

Agenda 2000 – A CAP for the future

At the Berlin Summit on March 25/26, EU Heads of State or Government concluded negotiations on Agenda 2000. By establishing a coherent policy framework for the period 2000-2006 in the field of EU agricultural policy, regional policy and the EU budget, the package sets out the financial arrangements and measures that will enable the Union to meet the challenges and opportunities that are emerging. In particular for agriculture, Agenda 2000 creates the right conditions for the agricultural sector and the Community's rural economies to prosper in the years ahead.

EU agriculture – A world competitor

Trade in agricultural commodities, on both internal and external markets, is important to EU farmers and for the economy as a whole, with exports of agricultural products representing some 7% of the Community's total exports. As trade barriers come down, new markets are emerging which provide increasing opportunities for EU farmers. By bringing the price of EU agricultural products closer to world prices, competitiveness on both domestic and world markets will be enhanced.

To improve price competitiveness, Agenda 2000 has introduced reductions in market support prices of 15% for cereals, 15% for milk and milk products from 2005 and 20% for beef and veal. The price cuts will strengthen market orientation by contributing to a better balance between supply and demand.

The reduction in institutional prices will be phased in to give farmers the time they need to adapt to the new pricing environment. The lower prices will be partly offset by an increase in direct aid payments, thus contributing to ensuring a fair standard of living for farmers.

Because production systems differ across the EU, parts of the direct payments in the beef and dairy sectors will be paid to Member States in the form of national financial allocations. Member States will be able to distribute the aid according to their own priorities, subject to certain Community criteria to prevent distortions of competition.

Rural development

Whilst agriculture is an important feature of the rural economy, it cannot alone guarantee jobs and growth. Economic renewal and stabilising the rural population have a central role to play in safeguarding the vitality of rural communities.

Agenda 2000 introduces a comprehensive rural development policy which recognises the multifunctional nature of agriculture and which promotes measures to support the broader rural economy. Measures have been brought together in one regulation which aims to contribute to the regeneration of rural areas and the promotion of diversification.

Protecting and enhancing the environment

While it is hard to believe today, the CAP was set up at a time of food shortages in Europe and thus one of its aims was security of supply. Forty years on, our concerns have evolved and securing the food supply is no longer as strategically important as it was in the past. The focus today is much more on how and under what conditions food is produced and on the relationship between economic activity and the wider natural environment.

With farmers involved in the management of close to half the Community's land area, agriculture obviously has a critical role to play in minimising the impact of economic activity on the environment. Indeed, including environmental objectives in the CAP is not new. Since 1992, the Community has supported agricultural production methods which protect the environment. Agenda 2000 seeks to strengthen the environmental provisions of the CAP and to integrate them in a more systematic way into a broader policy for rural development.

This is borne out in the fact that agri-environmental measures are the only compulsory component of the Member States' rural development programmes submitted to the Commission. Member States may also make direct payments conditional on compliance with

environmental targets ("cross-compliance"). Payments may be reduced or cancelled in the case of non-compliance and Member States may then re-direct funds thus released to finance agri-environmental or rural development measures.

Environmental protection has also been the focus of changes in the Less-Favoured Area compensatory allowance scheme. These payments, previously made on a headage basis, will now be calculated according to area and may be subject to environmental criteria.

Modulation

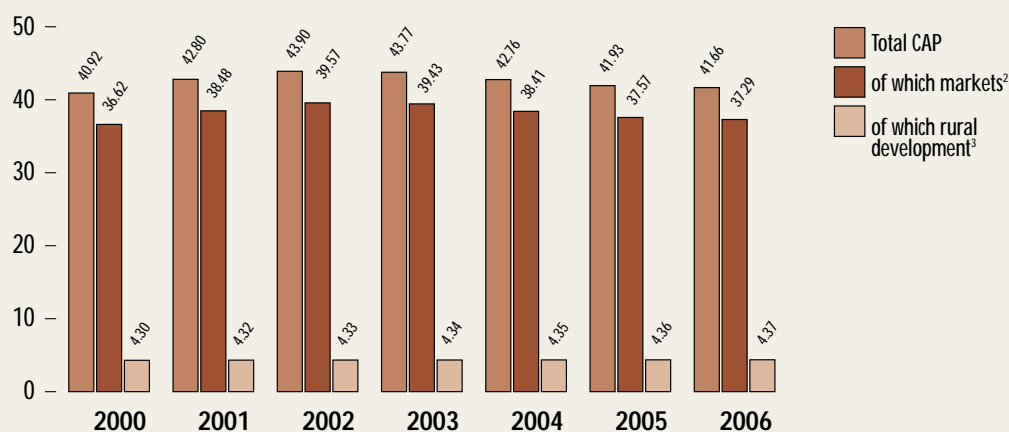
The Agenda 2000 agreement gives Member States the opportunity to modulate direct payments made to farmers under the CAP based on criteria that can include the workforce on the holding, the overall prosperity of the holding or the total amounts of payments granted under support schemes.

Financing the reforms

Central to the Agenda 2000 agreement are the financial perspectives for 2000-2006.

Under the interinstitutional agreement between the European Parliament, the Council and the European Commission of 6 May 1999, the CAP budget (excluding rural development), will average 38.1 bio € per year for the period 2000-2006. For rural development, the average annual budget available will amount to 4.3 bio €. Finally, 520 mio € is available per year for pre-accession measures in agriculture and rural development (the SAPARD programme).

CAP: expenditure 2000-2006 (bio €, 1999 prices)¹



¹ For calculating amounts at current prices, a 2% deflator is used

² Including veterinary and phytosanitary measures and excluding accompanying measures

³ Including accompanying measures and rural development initiatives outside Objective 1 programmes previously funded by the EAGGF/Guidance section
These amounts correspond as an annual average to the Commission's proposal in Agenda 2000

Source: European Commission, Directorate-General for Agriculture