



# Agricultural raw materials - Challenges ahead

Prospective for agricultural raw  
materials in the EU and the reform of the CAP



# European wheat market

	2007 / 2008	2008 / 2009
Beginning stocks (Mt)	19,4	16,1
Production (Mt)	111,4	139,8
Imports (Mt)	4,8	5,5
<i>Available (Mt)</i>	<i>135,6</i>	<i>161,4</i>
Use (Mt)	108,9	117,3
Exports (Mt)	10,6	22
Ending stocks (Mt)	16,1	22,1

A export capacity of 10 to 20 Mt, geographically close to North Africa and Middle East  
(structural importer, which needs a diversity of suppliers)



## European sugar market (quota sugar)

	2008 / 2009
Beginning stocks (Mt) (including tender)	2,11
Production (Mt)	13,15
Imports of sugar (Mt)	2,95
Imports of sugar incorporated in other products (Mt)	0,58
<i>Available (Mt)</i>	<i>18,79</i>
Use (Mt)	16,02
Exports (Mt)	1,00
Ending stocks (Mt)	1,77

A balanced situation, nevertheless sensitive to a risk of raise of the imports



## European sugar market (out-of-quota sugar)

	2008 / 2009
Production (Mt)	2,80
Imports (Mt)	0,20
<i>Available (Mt)</i>	<i>3,00</i>
Use (Mt)	2,30
Exports (Mt)	0,55
Ending stocks (Mt) :carry forward	0,15

A low carry forward of surplus sugar



# The early CAP

## 1 / 2

- In the 1950's western Europe was the most important net importer of agricultural goods in the world
- The priority was therefore the enhancement of the production and the modernization of agriculture
- The CAP implemented the disconnexion between the European and the world market
- It was very successful (self sufficiency)



# The early CAP

## 2 / 2

- Several instruments have been implemented in order to regulate the European agricultural market :
  - Intervention : public purchase at a reliable price
  - Export or production refunds : compensation of the difference with the world prices, which facilitates the access of the European products to the world market
  - Quota of production : regulation of the production in order to stabilize the prices at a satisfactory level
  - Payments depending on the type of production : orientation of the production by the differentiation of the support
  - Custom duties



# The current CAP

## 1 / 2

- The early CAP led to high budgetary costs and to disruptive stocks
- It was attacked by the European commercial partners
- As of 1992 the Commission started a period of successive reforms in order to keep the budget under control and to move the support to the farmers from the orange box to the blue and the green boxes
- The philosophy underlying the reforms is liberal and environmental:
  - the farmers must be in position to respond to the signals of the market => support blind to the type and to the quantity of the production
  - the remaining support must be justified by the higher social, sanitary and environmental standards of the UE



# The current CAP

## 2 / 2

- Several reforms, from 1992 to 2008, have successively modified the regulation instruments in order to connect the European market to the world market and to strenghten the adjustement of the production to the need :
  - Intervention has become a safety net
  - Export or production refunds are suspended in most sectors
  - Quota of production might be abolished in the coming years
  - In 2013, most of the payments will no longer be linked to a specific production
  - Lowering the import duties and applying tariff reduced quotas (TRQs)



## Which CAP after 2013 ?

- The classical economical theory does not apply to agriculture: lack of elasticity of the needs, time shift between the start of the production and the time of the sell, rain and sun, industrial processes whose competitiveness needs large and stable quantities over several years...
- Several matters will have to be addressed, among which:
  - the volatility of the prices
  - the stability of the supply for the industry
- There is a need of regulation of the markets; the point will be: which tools?



# State of positions in Europe

Convergence on:

- The new context
  - Growing price instability
  - Some production patterns are fragile
- The challenges
  - Food production in Europe and elsewhere
  - Environment
  - Less favoured areas



## Issues to be debated

- What linkage between CAP and real economy?
- How to cope with diversity?
- How to manage our collective preferences in the world as it is?
- Which place for innovation?



# France principles for 2013

- Reasonable tariff protection
- Market management
- Environment
- Fragile areas

