



The Agricultural Challenges in the Western Balkan Countries and the EU's Common Agricultural Policy

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Outline

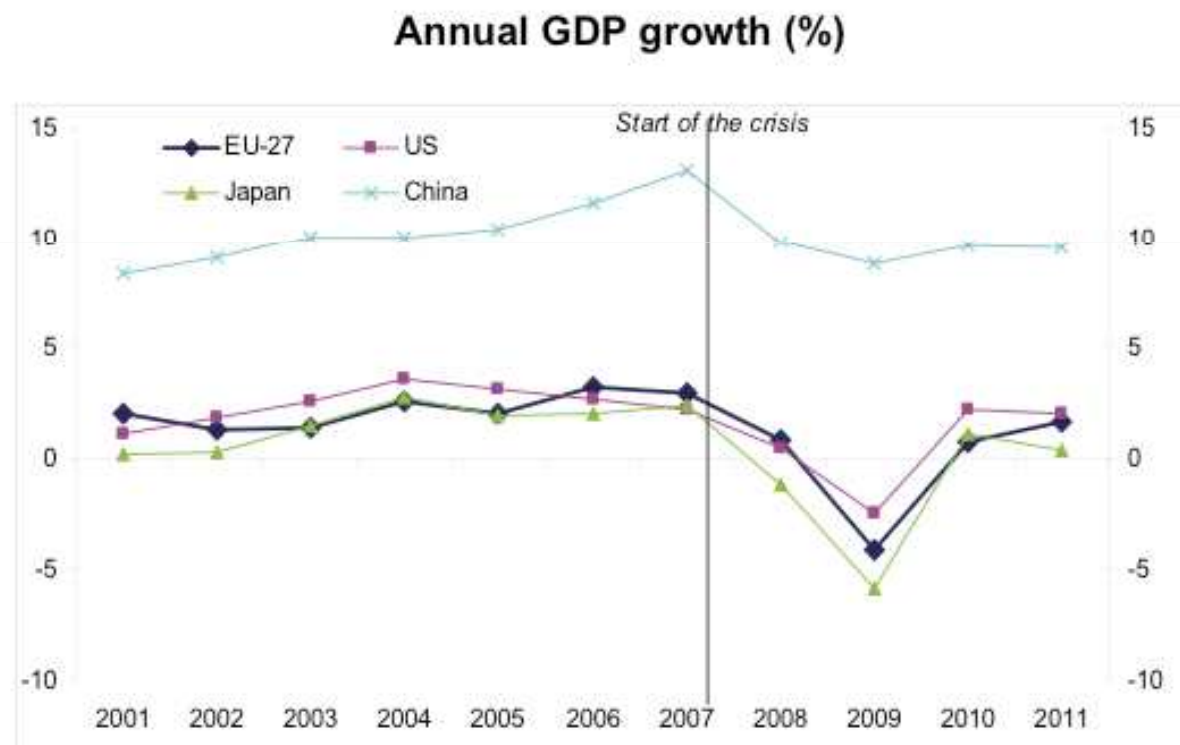
- Challenges:
 - The Economic Crisis
 - Climate Change
 - Growing Market Volatility
 - Rural Zones: The Potential Loser of Globalisation?
- The Common Agricultural Policy (CAP):
 - The Beginning
 - The Present System
 - The Future European Agricultural Model
- The Rural Development Policy



The Economic Crisis



Europe's growth was serverly hit



Source: European Commission

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The crises has wiped out progress

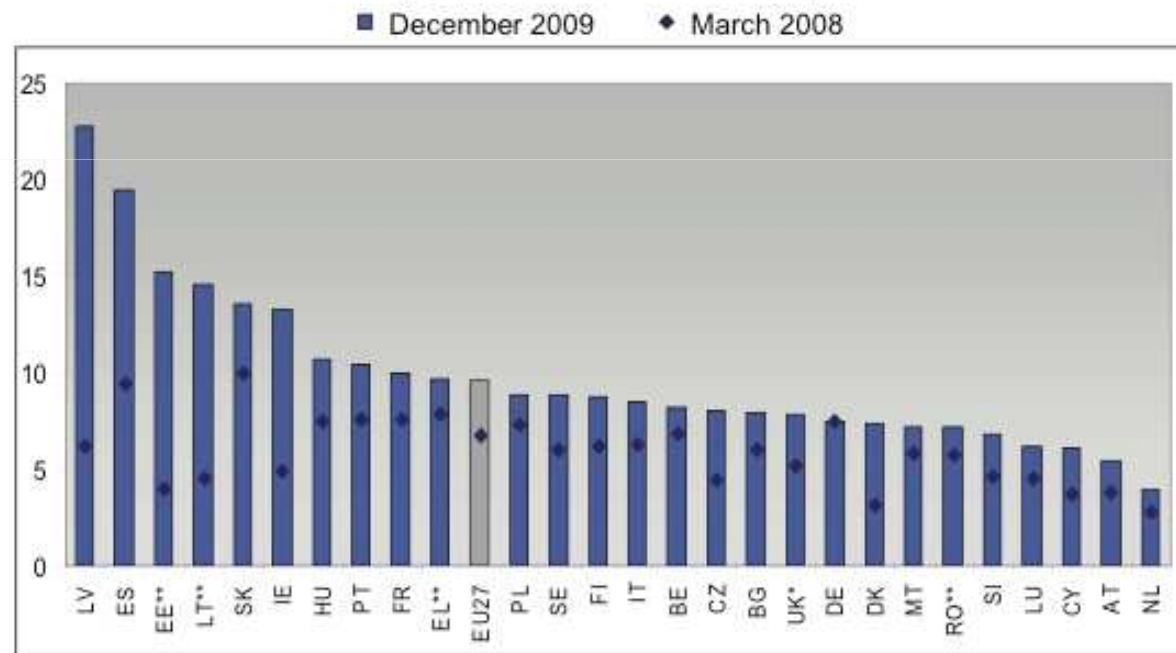
- GDP growth: -4 % in 2009, worst since the 1930s
- Industrial production: -20 % with the crises, back to the 1990s
- Unemployment levels:
 - 23 million people
 - 7 million more unemployed in 20 months
 - Expected to reach 10.3 % in 2010 (back to 1990s level)
 - Youth unemployment over 21 %

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Unemployment has spread

Unemployment rates in the EU, December 2009
(and increase since March 2008)



Source: European Commission

Notes: * UK: October 2009; ** EE, EL, LT and RO: third quarter 2009

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Europe must react to avoid decline

- Our growth potential has been halved by the crisis: if we do nothing, we will end the decade with very low economic growth
- Ageing is accelerating: our working age population will be reduced by about 2 million by 2020, and the number of 60+ is increasing twice as fast as before 2007
- Productivity levels are lagging behind: two-thirds of our income gap with the US is due to lower productivity

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Our room for manoeuvre is limited

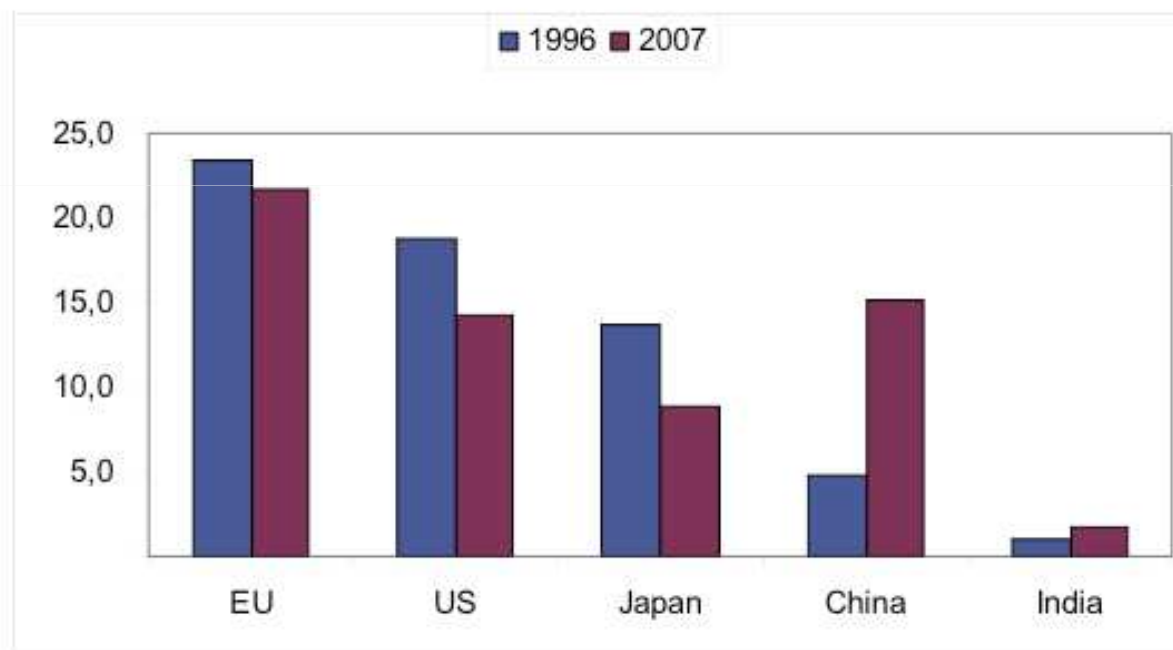
- Our public finances are very severely affected: deficits at 7 % GDP on average and debt levels at over 80 %; 2 years wiped out 20 years of consolidation
- Our financial system still needs fixing: reduced bank lending is still holding back recovery
- Global competition is fierce: EU share of global exports is declining relative to China and India

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Global competition is fierce

Export share (% world exports)



Source: European Commission

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We must learn the lesson

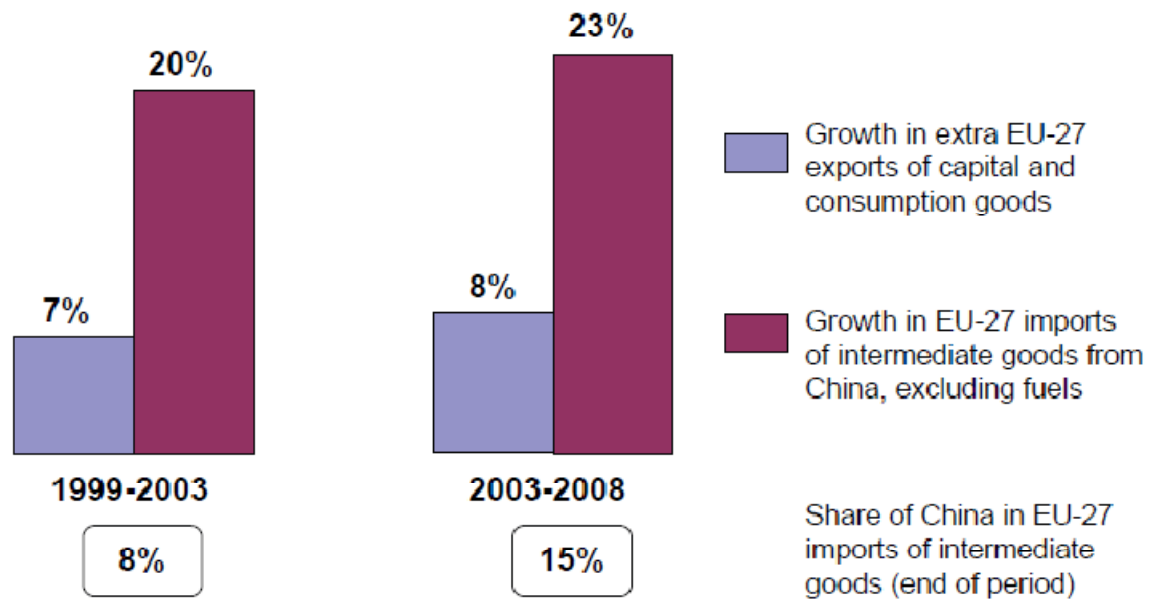
- Our economies are interdependent:
up to 70 % of car components for each car produced in the EU come from other Member States; overall, for € 1000 of growth in a Member State, around € 200 goes to other Member States via intra-EU trade
- In the crisis, the need for coordination became obvious; it is even more crucial for our recovery: decisions taken in one Member State impact the others
- The EU adds value: we should build on our strengths – the internal market, the euro – and on our leadership in the G20

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Our Futures are Interlinked

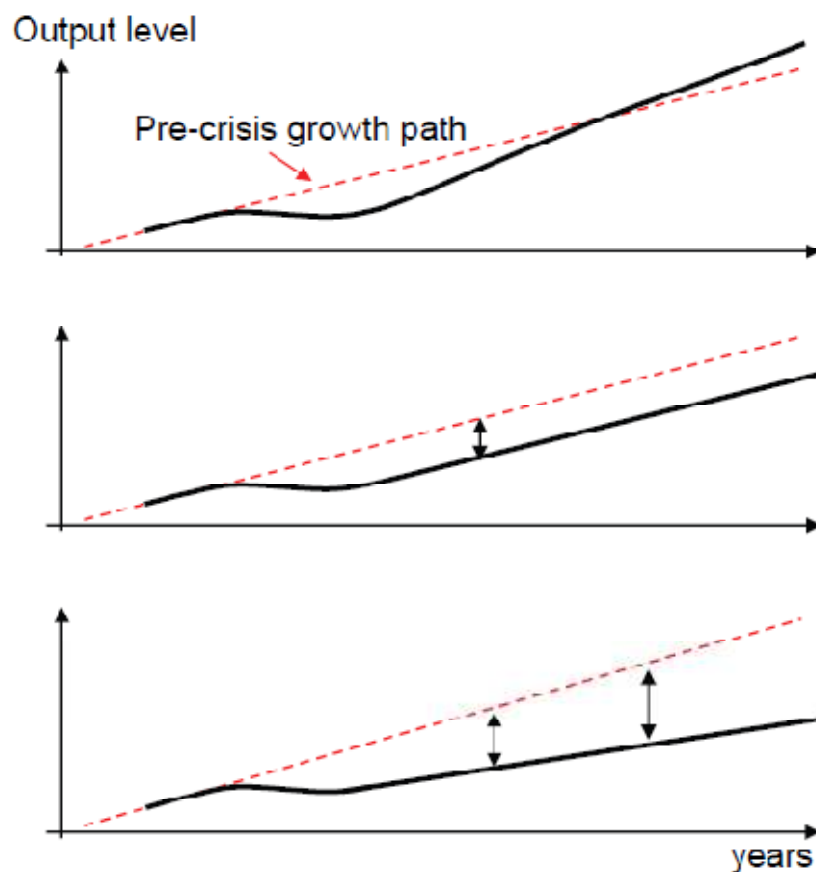
Relation between EU imports and exports of goods



Source: European Commission



Where Do We Want Europe in 2020?



« Strong recovery »
a full return to earlier
growth path and a
capacity to go beyond

« Sluggish recovery »
a permanent loss in
wealth and stagnation on
a lower growth path

« Lost decade »
a permanent loss in wealth
and an eroded potential for
future growth



From Exit to Lasting Recovery

- The „exit“ means the entry into a different economy: We will not return to the situation before the crisis
- We must face up long-term realities – globalisation, pressure on resources, ageing, technological trends – and tap our full potential
- 2020 starts now: Our recovery efforts must pave the way for sustainable growth and fiscal consolidation

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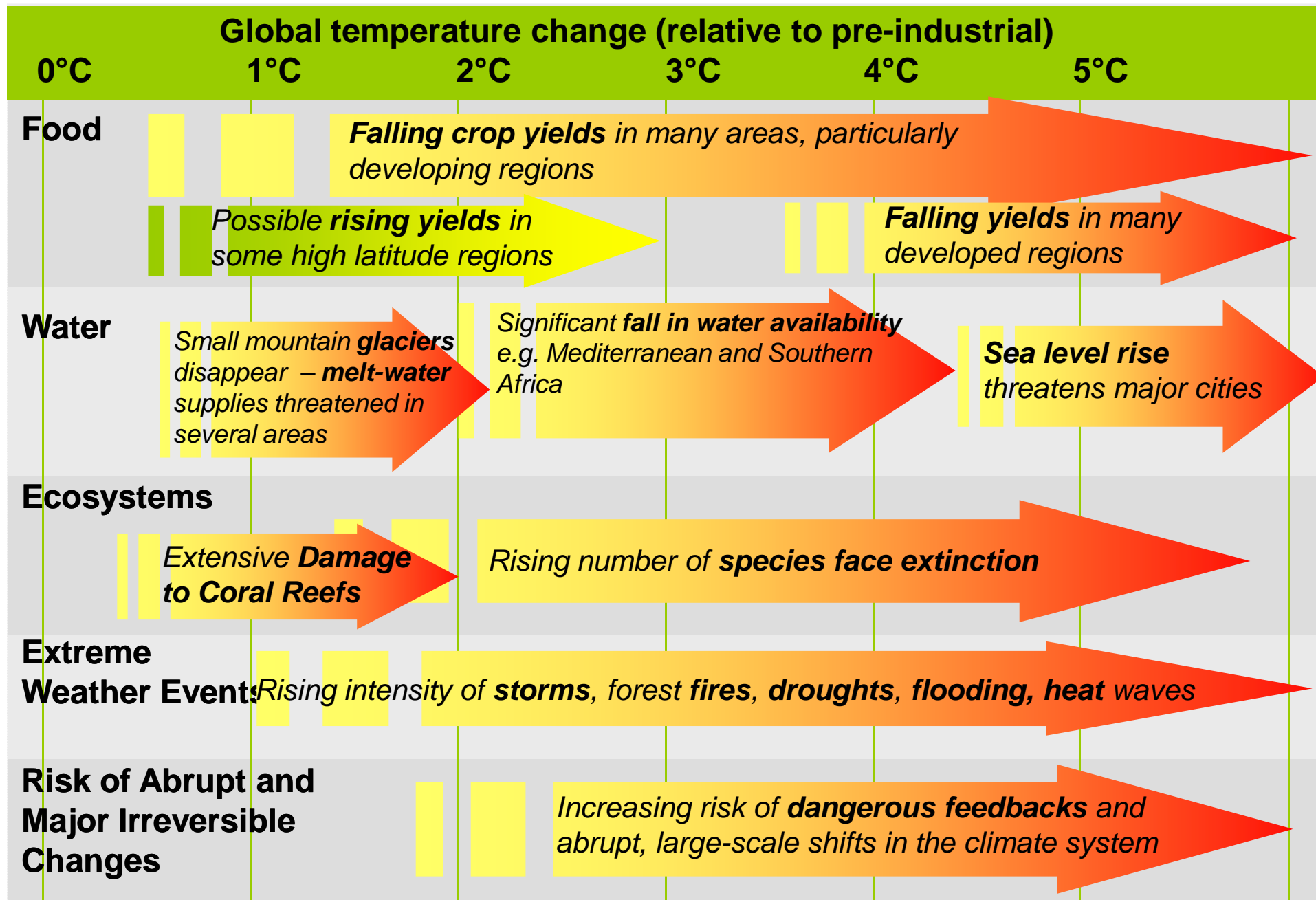
Three priorities for sustainable growth and jobs

- Growth based on knowledge and innovation
 - Innovation
 - Education
 - Digital society
- An inclusive high-employment society
 - Employment
 - Skills
 - Fighting poverty
- Green growth: A competitive and sustainable economy
 - Combating climate change
 - Clean and efficient energy
 - Competitiveness

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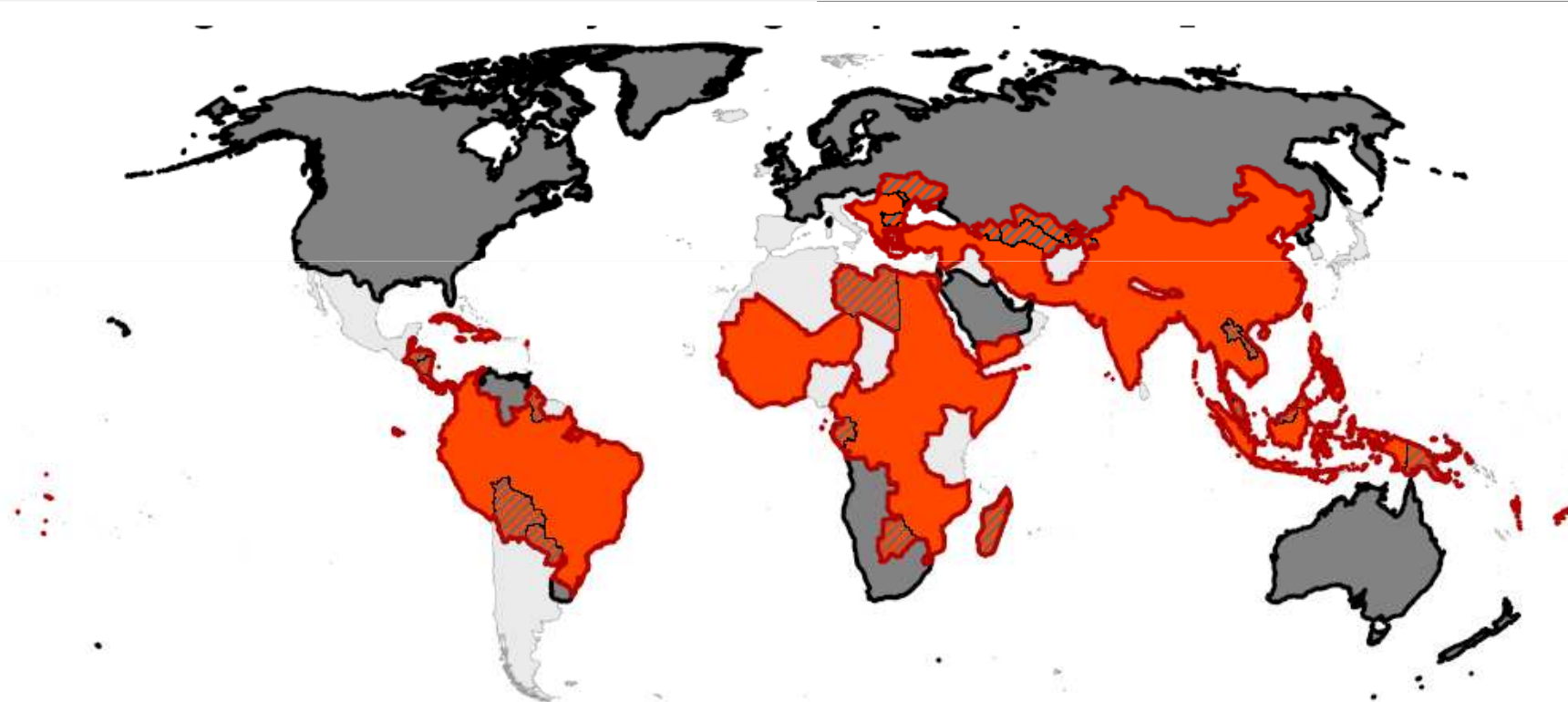


Climate Change





The Moral Dilemma

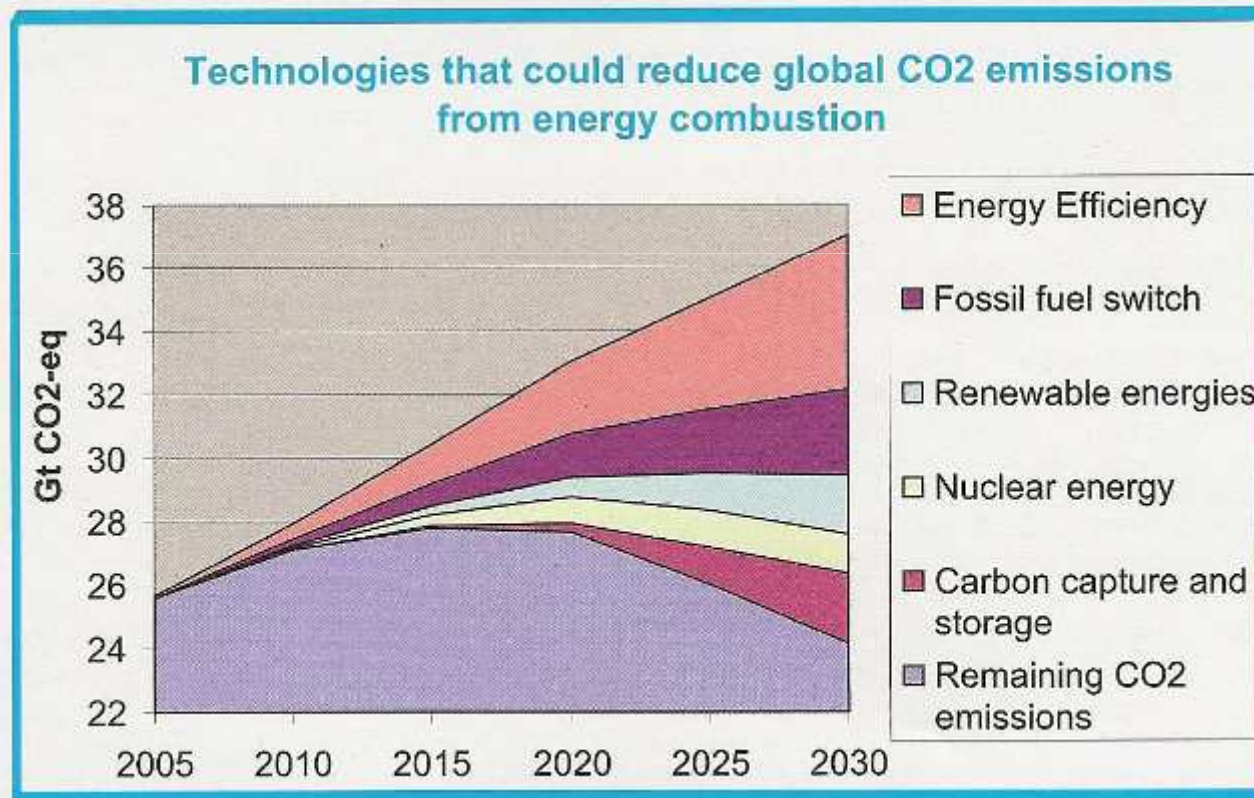


Highest vulnerability towards climate change vs. largest CO₂ emissions (from fossil fuel combustion and cement production, and including land use change, kg C per person and year from 1950 - 2003)

- Largest per capita CO₂ emitters
- Highest social and / or agro-economic vulnerability
- ▨ Largest per capita CO₂ emitters, and highest social and / or agro-economic vulnerability



Technologies to Reduce Global CO₂ Emissions



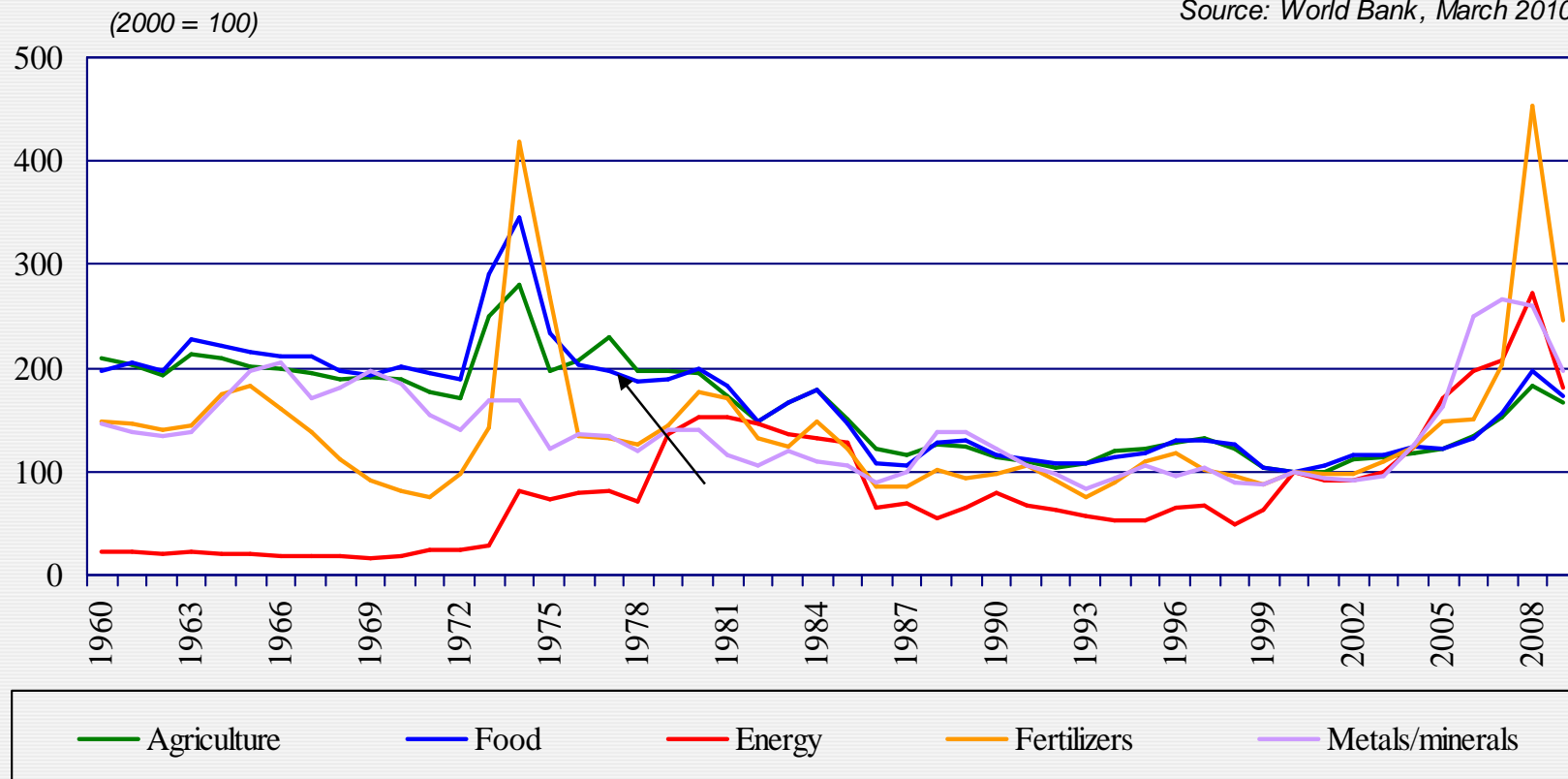


Growing Market Volatility



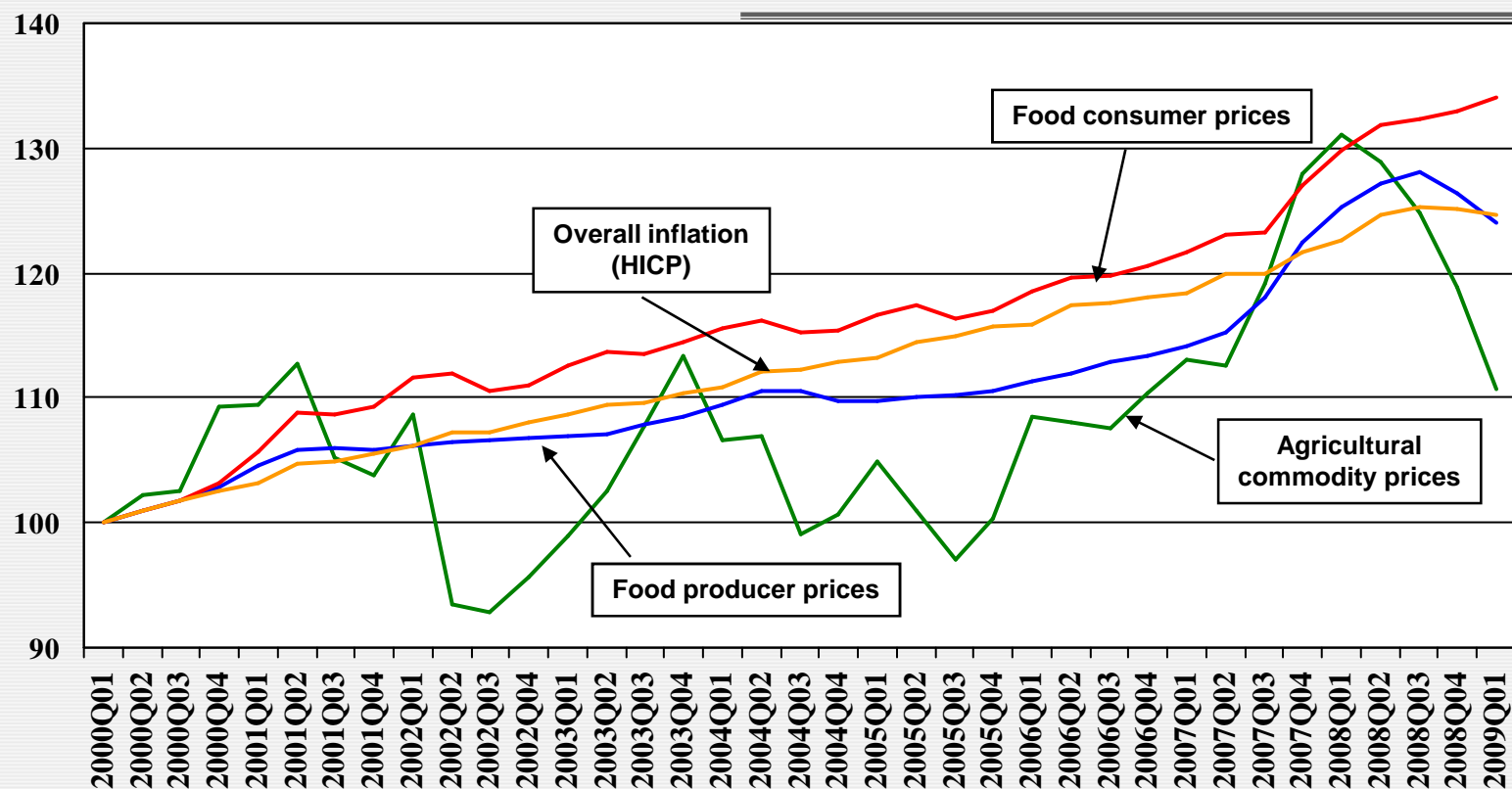
Evolution of commodity price indexes (1960-2009)

Source: World Bank, March 2010





Long-term Price Evolution along the Food Supply Chain



Source: European Commission – DG Economic and Financial Affairs, based on Eurostat and Agriview data



Rural Zones: The Losers of Globalisation?



Effects of Globalisation

- Globalisation supports the move of production, capital and people towards the most competitive regions
- Globalisation favours concentration and urbanisation



Rural Depression

- Lack of Jobs
- Less advanced infrastructure
- Shortages in public services
- Not enough private investment
- Lack of entrepreneurship
- Outmigration
- Overaged population
- Problems with farm succession
- Frustration and depression



The Common Agricultural Policy (CAP)



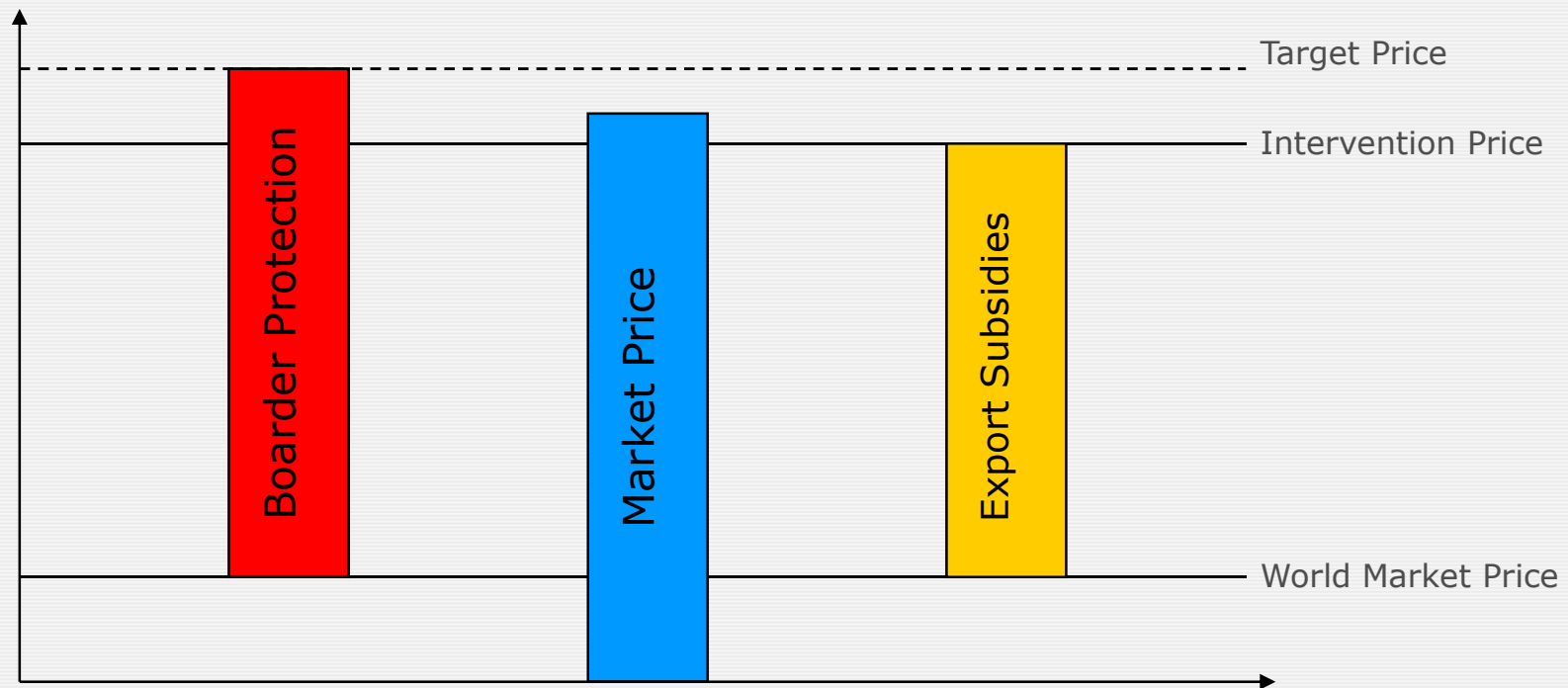
The Beginning of the CAP - July, 30th 1962

The Goals:

- Increase of agricultural productivity
- Increase of the incomes of the agricultural working population
- Stabilization of markets
- Better food supply at reasonable price
- Common financial responsibility



The Beginning of the CAP – The Market Mechanisms





The Present System



Market Organisations

- Quota systems
- Safetynet intervention
- Privat storage support
- Limited export subsidies
- Quality policy and protection of origin
- Producer organisations



Single Farm Payments

- Decoupled direct payments
- 3 applied models (HM, SPS, SAPS)
- Cross compliance
- Progressive modulation



The Future European Agricultural Model



The European Agricultural Model

enshrined in the European Economic Model

The Union shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.

Article I-3 (3) Lisbon Treaty



Future CAP-Objectives

A sustainable balance of:

- Food security
 - a competitive agriculture and food industry
 - based on knowledge, innovation and education
 - to be efficient and effective
- Environmental security
 - production of public goods
 - protection of the environment and nature
 - mitigating climate change and adapting to a changed climate
- Social security
 - income levels comparable with the average of the working population
 - farm succession



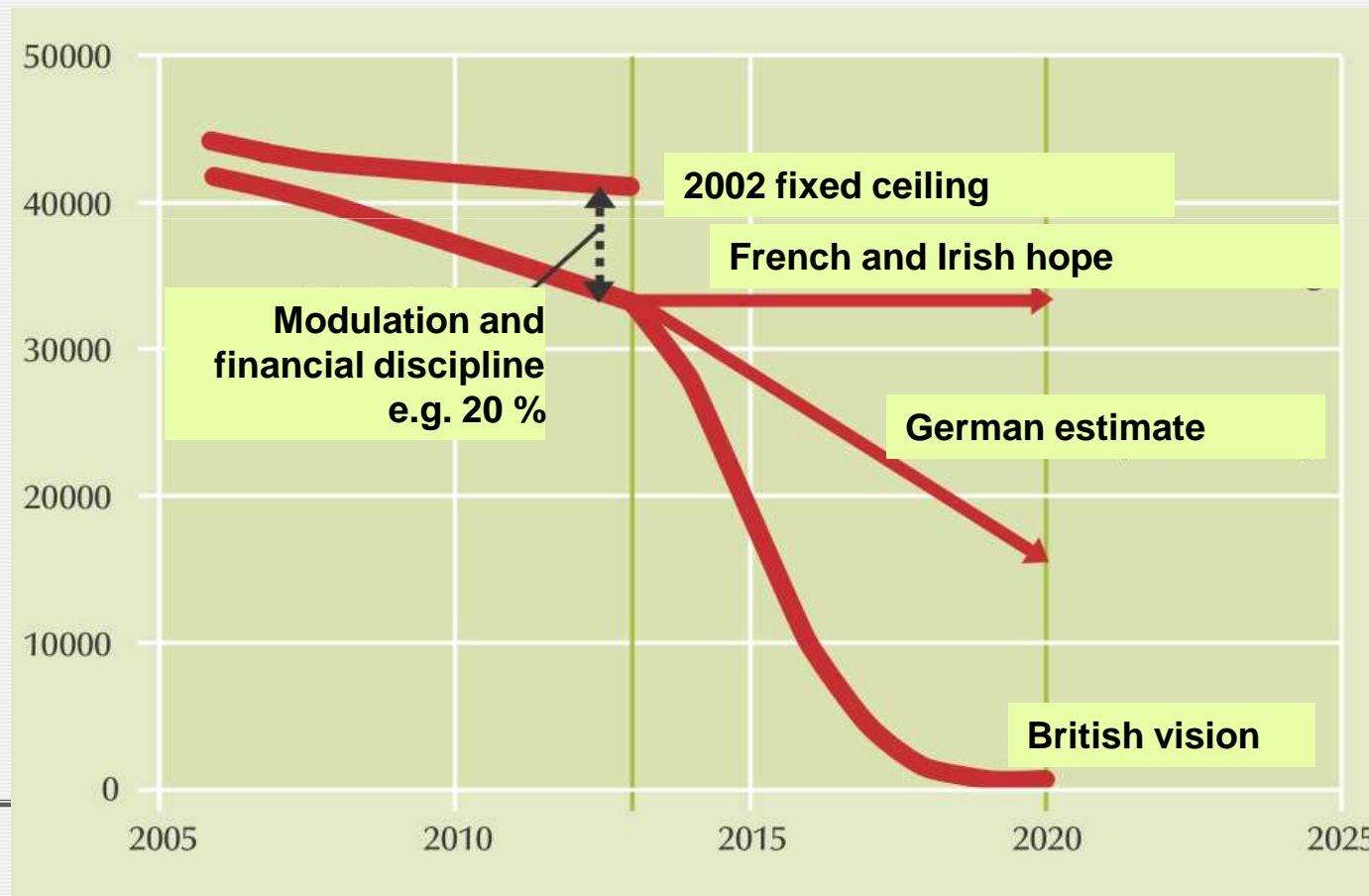
Future Market Instruments

- private storage
- limited intervention
- export promotion
- producer organisations and production chains
- quality policy and protection of origin
- price transparency and price transferability
- income safety net



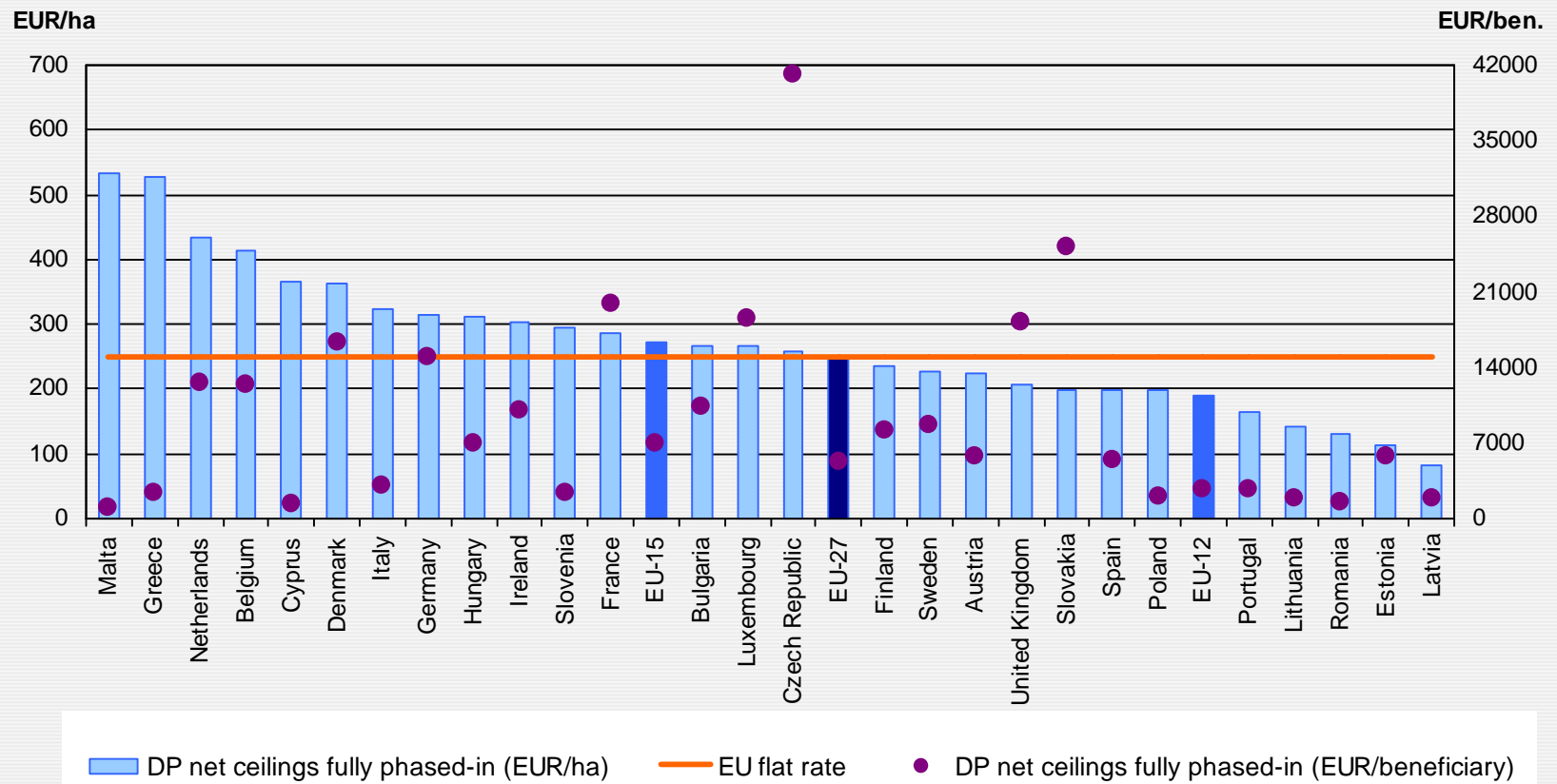
Direct payments

Possible development of the 1st pillar





Single Farm Payment System





Single Farm Payment System

Regionalised Model

- National envelopes based on objective criteria
- Variability kept
(arable land – grassland, Art 68, 70 etc.)



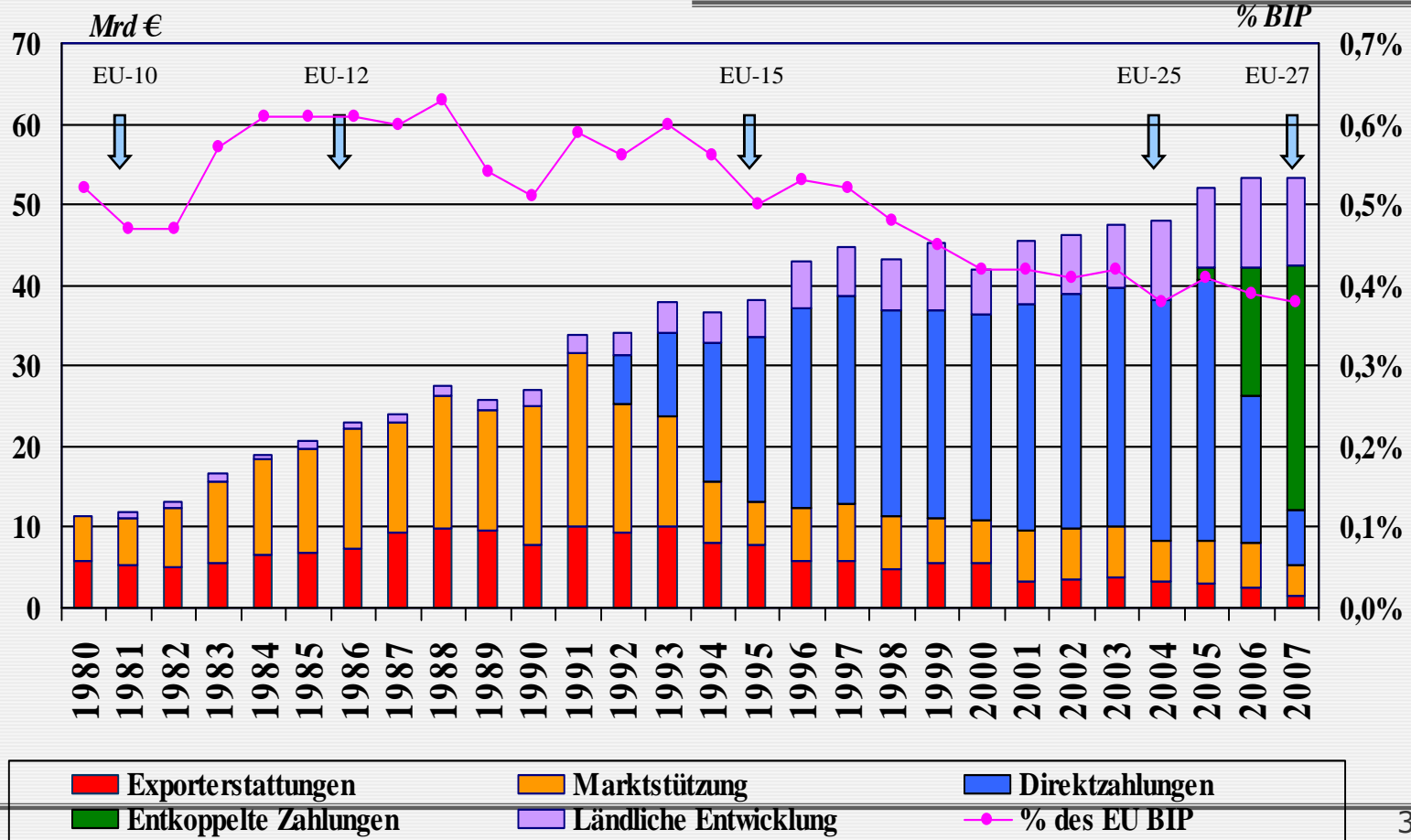
Single Farm Payment System

Flat Rate Model

- future level of SPS defined by the community budget
- criteria for national top-ups

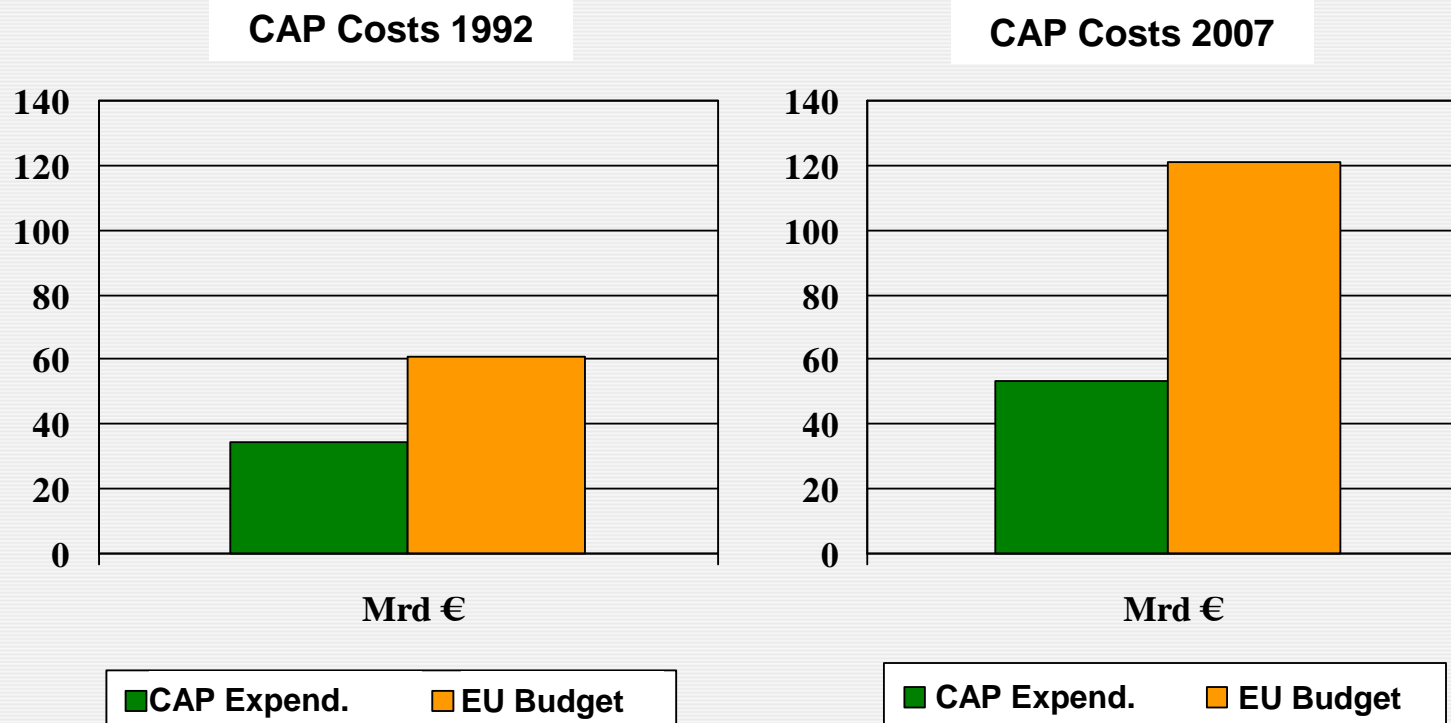


Development of CAP expenditures and CAP reform





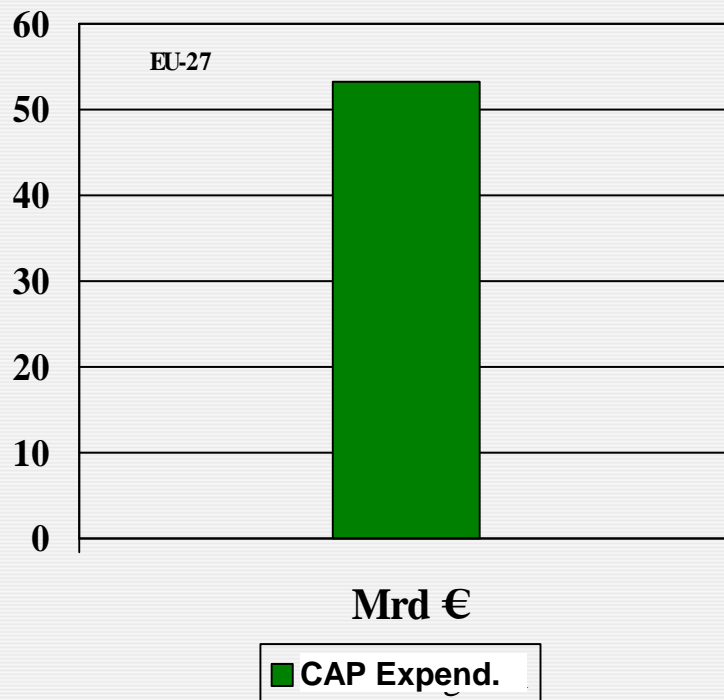
Development of CAP share of EU budget...



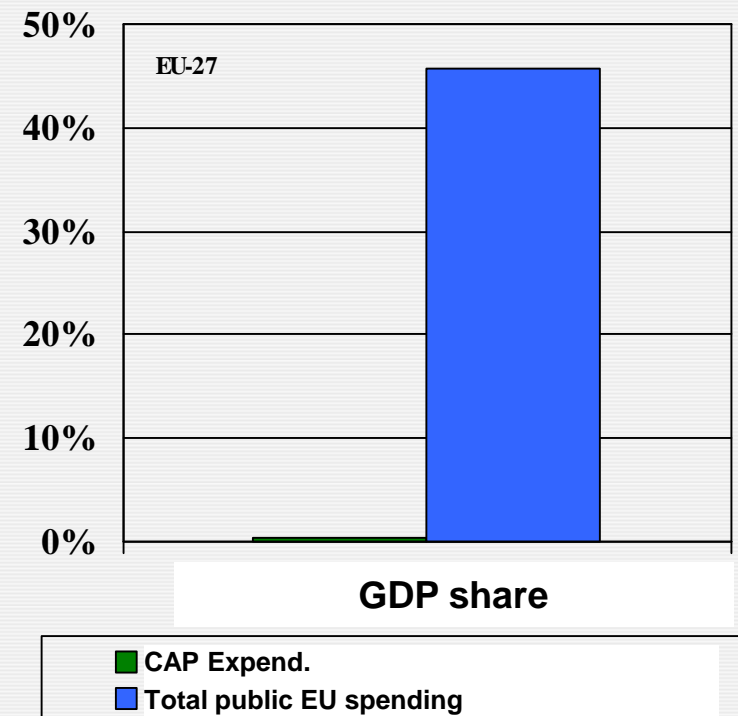


...and different views of CAP costs...

CAP Costs 2007 (absolute)



CAP Costs 2007 (relative)





The Rural Development Policy



The Rural Development Approach

- One Rural Development Programme for each Rural Region
- Bottom Up Programming and Management
- CAP offers a toolbox with defined conditions
- Co-financing
- Single Controlling



Rural development 2007 - 2013

- Strategic guidance on 3 main objectives:
 - Competitive agriculture and forestry;
 - Improving the environment and countryside by supporting land management;
 - Diversification of rural economies and improving of the quality of life.
- Implementation within the framework of the 4 axes on the basis of the financial contribution - balance of the axis (10 /25/ 10 / 5).
- Financial allocation of 88 billion € for the period 2007 - 2013



Rural Development Policy

AXIS 1. Improving competitiveness

- Strengthening of the human potential
 - Education and training
 - Young farmer programme
 - Early retirement
 - Advisory service



Rural Development Policy

AXIS 1.Improving competitiveness

- Restructuring, modernisation and innovation
 - Modernisation of farms and processing plants
 - Strengthening of the food chain
 - Restructuring after natural disasters



Rural Development Policy

AXIS 1: Improving competitiveness

→ Quality improvements

- Adaptation to new legal or normative requirements
- Support of producer organizations

→ Specific measures in the new member states

- Restructuring of semi-subsistence farms
- Support for establishing producer organizations



Rural Development Policy

AXIS 2.Improvement of the environment and the landscapes

- Sustainable use of agricultural and forest land
 - Compensation payments to farmers in mountainous and other disadvantaged areas
 - Compensation payments in the context with NATURA 2000
 - Agri-environmental measures
 - Support of non-productive investments
 - Afforestation measures



Rural Development Policy

AXIS 3. Quality of life in rural zones and diversification of the rural economy

→ Diversification of the rural economy

- Non-agricultural activities
- Micro-enterprises
- Tourism industry

→ Improvement of the quality of life

- Services
- Village renewal
- Improvement and conservation of the rural heritage



Rural Development Policy

AXIS 3. Quality of life in rural zones and diversification of the rural economy

- Job education and information for rural actors
- Support of strategy development for and sensibilisation of local actors

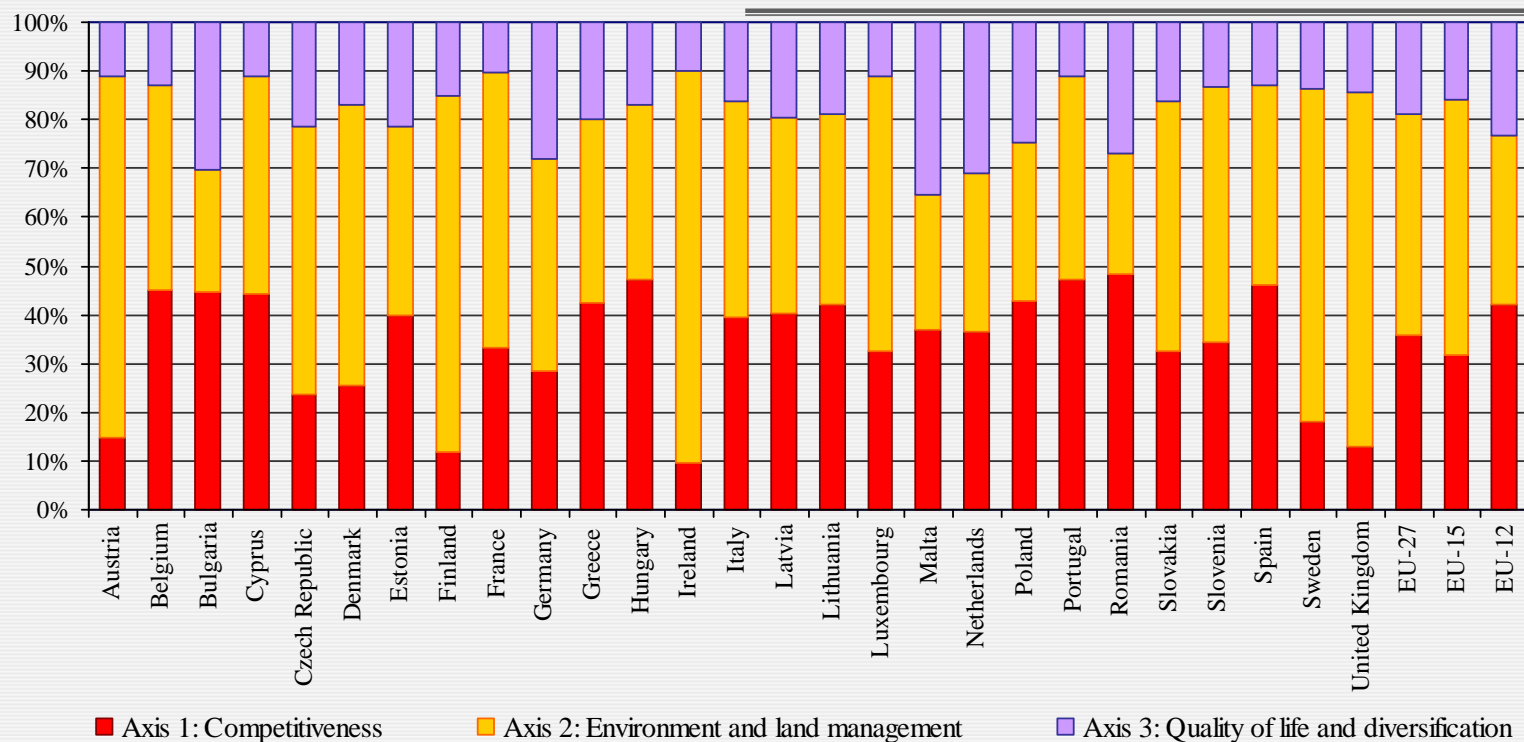


Rural Development Policy

AXIS 4. Leader



The three 2007-2013 RD thematic axes in the MS



Source: European Commission - DG Agriculture and Rural Development





Thank you for your attention!