

**Why is a strong**

**C**ommon

**A**gricultural

**P**olicy

**budget needed?**

**What does it deliver?**





## Why is a strong CAP budget needed?

### Introduction

The cost of the CAP is less than 1% of EU government's total public expenditure and compares, for example, with 39% spent on social security. Yet the returns are equally enormous.

The CAP plays a vital role in ensuring food security, employment and stability in the agri-food sector and more widely in rural areas. Nearly one in six people work in the agri-food sector.

Thanks to the CAP, agriculture has not only been an extremely important stabilising force during the recent economic difficulties, it has also played a major role in European integration and the building of the Single Market, being the only sector governed by a truly common policy. The CAP budget represents a very small investment for substantial and wide-ranging returns for European citizens which are sometimes taken for granted. If we are to maintain these benefits, we must also maintain a strong CAP backed by a strong budget.

Copa-Cogeca believes agricultural spending must be kept at least at current levels until 2020. With world food demand expected to rise by 70% by 2050 and fears mounting over the extreme volatility on agricultural commodity markets and poor weather conditions, it would be totally irresponsible to make further cuts to the CAP budget which has been steadily declining for some years.

As explained in this brochure, the role of a strong CAP with a strong budget behind it in the future will be more important than ever.







## The CAP budget 2014-2020 – What does it deliver?

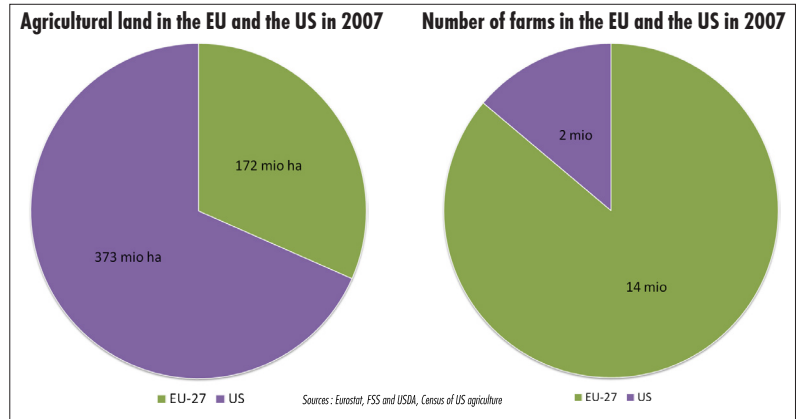
- Employment for nearly 40 million people
- Provides market stability and a choice of safe, secure, quality food supplies at affordable prices for 500 million consumers
- Provides additional public goods - an attractive countryside, maintain biodiversity, water management - farmers and foresters look after three-quarters of the EU territory
- Provides sustainable production – protects the land and environment, and respects high animal welfare standards
- Contributes to combating climate change
- Boosts the economy as the EU agriculture sector is an important player in EU trade
- Plays a major role in the construction of Europe, being the only common policy at a cost of less than 1% of EU government's total public expenditure

## Employment for nearly 40 million people

Nearly 40 million people are employed in the EU agri-food chain. Out of this total, 26 million people work on farms either full or part time. The remaining people work in related sectors, providing farm inputs or processing, distribution and food retailing (Source: Eurostat, Farm Structure Survey, 2010 figures)

Spending in the agriculture sector is a key driver for growth and employment in EU rural areas and has positive knock on effects on other sectors of the economy. It is clear that without the support provided to farmers under the CAP, a vast number of the jobs in the agri-food sector would be lost.

In the current economic crisis, the role of the CAP in maintaining employment in rural areas is more important than ever.



### Employment in the European agri-food chain (EU-27, 2010)

EU-27	Persons
Input	211.200
Agriculture	25.691.170
Industry	4.647.200
Wholesale	2.176.500
Retail	6.650.000
<b>Agri-food chain</b>	<b>39.376.070</b>

Source: Eurostat, Employment statistics and Farm Structure Survey, 2010

**Employment for almost 40 million people**



## Provides market stability and a choice of safe, secure, quality food supplies at affordable prices for 500 million consumers

In the present economic climate, it is vital to provide consumers with safe, secure food supplies at affordable prices.

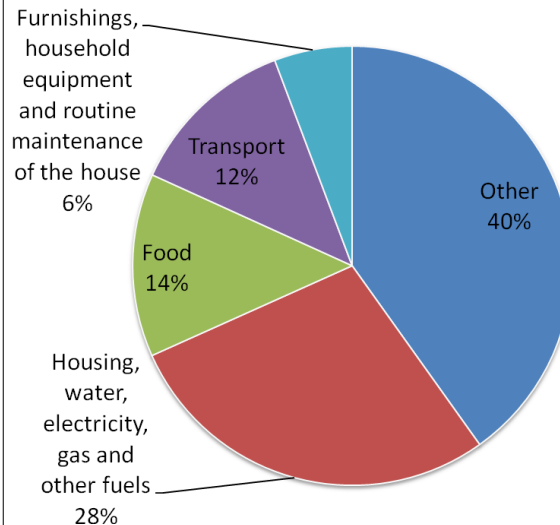
Consumers now only spend 14% of their incomes on average on food. But food production is very dependent on the weather, making the market even more unreliable than in other sectors. Production cost increases over the last 17 years have also far exceeded the prices farmers receive for their products. Market volatility has become more extreme which is a major challenge facing farmers and agri-cooperatives at the moment.

That is why a strong CAP is vital. It provides tools like EU public intervention which help regulate the market. Measures to manage the market help farmers and agri-cooperatives to cope during periods of low market prices and/or rapid increases in costs. The CAP also helps farmers to become more competitive by assisting them to modernise their farms. Up against the huge buying power of a handful of retailers, farmers can also improve their market position by joining forces in cooperatives. In addition, the CAP finances the distribution of fruit and vegetables and milk in schools, helping children to develop healthy eating habits.

Maintaining food security is nevertheless going to get much harder than it was in the past. Farmers and their cooperatives are being hit by increasingly variable weather conditions, from drought to floods, causing severe crop damage. World demand for food is expected to grow by 70% by 2050. Yet the availability of agricultural land is declining and the world's water reserves are already at seriously low levels. In view of this, it is more important than ever to have a strong CAP budget.

Consumers now only spend 14% of their incomes on average on food.

**Main consumption expenditure of private households (in PPS), EU-27, 2005**



Sources : Eurostat



## **Provides additional public goods - an attractive countryside, maintain biodiversity, water management - farmers and foresters look after three-quarters of the EU territory**

The CAP not only ensures and enables farmers to produce in a way which respects the environment and results in an attractive countryside. It also encourages farmers to make use of their land management skills to provide additional public services of benefit to rural areas. This is the best way to ensure that productive farmers and the maintenance of the countryside work together in harmony.

For example, if it was down only to economics and efficiency, hedges, copses and ponds would have disappeared from our countryside. This is because it increases farmers' costs significantly to maintain them and they get nothing back from the market for it. But, with the help of CAP payments, farmers are maintaining them.

Farmers also maintain wetlands, dry meadows and ditches to attract wildlife and ensure the upkeep of dry stone walls and footpaths which were important for visitors. Farmers are also increasingly carrying out land and water management which will help reduce flooding or maintain groundwater.

You cannot charge individual people directly for these services but they are extremely important both economically – attracting visitors to the region – as well as maintaining a part of our cultural and environmental heritage.

Farmers and foresters look after three-quarters of the EU territory. The CAP helps them to do this in a sustainable way.





## Provides sustainable production – protects the land and environment, and respects high animal welfare standards

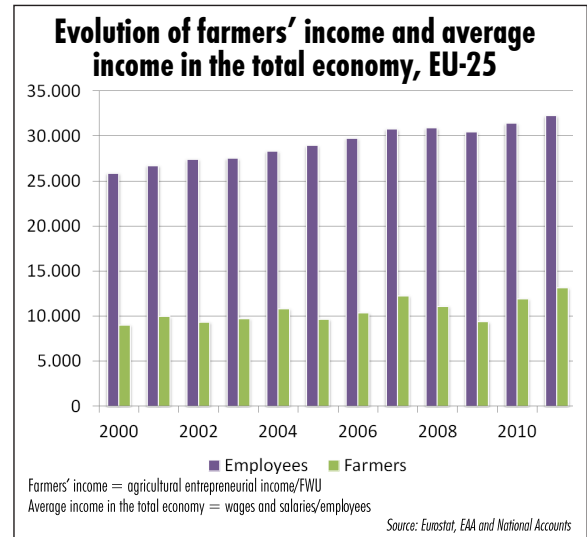
The CAP ensures that farmers carry out the crucial economic role of producing food, in the wake of growing food demand, and do it in a way which protects our countryside, our environment, our animals and wildlife.

For example, EU farmers must not only maintain water quality and prevent soil erosion but also ensure that natural habitats such as copses and hedges are maintained and wild birds, flora, and fauna are protected. In addition, the CAP ensures that farmers meet well-defined EU rules on the well-being of farm animals. Rules which do not apply to imports to the EU. Meeting the EU's high standards means higher costs of production for EU farmers compared with most of their competitors. Rises in production costs have recently far outpaced the prices farmers receive for

their products. This partly explains why farmers' income on average in the EU is less than half the average level of earnings in other sectors (average over 2009-2011: 31% in EU 27; 46% in EU15)

It is also one of the reasons why the CAP, which must have a good budget behind it, makes payments to farmers in return for ensuring sustainable production. This way the CAP enables farmers in Europe to cover the costs of sustainable farming in the face of strong international competition.

Without the CAP, the EU would become much more dependent on imports to the EU which do not have to meet the EU's high production and animal welfare requirements and the EU would have no control over the way they are produced.



Farmers' income on average in the EU is less than half the average level of earnings in other sectors.

### Farmer's income/Average salary

geo/time	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011e
EU-27	26%	29%	27%	28%	32%	27%	28%	32%	30%	25%	33%	36%
EU-25	35%	37%	34%	35%	38%	33%	35%	40%	36%	31%	38%	41%
EU-15	48%	52%	47%	49%	50%	44%	45%	52%	46%	40%	49%	51%

Source: Eurostat, National accounts and Economic Accounts for Agriculture



## Contributes to combating climate change

Farmers are well aware of the need to combat climate change as they are seeing the effects of it more and more, experiencing changing harvest times, early or late frosts, fires, flooding and drought.

Farmers are already cutting emissions both on and off the farm: the use of crops, straw, manure and other waste materials for renewable energy and fertilisers, solar heating and providing electricity from wind power. The EU agriculture sector accounts for only 9% of total EU greenhouse gas emissions and managed to reduce them by 22% over the period 1990-2010. This compares to 15% in other sectors.

The products from farm crops can also be used to produce biofuels and renewable industrial materials. This will help to reduce emissions in other sectors and make for greater independence for the EU in its energy supplies.

In future, climate change is expected to cause increasing regional shifts in world production possibilities, with some regions unable to produce altogether. In addition, extremes in climate and the spread of animal and plant diseases are expected to rise causing world instability in food supplies and prices.

The CAP can help farmers to provide an answer to climate change – agricultural crops absorb carbon dioxide emissions in

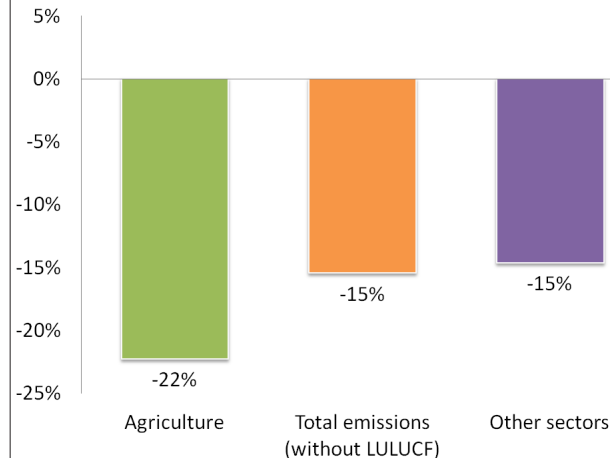
the soil and can also be used to produce bio-fuel and other renewables.

The CAP, with a strong budget behind it, will have a vital role to play in future:

- ensuring food security and stability in the face of world climatic uncertainty;
- encouraging research and new techniques and assisting farmers to adapt to and mitigate the impact of climate change;
- helping farmers to contribute to greater energy and environmental security.



### Reduction of GHG emissions in 2010 compared to 1990 in the EU-27

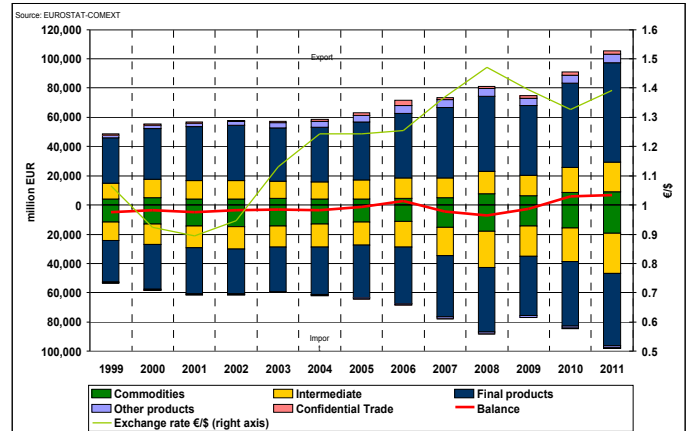


Source : EEA

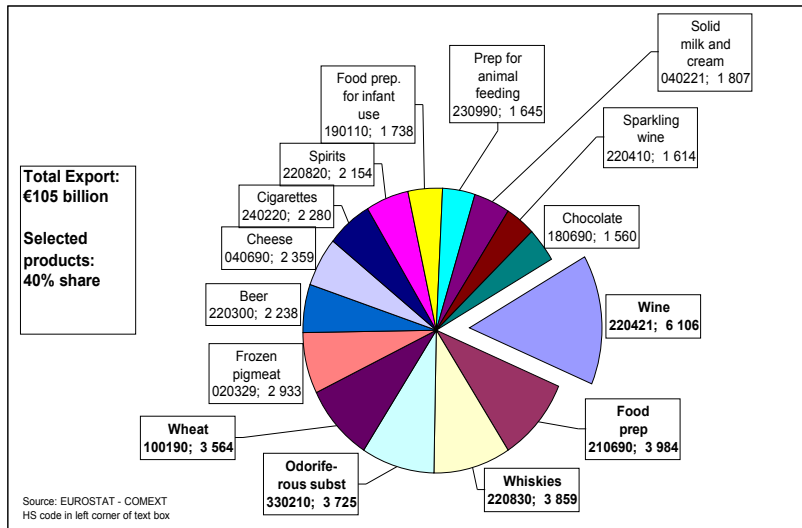
## Boosts the economy as the EU agriculture sector is an important player in EU trade

The EU agri-food sector, from farmers to processors, is the single biggest economic sector in the EU. The CAP helps to provide secure, high quality food supplies to 500 million consumers in the EU and helps farmers to maintain their competitive position. As a result since 2009, the EU has changed from being a net food importer to being a net food exporter and is now the fifth largest sector in terms of exports.

EU27 structure of agricultural trade (1999-2011)



EU27 main agricultural exports in 2011





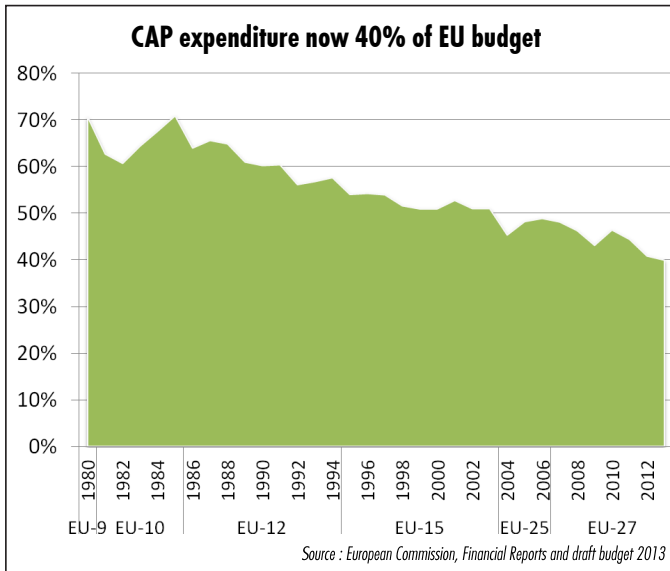
## Plays a major role in the construction of Europe, being the only common policy at a cost of less than 1% of EU government's total public expenditure

Agriculture is the only sector which has a truly common EU policy, making an important and successful contribution to the construction of Europe.

As the CAP is the only common policy financed entirely by the EU budget, it is not surprising that it accounts for a relatively large share of the EU budget. If, for example, expenditure on research was also totally integrated in this way,

its budget would be three times that of the CAP. In addition, despite many more countries joining the EU, expenditure on the CAP, including expenditure on rural development, has fallen from 71% in 1980 to 40% in 2013. The total EU budget is only 2.3% of government's national expenditure and the CAP only 0.93%. In return for €110 a year, EU citizens are assured guaranteed stable supplies of high quality food.

The total EU budget is only 2.3% of government's national expenditure and the CAP only 0.93%.



## Frequently Asked Questions

### *Why is it important for taxpayers to support farmers?*

There are three main reasons:

- The best way to ensure European citizens have access to reliable and safe food supplies is to maintain our production capacity within Europe, even if it costs a bit more. This is more important than ever given that world food demand is expected to rise by 70% by 2050 and climate change is making world production more precarious and volatile.
- In Europe, we produce to higher standards than in most of the rest of the world. These standards ensure that production is sustainable – that our environment, our countryside and our animals and wildlife are protected. But it also means that farmers' costs are significantly higher than those of their competitors. The prices supermarkets pay to farmers do not cover these costs.
- The CAP encourages farmers to make use of their land management skills to provide additional services of benefit to rural areas and the public at large – maintaining the land in a way which will attract wild life, ensuring the upkeep of footpaths for visitors, carrying out land and water management which helps reduce flooding or maintain ground water...the list goes on.

Farmers not only provide food security. They also ensure that rural areas throughout the EU are attractive and economically vibrant.

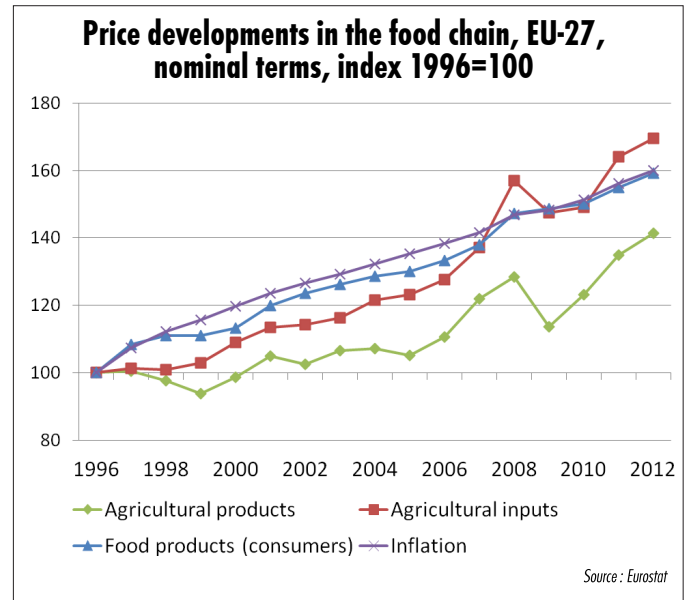


## Are farmers responsible for high food prices in supermarkets?

The prices farmers get for their produce bears little relation to the price consumers pay in the supermarket. For example, only 20% of the price of a piece of steak in the shop goes to the farmer even though no processing is involved. In the case of bread, farmers only receive 8% of the price. The rest goes on transport and packaging, as well as to provide the supermarket with a margin.

In fact, since 1996 farmers costs and food prices have substantially outpaced the rise in the prices farmers have received for their produce. So, it is clear that farmers returns from the market are dwindling and have contributed to keeping food prices down.

Over the past 17 years, food prices have increased by 3% each year, much more than the 2.3% increase in the prices farmers have received for their products. Yet farmers' costs have risen by 3.5% each year over the same period.



### Price developments in the food chain

EU-27, Index, 1996=100, nominal value	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agricultural products	100	100,5	97,6	93,8	98,7	105,0	102,6	106,5	107,2	105,1	110,6	122,0	128,4	113,6	123,1	134,9	141,3
Agricultural inputs	100	101,3	101,0	102,9	109,1	113,5	114,3	116,2	121,5	123,1	127,6	137,0	157,0	147,4	149,1	164,0	169,5
Food products (consumers)	100	108,4	111,1	111,0	113,2	119,9	123,6	126,3	128,7	130,1	133,3	138,0	147,2	148,6	150,1	154,9	159,2
Inflation	100	107,3	112,3	115,6	119,6	123,5	126,6	129,3	132,2	135,3	138,4	141,7	146,8	148,3	151,4	156,1	160,0

Source: Eurostat

Since 1996, food prices have increased by 3% each year and agricultural input prices by 3.5% but farmers prices by only 2.3%

COPA AND COGECA

**THE VOICE OF EUROPEAN  
FARMERS AND EUROPEAN AGRI-  
COOPERATIVES**

Copa is the voice of European farmers and Cogeca is the voice of European agri-cooperatives. Together they promote the interests of agriculture in the European Union and speak on behalf of some 26 million farmers and their families and over 38,000 agricultural cooperatives – representing the vast majority of such enterprises in the EU. They have 70 member organisations from the EU Member States.

**copa**\***cogeca**

european farmers

european agri-cooperatives

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