



European Commission  
Directorate-general of Agriculture

# Newsletter

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## Reforming the common agricultural policy: the outlook is good

**How successful the CAP reform turns out to be will depend on how far it helps to regain competitiveness in Europe's agricultural sector without sacrificing rural development. A realistic approach has been taken in this reform, the need for which has been confirmed once again by a recently-published Commission report on the long-term prospects for agricultural markets and two impact studies.**

Towards the end of September the Commission issued a report on the long-term prospects for agricultural markets in the European Union, the associated central European countries and the world as a whole. This has borne out the rightness of the reform proposals made under Agenda 2000, in spite of the doubts sparked by the deterioration in the world economy.

The proposed measures have also been examined in impact studies carried out for the Commission by two university agricultural research institutes. Based on simulations of market trends and price developments, these studies look at the cereal, meat and milk products sectors in particular. They also evaluate the macroeconomic impact. The results of these studies can be summed up as follows:

### **Cereals, beef/veal, milk products**

In the cereals sector, the reform proposals (and particularly the zero-rating of set-aside) would produce an increase of between 5% and 7% in production compared to a "no-reform" scenario, with 2% to 6% growth in oilseed production and 3% to 12% in protein plants. On the other hand, price cuts would also stimulate cereal consumption, by a forecast 1.4% to 3.5%. In contrast, without a significant reduction in prices to ensure greater sales outlets on the world market, the long term would see an increase in cereal stocks from 14 million tonnes in 1997 to around 51 million in 2005.

As for beef and veal, the lower prices under the reform should have a positive impact on consumption, which would increase by between 2% and 7.8% as compared with a scenario without reform. Unless this significant cut in prices is made, intervention stocks could grow by an additional 1.5 million tonnes by 2005.

Lower prices should also encourage an increase in internal consumption of milk products. The negative impact on incomes would be compensated by lower feed costs, valid for all livestock production, and by the dairy-cow premium. Maintaining the present conditions would not allow Community milk producers to benefit from opportunities on the world market.

### **Incomes**

In the context of the overall evolution of farm incomes, the increase in direct income payments should largely compensate for the drop in prices of agricultural products, and incomes should reach an average 10% above levels in 1992-96. Measured by work unit in real terms, this positive development should be even more marked with agricultural incomes between 22% and 34% higher than the average for that same period due to the decline in the agricultural labour force.

### **Macroeconomic effects**

The impact of the reforms on the general economic situation also appears extremely positive. The consumer-price index should fall by between 0.3% and 0.45% compared with the "no-reform" scenario, producing additional growth of between 0.4% and 0.6% in real private consumption. The same applies to GDP, which is likely to increase by more than 0.2% by 2005 and 0.4% in the longer term. In terms of employment, the forecast is for 0.2% more in 2005 and 0.38% more in 2030.

## Beef and veal: export refunds

The Commission has taken a number of measures to counter the impact of the crisis in Russia on beef and veal exports to that country (41% of the total in 1997) in a context already hit by a decline in world demand, the fall in the dollar and competition from a number of non-Community countries on the Union's traditional markets, and at a time of year when Community production is at its highest. In brief these measures are:

- An 8% increase in export refunds for products derived from male bovines and 27% for products such as de-boned forequarters. The aim is to support exporters by compensating for the fall in the dollar while respecting the WTO agreements, and also to

counter the problems caused by the loss of exports to Russia while creating a viable alternative to intervention buying-in, in accordance with the reform of the beef and veal sector proposed under Agenda 2000 (abolition of intervention buying-in).

- An increase in the advance on special premiums and suckle-cow premiums (80% instead of 60%), and early payment of this advance on 16 October in view of poor winter fodder production.
- A 60-day extension in the validity of export certificates applied for prior to 29 August and still valid after 17 August.

## News in brief

### Quality from afar

The Commission has adopted a common logo (see opposite) as a seal of quality on agricultural products from the seven most remote regions: the Azores, Canary Islands, Guadeloupe, French Guiana, Madeira, Martinique and Réunion. It will be used by local producers and operators who have been approved by the national authorities to market products specific to those regions (fruit and vegetables, flowers, rum and liqueurs, cane sugar, spices, fish, etc.) which meet specific quality and processing criteria. The logo will also be the focus of a 1998-99 promotion campaign funded by the Commission. This campaign was launched on 18 October at the Salon international de l'alimentation (international food fair) in Paris and covers France, Germany, Portugal and Spain. For more details contact: Mme N. Hugonnard-Roche, fax: +32-2-296.62.68.



### Appointment of advisory committee members

Following its Decision of 11 March 1998 to reorganise the agricultural advisory committees, the Commission adopted the list of committee members on 5 October. The 10 committees cover 31 standing groups with 1 113 members. They discuss matters on which the Commission has requested an opinion from industry and trade-union circles and consumers. The restructuring of these committees is designed to take account of the CAP and rural development topics as set out in the Agenda 2000 reform package. The first meetings of the restructured committees were held towards the end of October. For more information on these committees please refer to: Commission Decision 98/235/EC, Official Journal L 88, 24 March 1998, p. 59.

### Reports on agriculture in the CEECs

The Commission has just published a series of country reports and one combined summary report on agriculture in the ten central and east European countries (CEECs) that have applied for membership of the Union. Prepared in close cooperation with national experts, these reports analyse the agricultural and agri-food sectors in the 1990s and make some forecasts on the development of the main markets in the sector between now and 2003. Some encouraging trends are set to emerge following a severe crisis of adjustment, but a range of major problems will also persist. The reports can be consulted on the DG VI Internet site: <[http://europa.eu.int/en/comm/dg06/new/peco/index\\_en.htm](http://europa.eu.int/en/comm/dg06/new/peco/index_en.htm)>



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