

# The CAP from a global agriculture perspective

by

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Food and Agricultural  
Policy Research Institute



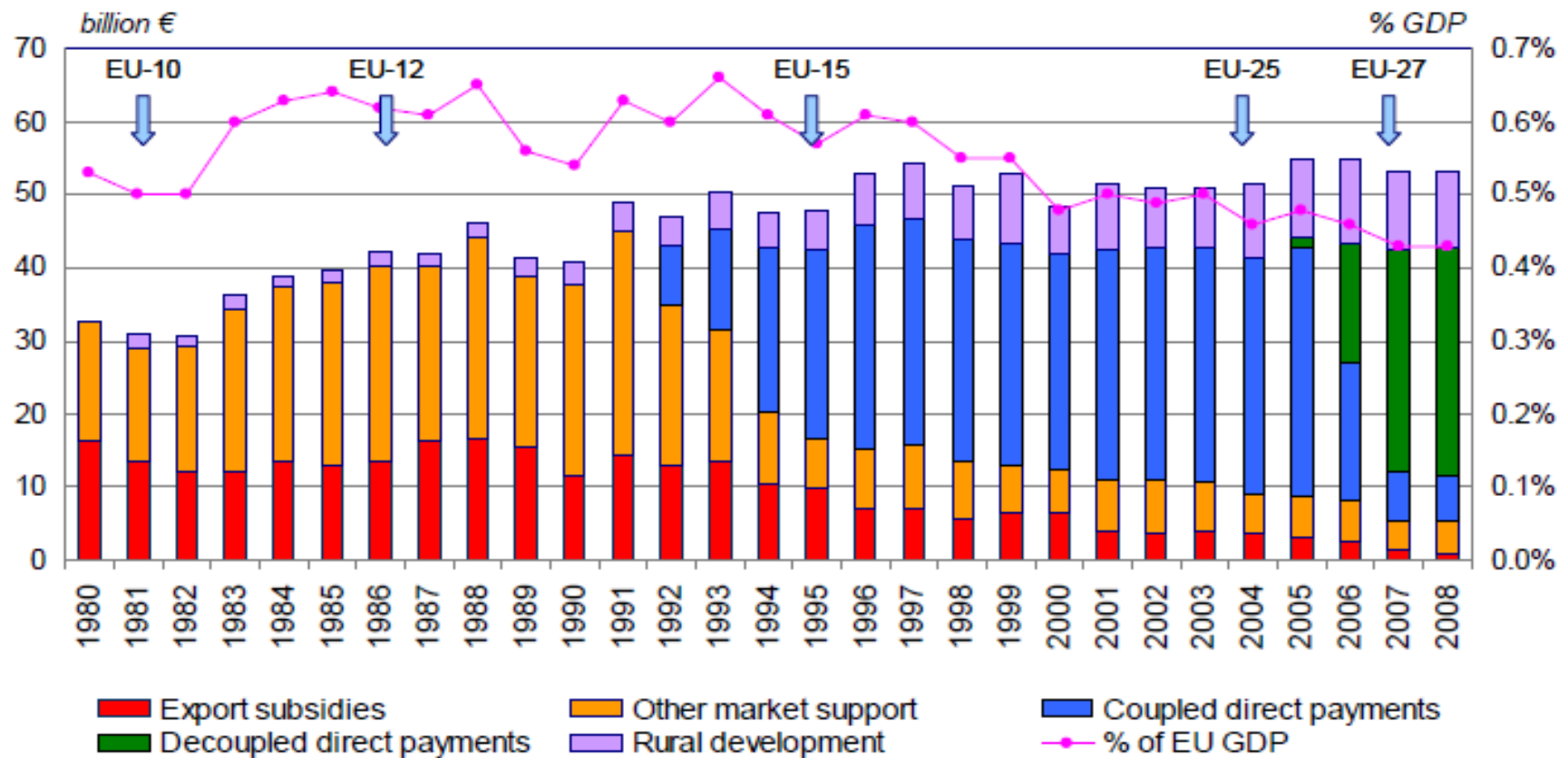
# Agenda

- Evolution of the CAP – a historical overview
- Current pressures for change in the CAP
- Global perspective on the current reform proposals

# Evolution of the CAP – a historical overview

- Who remembers the bad old days of policy determined prices, price insulation policies, and high protection?
- Budget pressures, enlargement, WTO agreements, maybe enlightenment too - all contributed

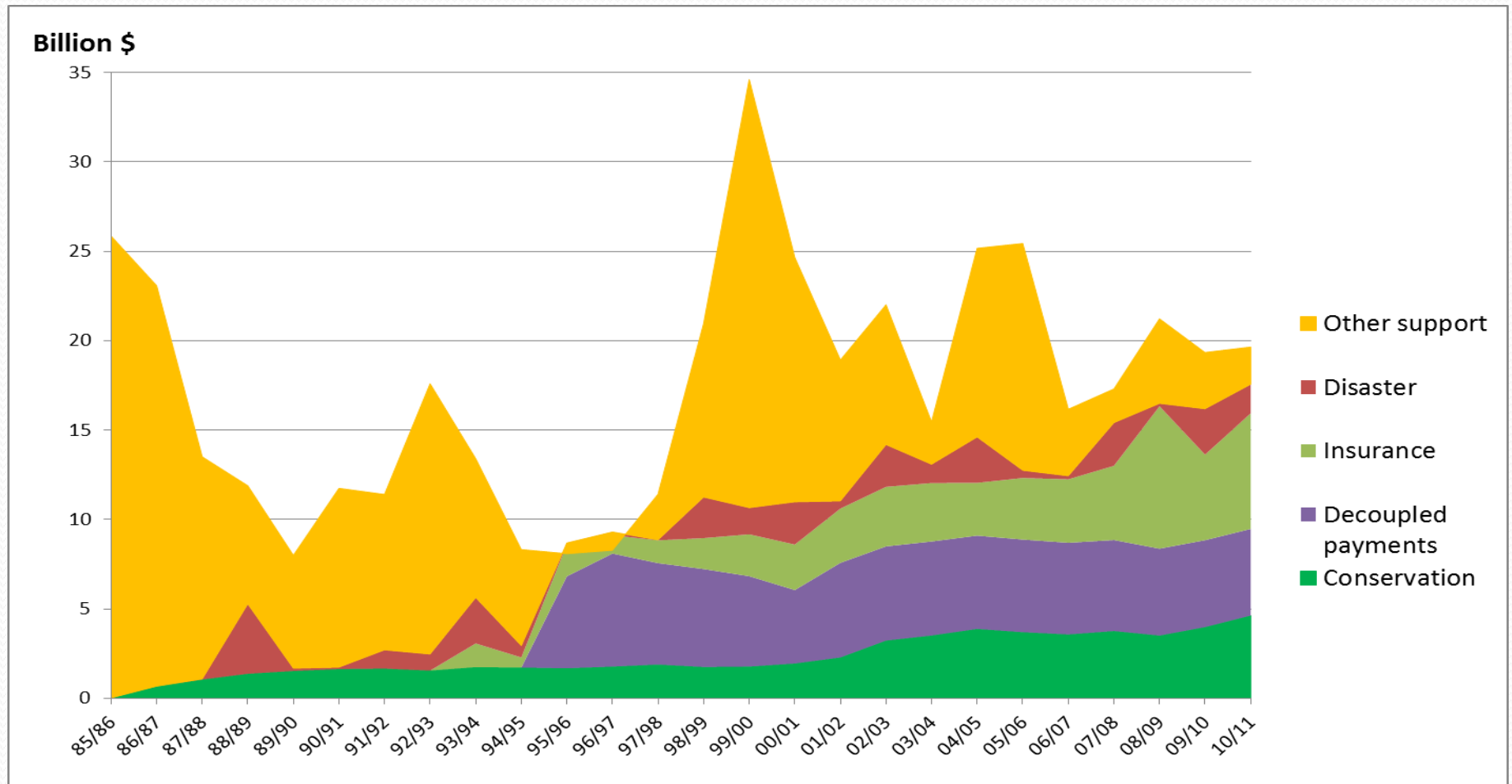
# Evolution of CAP measures and expenditures, 2007 Euro



# Evolution of the CAP – a historical overview

- Who remembers the bad old days of policy determined prices, price insulation policies, and high protection?
- Budget pressures, enlargement, WTO agreements, maybe enlightenment too all contributed
- Somewhat similar policy evolution in the US

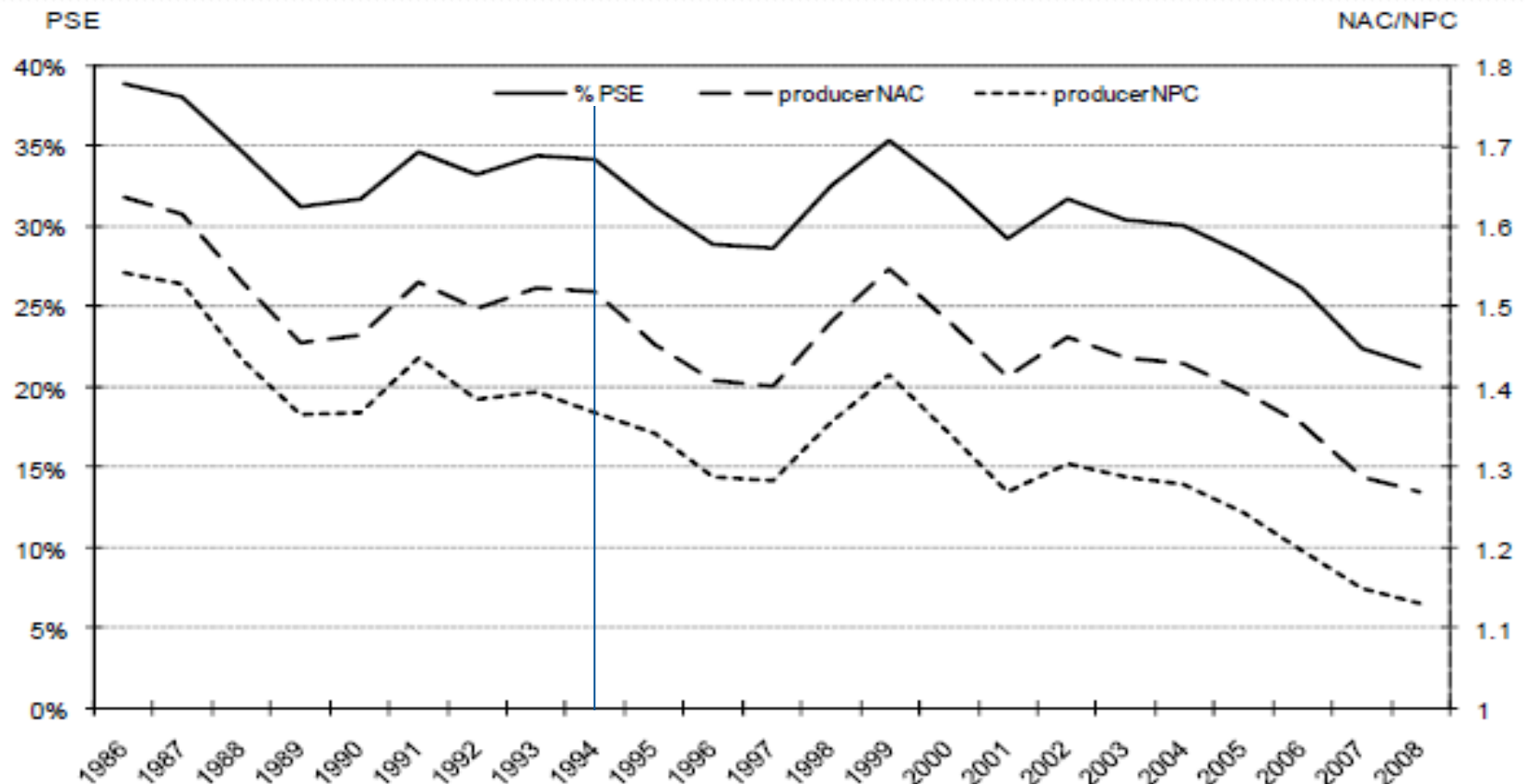
# Evolution of US Policy measures and expenditures, \$billion



# Evolution of the CAP – a historical overview

- Who remembers the bad old days of policy determined prices, price insulation policies, and high protection?
- Budget pressures, enlargement, WTO agreements, maybe enlightenment too, all contributed
- Somewhat similar policy evolution in the US
- And consistent with broad patterns of policy evolution in OECD countries in general

# Comparison of PSE, NAC and NPC changes



%PSE: Producer Support Estimate (left scale)

NPC: Producer Nominal Protection Coefficient (right scale)

NAC: Producer Nominal Assistance Coefficient (right scale)

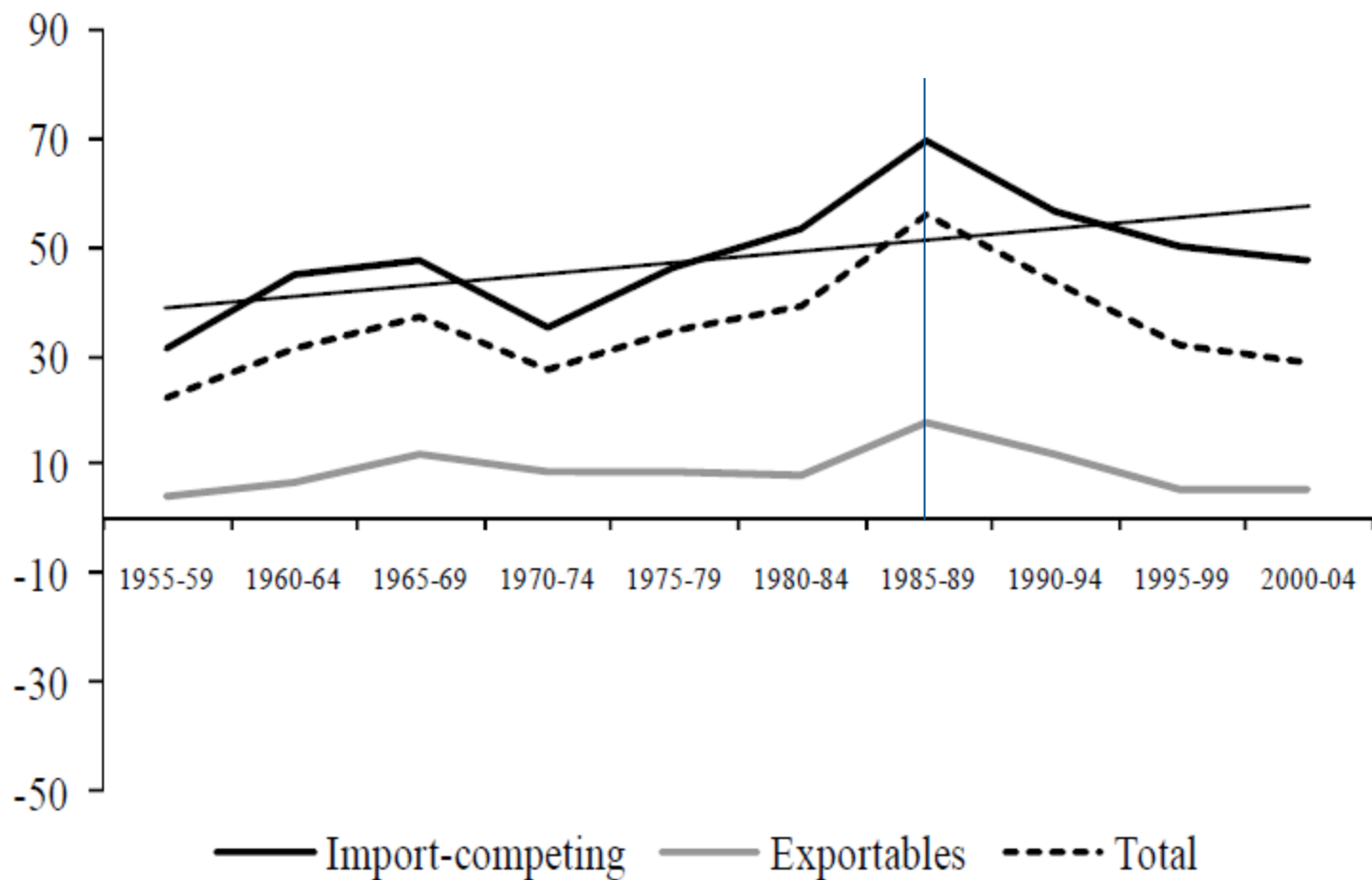
Source: OECD, PSE/CSE Database, 2009.



# Comparison of NRAs for high-income countries

See Anderson, Kym; (2009) "Political Economy of Distortions to Agricultural Incentives: Introduction and Summary" Agricultural Distortions Working Paper #91, World Bank

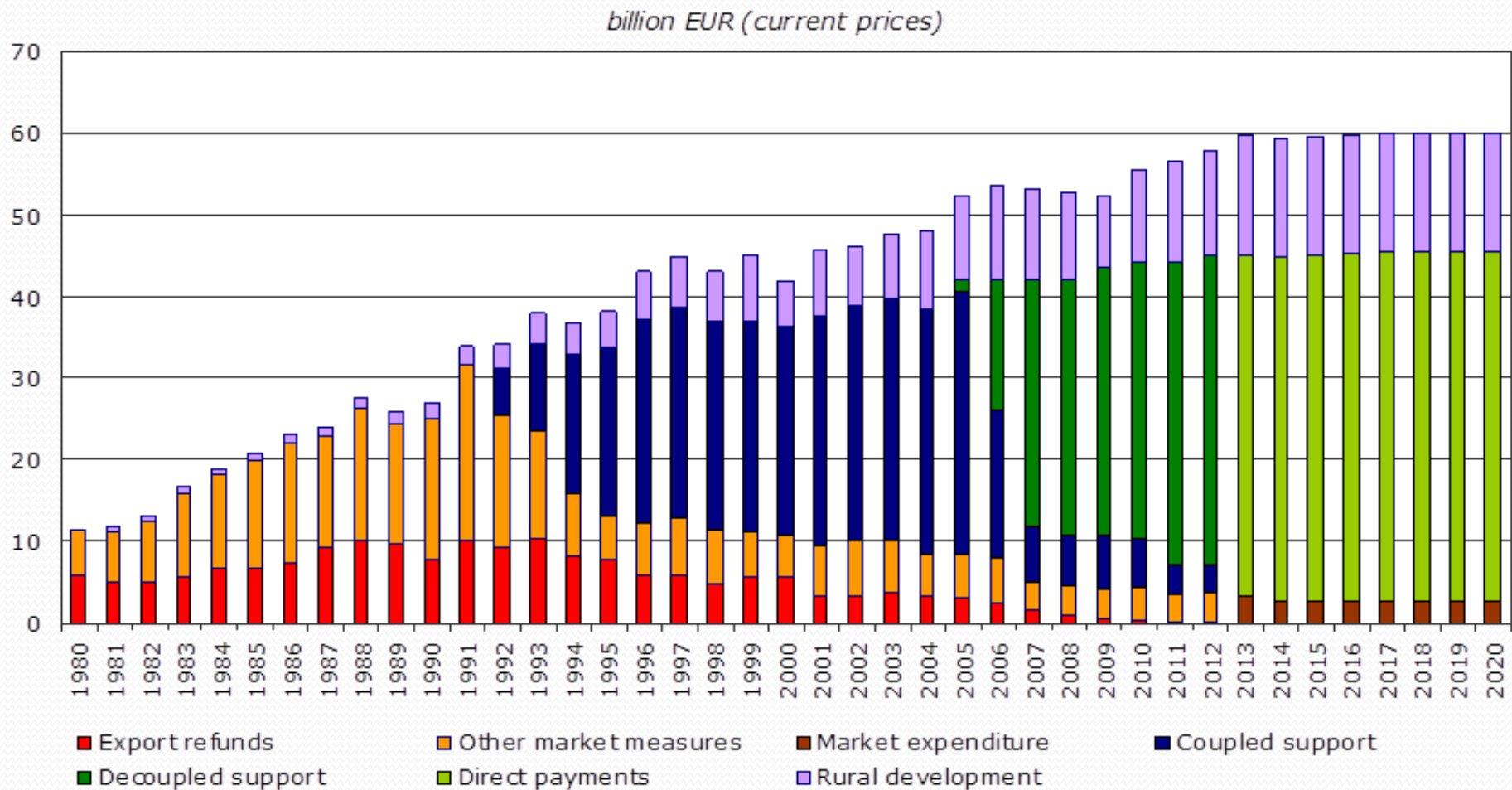
## (b) High-income countries plus Europe's transition economies



# Current pressures for change in the CAP

- Budget pressures
- Greening of the CAP
- Modulation less a factor

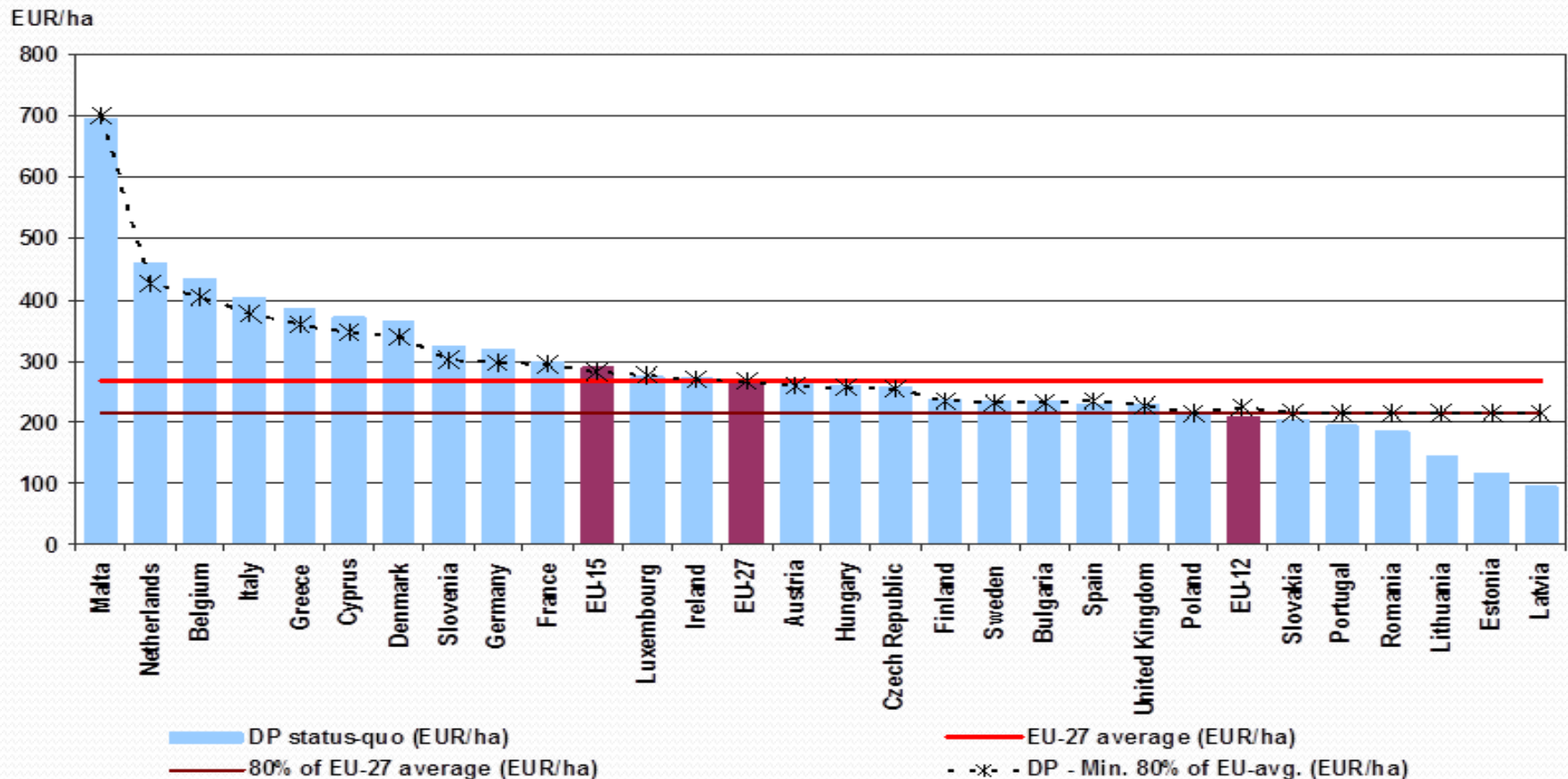
# Historical and projected path of CAP expenditures by type



# Current pressures for change in the CAP

- Budget pressures
- Greening of the CAP
- Modulation less a factor
- Payments realignment

# Different of direct payments across countries and the “80% method of realignment



# Current pressures for change in the CAP

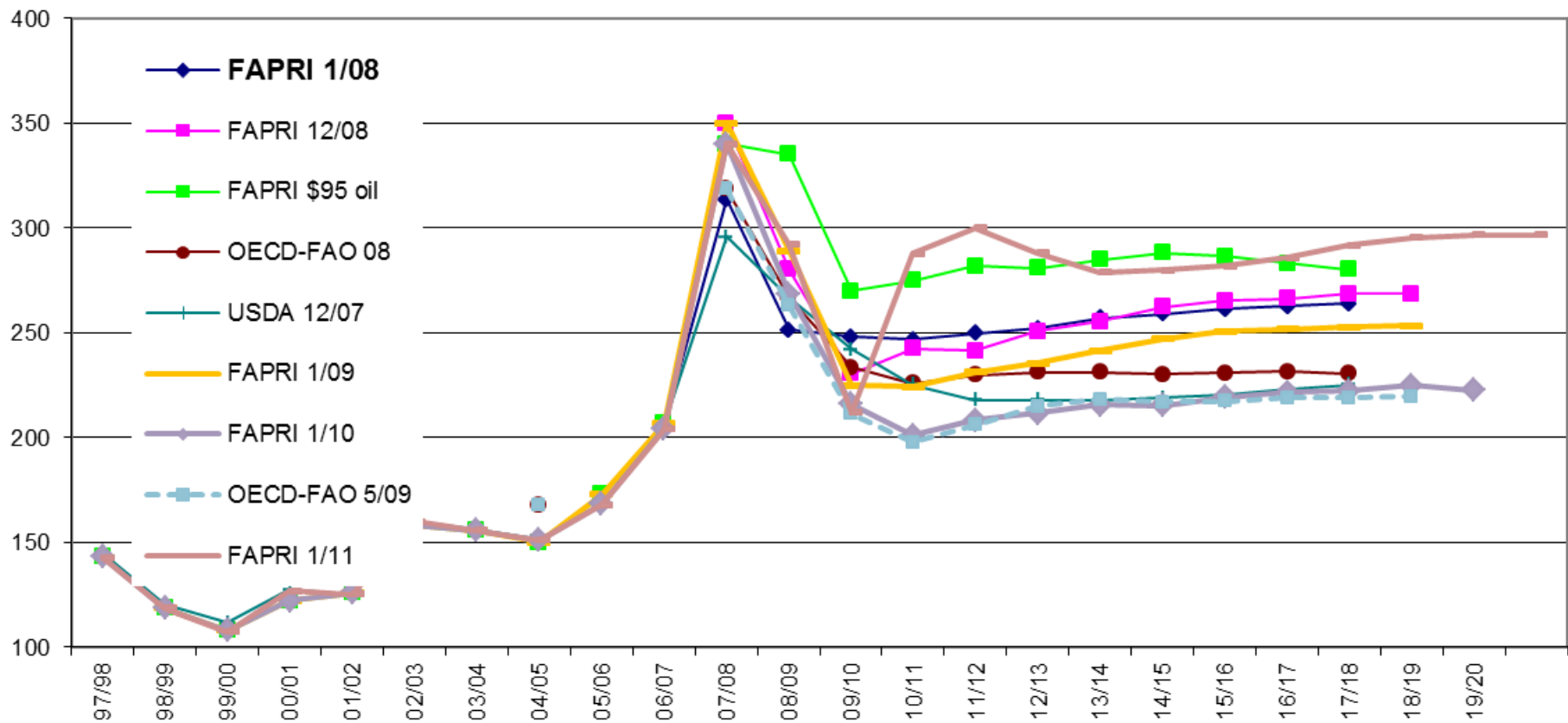
- Budget pressures
- Greening of the CAP
- Modulation less a factor
- Payments realignment
- Climate change
- Renewable energy
- Price surge and price prospects

# Global perspective on the current reform proposals

- Past reforms increased imports AND exports
- Market context

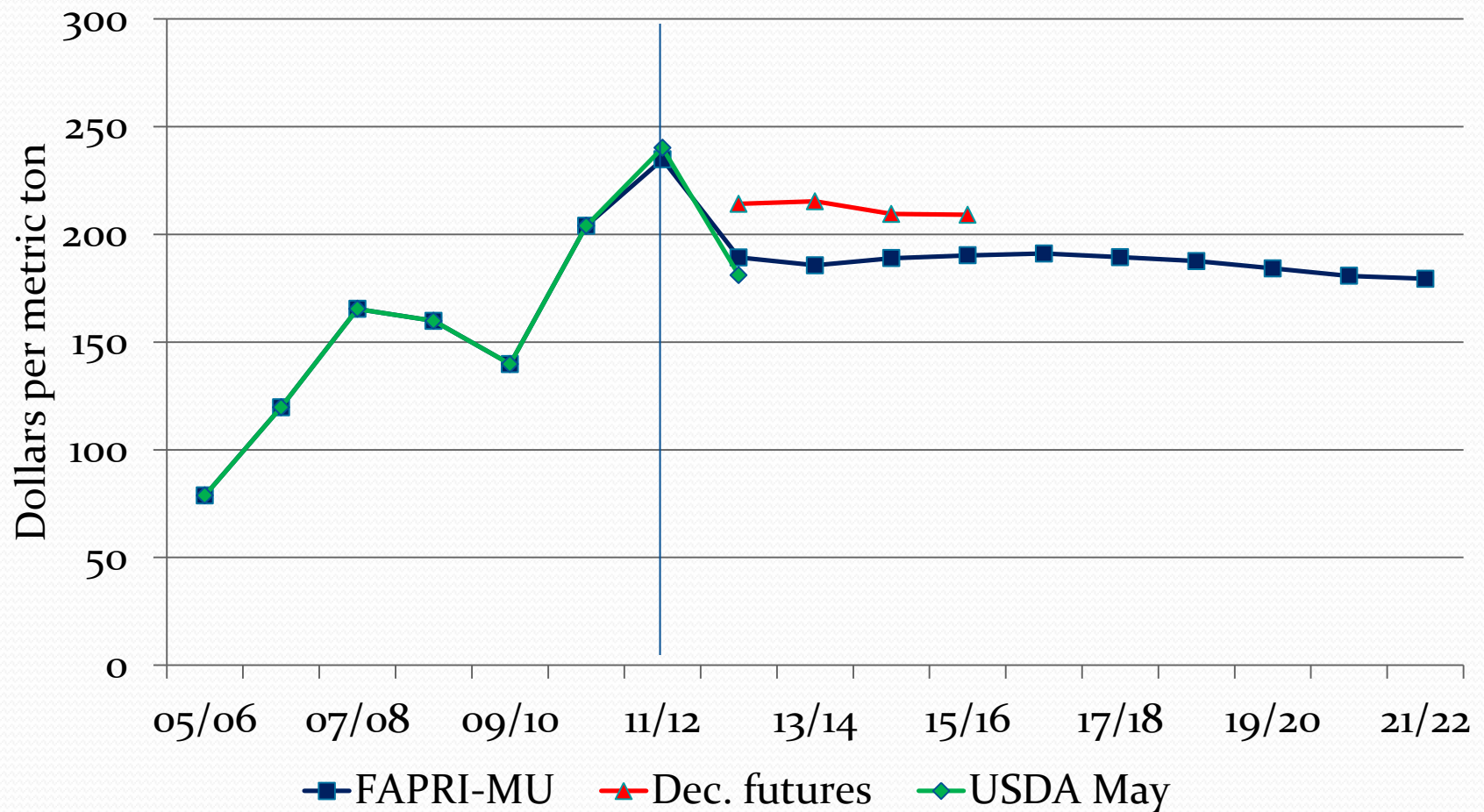
# What is our future in prices?

Projected US No.2 HRW wheat prices (FOB Gulf, \$/mt)





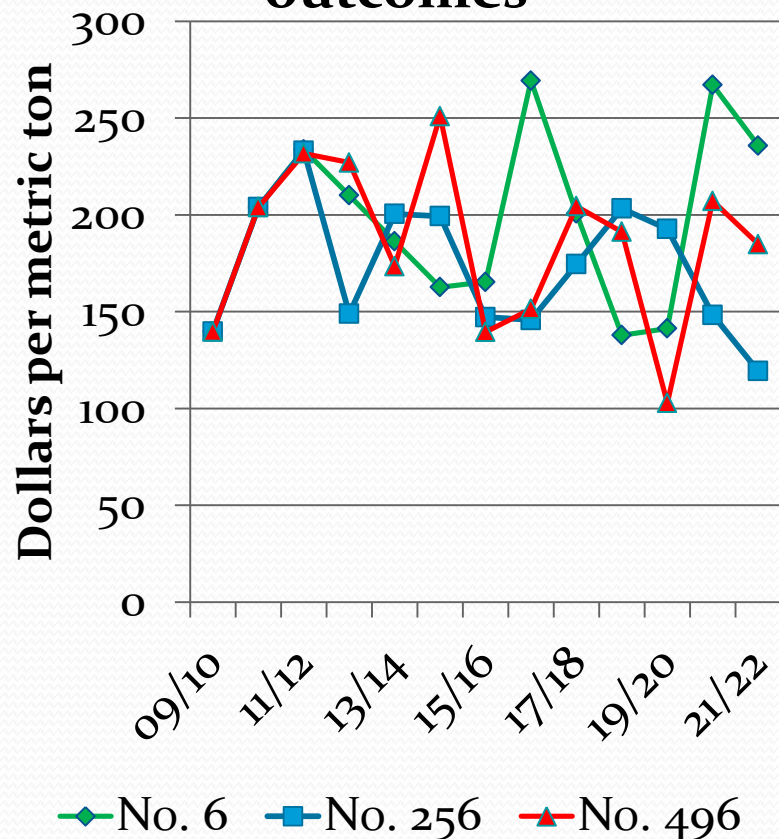
# U.S. maize price projections



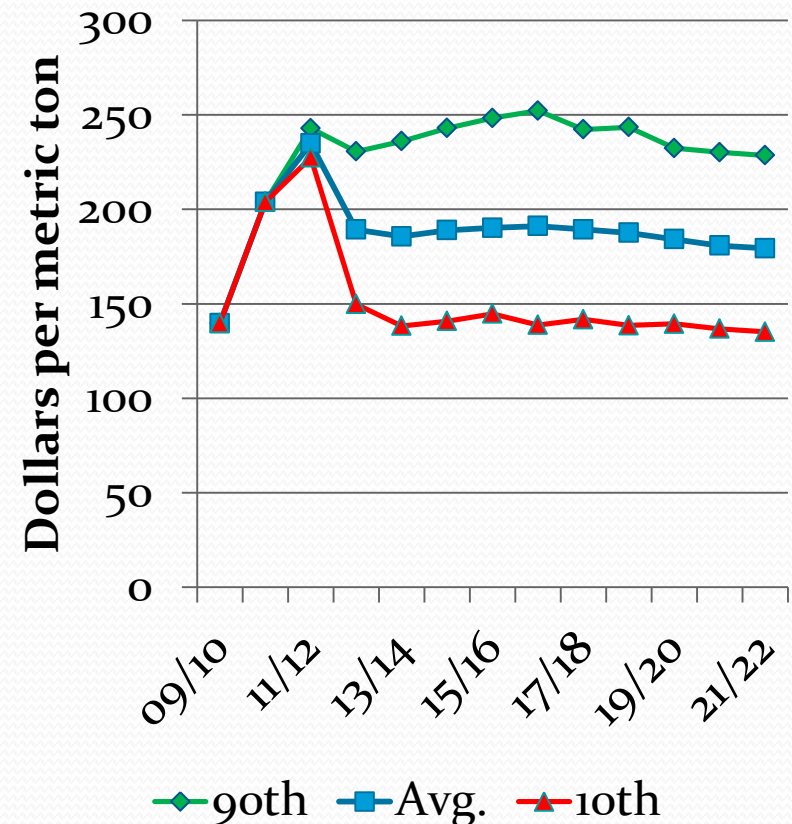
Sources: FAPRI-MU baseline, Jan. 2012; USDA, May 2012; CME Dec. contracts, June 8, 2012

# Maize price volatility to continue

## Price in 3 of 500 outcomes



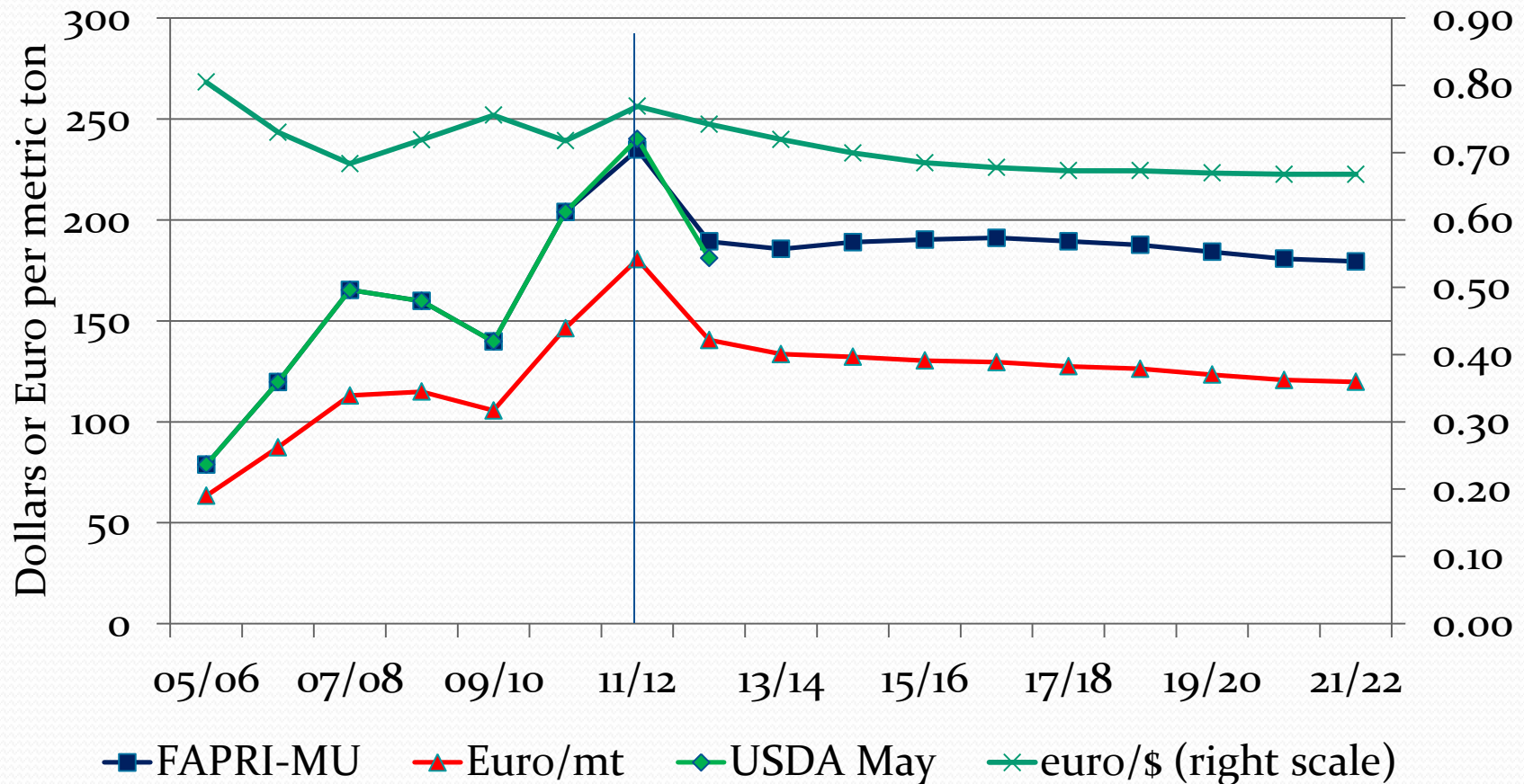
## Distribution of prices



# Global perspective on the current reform proposals

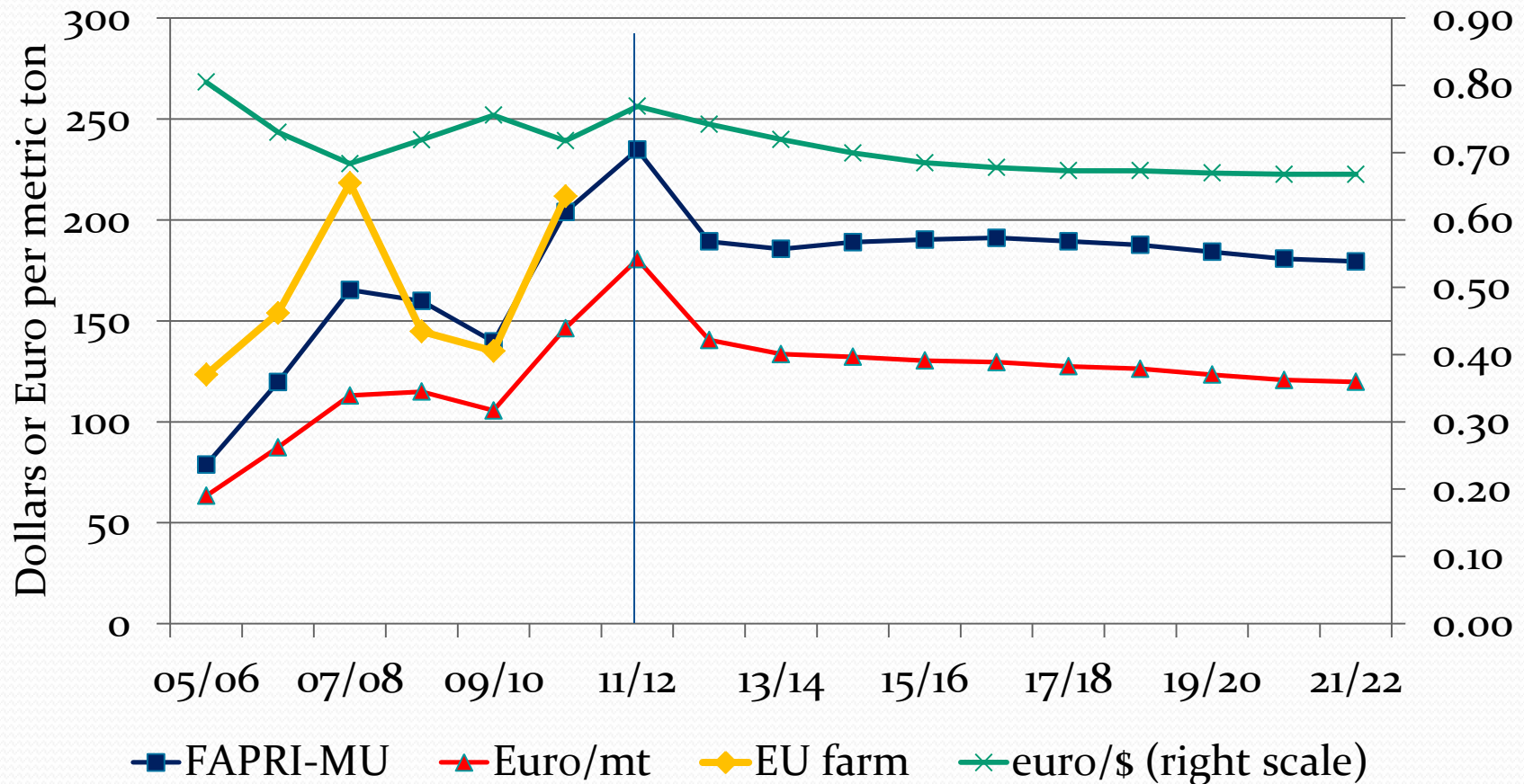
- Past reforms increased imports AND exports
- Market context
- Euro crisis

# U.S. maize prices in \$ and euro



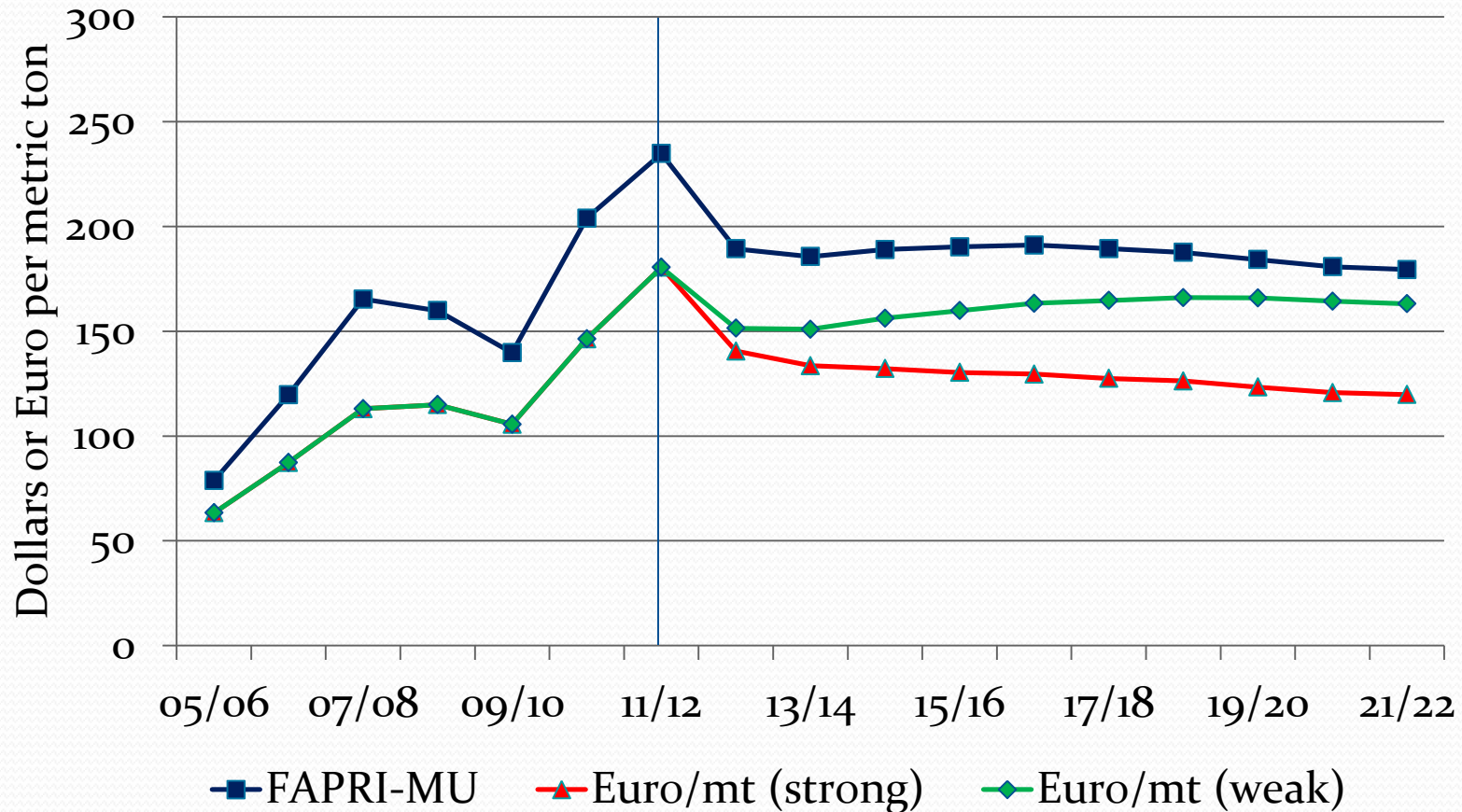
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# U.S. maize prices in \$ and euro



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# U.S. maize prices in \$ and euro

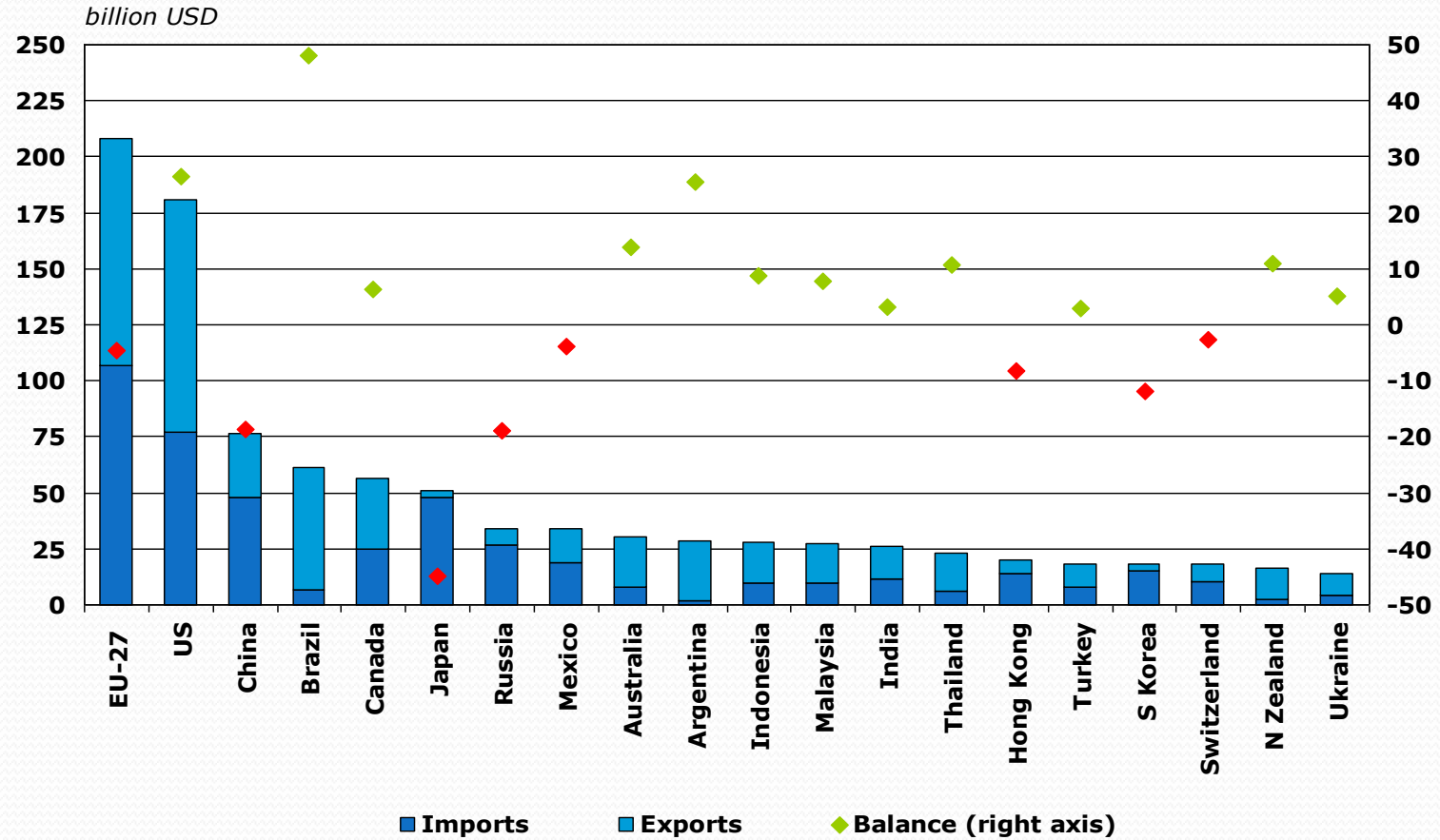


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# Global perspective on the current reform proposals

- Past reforms increased imports AND exports
- Market context
- Euro crisis
- Trade growth prospects

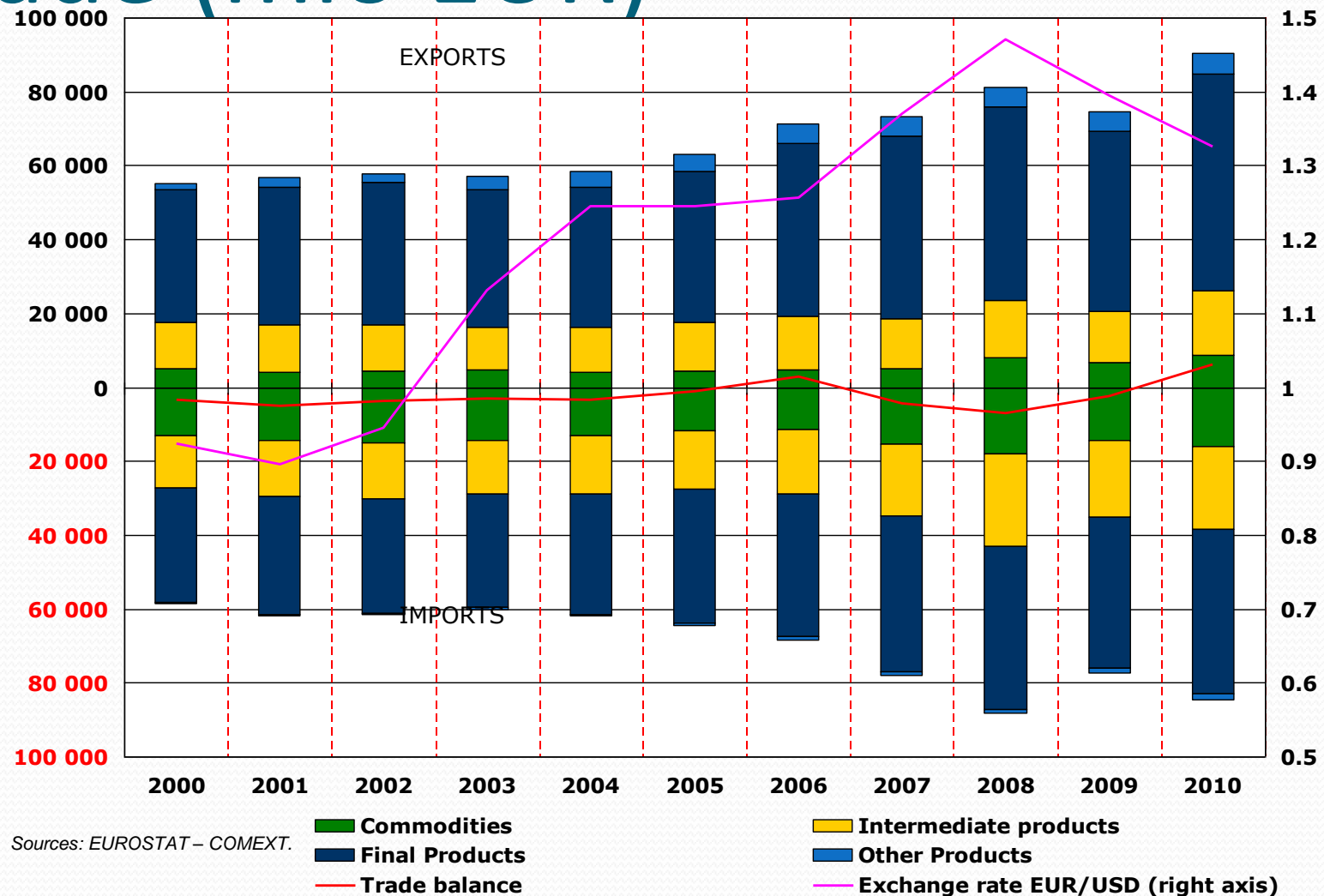
# World top traders in agro-food products - 2009



Source: GTA.



# Structure of EU agricultural trade (mio EUR)



# Conclusions

- Likely trade impacts of reforms are small
- Farmers predict lower production growth due to “greening measures”
- World demand growth and increased expansion of trade agreements may have larger effect

# Thank you!

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