms of agricultural policies (United States, Brazil), and those of the major consumer zones in terms of evolution and coverage of demand (China, India). The decisions of these major partners are likely to affect global prices in the mid-long term. Some of them have already taken decisions with hefty consequences, such as the United States with the new Farm Bill, or Brazil with its biofuel policy.

- Finally, **production methods** in Europe, or at least some of them, could be fundamentally called into question by several phenomena whose effects have already been felt.

Global warming has a direct impact on farming through the capacity of the latter to adapt production methods and help to reduce the emission of greenhouse gases.

Competition for the use of land generates conflicts between the agricultural world and the rest of society. The same applies to the management and use of water resources.

The long-term viability of our production systems is being called into question by the durable increase in the cost of energy, the rarity of water supplies, and the exhaustion of soils.

There is also growing concern over the impact of these production methods on public or environmental health.

An open discussion is needed to determine how today's CAP should be adapted to respond to such a changed context. Nevertheless, we should bear in mind that such a debate should be part of a more global approach affecting world government, since the CAP alone is not capable of resolving problems such as famine or climate change.

Can these conclusions relative to the foreseeable changes and the need to take them into account be analysed further?

2 – The challenges faced by the CAP of the future

Farming is at the heart of tomorrow's economic, ecological, and societal challenges. Its economic power as a provider of employment, its territorial anchorage, its attachment to a dynamic agro-food sector, and its contribution to the environment make it one of the major sectors of the European strategy.

The CAP should find a new legitimacy if it manages to demonstrate that it can respond to these clearly identified and incontestable collective requirements. These requirements correspond to the three major challenges faced by Europe.

- **Feeding the population**

Over the last few decades, we have all tended to believe that food supplies were guaranteed and that the major problem faced by agricultural policies was to reduce supply, at least in the developed world. However, the context has changed, with a major increase in the prices of certain agricultural raw materials and with world stocks at their lowest levels.

Although concurrent factors have played a part, the tension on the agricultural markets is primarily due to more deep-seated problems that are here to stay. Demographic growth is continuing with the population set to reach 9 billion people by 2050. The rapid improvement in the standard of living in emerging countries has led to a change in dietary habits with a greater emphasis on the consumption of animal proteins. These changes will lead to the demand for food being doubled by 2050.

At the same time, world famine has not declined and today affects more than 800 million people. Social problems linked to the increase in food prices show that beyond a sufficient quantity of production, access to food becomes a strategic factor.

Certainly, increased productivity is still possible. However, the capacity to increase production is strongly threatened by decreasing yields in certain parts of the world, by climate change, and by the sterilisation of soils through urbanisation and infrastructures.

These changes make the challenge of production the top priority for farmers across the world. Europe, with its proven agricultural potential, should contribute to this whilst making sure that its policies do not induce any disproportionateness. To this effect, one must underline that the European Union has largely reformed its agricultural policy by limiting or removing the subsidies with a distortive effect: it has thus halved its subventions in 15 years, and reduced grants to farmers. What's more, the European Union has undertaken, in the context of the WTO, to cancel subventions on the condition that there is a reciprocal effort from its partners.

Besides this quantitative challenge, the CAP should respond more closely still to the demands for food quality and diversity. Health and safety should be designed by the consumer in an even more rigorous fashion; added to this are public health considerations linked to dietary balance (problems of obesity).

Finally, the food challenge also concerns our capacity to provide our poorest citizens with access to food. The European programme that is destined for them is currently weakened by the progressive depletion of the stocks on which it relies. It needs to be strengthened and consolidated in an enlarged Europe.

- **The Environmental challenge**

Our citizens are increasingly demanding more from farming than simply adhering to the nevertheless very stringent environmental legislation. They demand at least as much in terms of the production of environmental goods. Here is an ideal opportunity for agriculture, which is at the heart of the major ecological equilibria of the planet. It is certainly a crucial player in the preservation of natural resources, biodiversity, and the fight against pollution, but also in the reduction of greenhouse gases.

However, one must not hide from the fact that this objective is no longer self-evident in a world marked by the return of rarity. Doubling food production in the long-term implies a major increase in the productivity of farming, whilst the preservation of the environment may necessitate slowing this same productivity.

Having met the demand for food with high levels of safety and quality, the next challenge for farming is to combine economic performance and ecological efficacy in a sustainable manner. This new challenge concerns agriculture on a global basis, it conditions the sustainability of farming methods worldwide and therefore the capacity to feed the fast-growing world population.

The agricultural policy must help to meet the increased global demand, and construct a farming system that is economical with its resources and generator of income through the creation of employment opportunities. It should also make it possible to turn farming into a producer of renewable energy and biomaterials in the context of the fight against global warming. The environmental policy can no longer be considered as opposed to, or even separated from the agricultural policy. This new dimension not only constitutes a new way to develop agriculture, but it is also one of the conditions for the long-term legitimacy of an agricultural policy.

To accomplish this, we must exploit the possibilities offered by new technologies, and therefore place research, innovation, and consultancy at the centre of our efforts. This aspect comes under the Lisbon strategy.

- **The territorial challenge**

The globalisation of an economy tends to concentrate production and employment in the most competitive zones. Whereas the CAP should help to maintain a viable farming community over the ensemble of the territory:

- because it generates income in production zones in a large number of rural areas with limited alternatives and generates a fabric of small to medium-sized businesses with strong territorial ties;
- because it helps to maintain the diversity of production methods and dietary habits;
- because it has a fundamental role in maintaining the quality of the rural landscape, which in itself is a generator of income (tourism and attractiveness);
- because it contributes to regional cohesion, a major component of social cohesion in a largely urbanised society.

These various types of farming, provided that they are economically viable and ecologically sustainable, should be preserved and consolidated by changes to the CAP. The Member-States will accompany them through the implementation of their rural policies. The maintenance of agricultural activity through the presence of numerous farmers in all of the nations, including the most deprived, in which it constitutes the economic backbone, helps to construct the European identity.

In this context, a renewed agricultural policy should meet **4 objectives**:

- **Ensure food safety within the European Union including the public health aspects thereof** in tandem with the rise in health risks.
- **Contribute to global dietary health** to participate in world food safety and be present on the markets of tomorrow.
- **Preserve the equilibrium of rural areas** to maintain territorial cohesion and a localisation of activity and employment.
- **Participate in the fight against climate change and for environmental improvement** to construct an agriculture that combines economic performance and ecological efficacy.

These objectives correspond in large part to those that were already set for the CAP by the Treaty of Rome, such as the security of supply or reasonable prices for consumers. The dual environmental and territorial dimension is at the heart of various strategies developed by the European Union. It is important that the CAP can integrate it further.

Can you explain these objectives?

3 – A few of the orientations to be discussed for the future CAP

The **significant demands** that are imposed on European producers, through public health and environmental norms, and even collective preferences such as animal welfare, are legitimate as they respond to the expectations of society; however they represent a high cost for producers. Under such conditions, it is important to preserve European production from disproportionateness and seek a balance between competitiveness and the expectations of society.

Can the European Union stop compensating its farmers for having to meet requirements that are more stringent than elsewhere and express them as fair trading rules?

The volatility of the markets and the multiplication of public health and climatic risks are phenomena that will probably continue to increase. The capacity to combat them is a determining factor for the preservation of a sustainable production base in Europe. There is also the problem of the legitimacy of subventions that are totally disconnected from the true situation of the markets.

Are the current methods of support, based essentially on individual grants and fixed over time, adapted to this problem or would it be appropriate to complement them with less static methods within the scope of international legislation?

The use of new techniques would make it possible to resolve the potential conflict between the need to produce more and that of producing better. On the basis of this statement, it would be logical to make innovation one of the facets of tomorrow's CAP such that the latter supports an agriculture that is respectful of the environment. As was the case at the origin of the CAP when the objective was to modernise European agriculture, this time it's a case of inventing the instruments that are capable of diffusing techniques that are both productive and sustainable as widely as possible for a preserved environment.

Would it be appropriate for the future CAP to incorporate grants for farming and the agro-food industry that are designed to encourage innovation whilst integrating respect for the environment?

European agriculture is characterised by its incredible **diversity**. Today, the CAP assimilates this diversity in the context of rural development, through subventions to deprived zones or agro-environmental measures, subventions designed on the basis of physical criteria. The mainstay of the CAP, however, is founded on the uniformity of its subventions. The uniformity of subventions should not blur the diversity of European territories and productions. The poorest communities and those that completely integrate environmental considerations should undoubtedly benefit from specific funding.

Does the efficacy of the CAP involve paying closer attention to the diversity of production systems and their future requirements?