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EU-25

Agricultural Situation

New EU Common Agricultural Policy starts in some EU countries

2005

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Report Highlights:

On January 1, 2005, the new Common Agricultural Policy (CAP) of the European Union starts in 10 of the EU's 25 Member States. Farmers will now receive direct income payments largely decoupled from production, though exceptions remain.

Of the remaining 15 Member States yet to switch to the new CAP, five will do so in 2006, two in 2007, with the remaining eight due to switch by 2009.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E3]

On January 1, 2005, the new CAP, as agreed in June 2003, starts to operate in 10 of the EU's 25 Member States. One of the key changes introduced by new CAP is that farmers receive direct income payments that are largely decoupled from production. This means that farmers face fewer restrictions as to what they can do with their land – previously they received direct income payments that were often commodity specific.

Further changes introduced by the new CAP include switching some budget allocations from direct income payments to rural development, limiting the maximum EU budgetary spending on market support to farmers ('financial discipline') and making the new direct support payments contingent on meeting environmental, food safety and various other standards ('cross-compliance').

The new payments are based on the commodity specific direct income payments farmers used to receive, which were often dependant on a farmer growing that specific crop or livestock activity.

The reform decouples payments for arable crops, beef, sheep and goats, dairy, tobacco, olive oil, and hops. However, commodities such as drying aid for cereals, durum wheat quality premium, protein crop supplement, crop-specific payments for rice, flax, potato starch processing, and dried fodder processing will remain coupled. Fruit, vegetable, permanent crop (for example, trees) and wine payments are not affected by the reform, nor is the sugar support scheme. Quota systems and maximum guaranteed areas also remain in place as does the EU's import protection (tariffs) and availability of export subsidies. Guaranteed minimum prices are also maintained for certain commodities such as wheat.

For commodities which are decoupled, Member States have a great deal of flexibility as to how they implement the new CAP in their country. The decoupled commodities can be can be only partially decoupled, so that part of the direct income payments is contingent on the farmer producing that commodity.

GAIN Report E34044, [CAP Reform 2003 - Deconstructing Decoupling](#)¹ provides more details on the options available, as well as the choices made by Member States how to implement the Common Agricultural Policy.

Timetable for implementing the new Common Agricultural Policy in the Member States

2005	Austria, Belgium, Denmark, Germany, Ireland, Italy, Luxembourg, Portugal, Sweden, UK
2006	Finland, France, Greece, the Netherlands, Spain
2007	Malta and Slovenia
By 2009	Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia

For the 10 New Member States (NMS), a different support system is available. This system, and the choices available to Member States in the NMS-10 is detailed in GAIN Report E34004, ['Enlargement of the Common Agricultural Policy'](#)².

Link to European Commission Press Release announcing the introduction of the new CAP in 10 of the EU's Member States:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1540&format=HTML&aged=0&language=EN&guiLanguage=en>

¹ <http://www.fas.usda.gov/gainfiles/200408/146107107.pdf>

² <http://www.fas.usda.gov/gainfiles/200404/146106177.pdf>

Visit our website: www.useu.be/agri/usda.html provides a broad range of useful information on EU agricultural policy and food laws. There is easy access to USEU reports, trade and other practical information. More information on CAP can be found at <http://www.useu.be/AGRI/cap.html>. E-mail: AgUSEUBrussels@usda.gov

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GR4013	CAP Reform on Cotton	7/15/04
E34020	OECD Report on effects of the 2003 EU CAP Reform	6/21/04
E34004	Enlargement of the Common Agricultural Policy	5/3/04
AU4008	CAP Reform - Austria's Decoupling Approach and Impact	5/24/04
UK4002	UK announces CAP reform implementation plans	2/18/04
E23184	EU formally adopts CAP Reform	9/30/2003
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