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Special report – December 2011

The EU's agricultural policy toolbox: A sector-by-sector review

Contents

1. Introduction: The changing use of EU agricultural policy tools

1.1. Why the changing use of EU policy tools is important to the ACP

The changing use of European Union (EU) agricultural policy tools in individual sectors carries important implications for the EU's trade position and its agricultural trade relations with the African, Caribbean and Pacific (ACP) group of countries. It also potentially has a bearing on the agricultural component of ongoing trade negotiations in a number of ACP regions.

This arises from the fact that the use of these EU policy tools impacts on:

- the area under production or the numbers of animals under production;
- prices on EU markets for the agricultural products concerned;
- overall levels of production in the EU;
- EU patterns of trade in agricultural products;
- in some sectors, international price formation.

It is in this context that the following special report, reviewing the use of EU agricultural policy tools sector by sector, has been compiled. First, however, it is necessary to set the scene with a brief overview of the evolution of the EU's Common Agricultural Policy (CAP) since 1992.

1.2. Overview of CAP reform since 1992

The process of CAP reform since 1992 has involved a shift in policy focus away from European agricultural self-sufficiency, towards serving a globally oriented, value-added food and drinks industry. This has seen a gradual, yet fundamental, reform of the policy tools used to manage the European food and agricultural sector.

Initially, EU agricultural policy was based on incentive prices, designed to stimulate production and secure European food supplies. This required the establishment of a range of price support tools and associated measures (for example, establishing intervention prices required the creation of intervention agencies, the finance of storage programmes and surplus disposal programmes, while minimum grower prices gave rise to a system of processing aids for agro-processing companies) and a protective trade policy, consisting of high levels of tariff protection and various import restrictions.

Since 1992, the EU has been moving from a system of price support to a system of direct aid to farmers. This system has been progressively decoupled from the production of specific agricultural commodities. This basic change has impacted on the use of a wide range of agricultural policy tools.

The aim of these changes has been to make EU food and agricultural products more competitive vis-à-vis third country producers, both on domestic EU markets and increasingly internationally. Thus we find that lowering intervention prices, while expanding direct aid payments, has allowed EU market prices to fall closer to world market price levels without undermining farm incomes and land utilisation, and hence EU production levels. Indeed, in some sectors production has even expanded in the face of dramatic price declines.

Falling EU market prices have expanded domestic EU demand for a range of agricultural commodities, as well as making it easier for the EU to clear markets. It is this development, rather than dramatic reductions in EU production levels, which in many sectors has seen EU surpluses disappear.

The closing of the gap between EU and world market prices has impacted on how the EU uses traditional agricultural policy tools in various agricultural sectors. This closing of the gap between EU and world market prices has been aided in recent years by surges in global food and agricultural commodity prices, in large part driven by expanding consumer demand in rapidly growing advanced developing countries (mainly in Asia).

These developments came as no surprise to the European Commission, which had long before projected the shifting pattern of global consumer demand. What has come as a surprise has been the level of price volatility, a development which has thrown up new challenges. This increased price volatility, coupled with a growing exposure of EU producers to the influence of world market price trends, has given rise to a growing policy focus on developing effective 'safety nets', to prevent price volatility from undermining the agricultural basis for production of affected commodities within the EU.

This is impacting on the use of traditional agricultural policy tools – not only financial support tools, but also agricultural trade policy tools. It has also given rise to the development of new policy initiatives, as the process of reform towards more market-oriented patterns of agricultural production have thrown up new problems (e.g. new policy initiatives to strengthen the functioning of supply chains, to prevent inequalities in power relationships along supply chains from undermining agricultural production during periods of price declines).

The process of reform has been very gradual, with reforms being rolled out in different sectors at different times over the almost 20 years of reform since 1992. These reforms are gradually reaching the culmination of the process, whereby the vast majority of EU agricultural assistance will be decoupled from the production of individual agricultural commodities, and the policy focus will have shifted from support through public subsidies for specific agricultural products to public support for investment in quality-differentiated, high-value food and agricultural production and marketing.

This latter policy orientation is being underpinned by a range of cross-cutting policies (e.g. the agricultural products quality policy) and rural development expenditures under Axis 1 of the EU's consolidated rural development. Despite this orientation towards a single payment scheme, backed up by an expanding rural development fund, the situation regarding the use of EU agricultural policy tools still varies from sector to sector.

Table 1: The EU's evolving CAP policy toolbox

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'Fostering dynamic entrepreneurship'
'Developing new outlets for agricultural … products'
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Horizontal programme of support to veterinary and plant health measures

Horizontal programme of support for the promotion of products on EU and international markets.</td>
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Improving the functioning of food and agricultural supply chains
Consolidating internal policy on EU regulatory and quality standards and securing international recognition and protection of EU quality and regulatory standards.</td>
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2. The EU sugar sector policy toolbox

2.1 Single payment scheme (SPS)

A system of direct aid payments to farmers which entered into effect on 1 January 2005. Since the implementation of 2005 round of sugar sector reforms, sugar been included in the single payment scheme. With on average decoupled support equivalent to 64.2% of the price cut being granted.

Total expenditures under the SPS in 2009 (Item 05030101 in the budget) amounted to €28,806 million, and in 2010 €29,071 million with an allocation for 2011 of €30,389 million, with EU sugar beet and cane farmers getting a share of these direct aid payments.

A parallel system of a **single area payment scheme** was available to new member states with total expenditures in 2009 of 3,723 million and in 2010 of €4,461 million and with an allocation for 2011 of €5,136 million.

2.2. Additional coupled support

For a transition period of five an additional coupled payment equivalent to 30% of the price cut was made available.

An appropriation for separate sugar payments in EU member states applying the single area payments scheme was also made (Item 05030103). The outturn (actual amount spent) under this item in 2009 was just under €253 million, while the outturn in 2010 was €281 million, with a budget for 2011 of €273 million.

Table 2.2.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Separate sugar payment (05030103)	273,000,000	281,033,380	252,935,712	206,245,345
Additional amount for sugar beet and cane producers (05030239)	50,000,000	51,614,468	22,870,025	25,157,249

Source: All tables extracted from the relevant budget at the EU's 'Budget online' site: http://eur-lex.europa.eu/budget/www/index-en.htm

2.3 Production quotas

The production quotas ('A' and 'B' quotas) were used as the main market management tool in the sugar sector. The 2005 reform package merged the 'A' and 'B' quotas and sought to cut the combined production quota by 6 million tonnes. However it also allowed major producers of 'C' sugar (see section 2.4 below) to 'buy' additional quota allocations of 1.1 million tonnes.

2.4. 'Out-of quota' or 'C' sugar

Companies are allowed to produce beyond their production quotas, but this out-of-quota sugar (also known as 'C' sugar) cannot be sold for food purposes on the EU market. This 'C' sugar could be:

- carried over to the next season;
- exported within WTO ceilings with the benefit of export refunds;

- exported without export refunds
- since July 2006, be sold to the EU ethanol, chemical and pharmaceutical industries for non-food uses.

2.5. Reference prices

Since 1 October 2009, the EU reference price for raw sugar and white sugar has been €335.2/tonne and €405.4/t respectively, having been reduced by 36% as part of the November 2005 reforms. In November 2010, the average market price for white sugar price was €486/t, while for industrial sugar ('C' sugar) it was €326/t.

2.6. Intervention buying and private storage

Intervention buying was maintained during a 4-year transition period (up to October 2010), with support for private storage being introduced to provide a 'safety net' in case market prices fell below the reference price. This is financed under budget item 05020508. No expenditures were made under this heading in 2009 and 2010. Indeed, the EU gained a net income from these operations in 2009 and 2010.

Table 2.6.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Storage measures for sugar (05020508)	p.m.[1]	431,661	-32,369,680	-26,747,374

Note: 1. p.m. – *pro memoria*, i.e. for the record/for future reference

2.7. Production refunds for sugar used in the chemical industry

Formerly, financial assistance was provided to the chemical industry to balance the higher price of EU sugar. However, as part of the reform process, access to out-of-quota sugar at world market prices was allowed for the chemical industry, doing away with the need for such assistance.

Table 2.7.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Production refunds for sugar used in chemical industry (05020503)	p.m.	-213,157	p.m.	419,423

2.8. Withdrawal

Sugar producers can be obliged to withdraw a certain percentage of sugar from the market and store it at their own expense until the following marketing year. Alternatively, it can be treated as 'C' sugar'.

2.9. Other measures (sugar)

A budget allocation exists for covering other sugar-related expenditures, but no more than €500,000 has been allocated to this budget item (05020599) in recent years.

Table 2.9.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Other measures sugar (05020599)	200,000	-28,922	168,957	545,645

2.10. Sugar restructuring support

Some €8 billion was mobilised through a special levy in support of sugar sector restructuring. In May 2007, a supplementary support programme was introduced in the light of the slow relinquishment of production quotas. The final payments under the Sugar Restructuring Fund (Item 05021601) were made in 2009, and totalled €3,017.7 million.

Table 2.10.1: Appropriations and outturns (in €)

	2011 budget	2010 appropriations	2009 outturn	2008 outturn
Sugar Restructuring Fund (05021601)	p.m.	330,297,467	3,017,689,891	1,284,099,717

2.11. Tariffs

Most favoured nation (MFN) bound duty:

- White sugar €419/t
- Raw sugar for refining €339/t

The EU also has recourse to a **special safeguard clause.**

A variety of tariff-rate quotas (TRQs) are in place which allowed reduced tariffs or duty-free access, depending on the price and the supply situation. TRQ access for sugar under bilateral free-trade area (FTA) agreements is expanding. Depending on the outcome of the Doha Round, the EU may need to expand its autonomous WTO TRQ by an additional 500,000–850,000 tonnes.

Provision also exists for **inward processing arrangements**, with duty-free imports allowed for use in the manufacturing of value-added products that are to be exported.

2.12. Import licences

Import licences are required for sugar to be imported into the EU. These are generally linked to the management of TRQs. Traditional raw cane sugar refiners enjoy preferential access to these import licences (exclusive access for the first 3 months of each year), but, following the 2005 reforms, no longer have exclusive access to import licences since 1 October 2009.

2.13. Export licences

Export licences are required for the export of sugar from the EU. The overall level of licences to be issued is decided on by the CAP management committee. Export licences are partly linked to WTO agreed ceilings on export refund support to sugar exports. In a context of high world market sugar prices, the issuing of export licences for unsubsidised out-of-quota sugar exports has become an issue of some controversy.

2.14. Export refunds

The EU continues to maintain export refund support in the sugar sector. This consists of export refunds for sugar and isoglucose (Item 05020501) and production refunds for sugar used in the chemical industry (Item 05020503). In 2009, expenditures ('outturns') totalled slightly over €179 million. Budgeted amounts ('appropriations') fell to only €12 million in 2010 following high world market prices, with the allocation of a mere €1 million in 2011.

Table 2.14.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Export refunds for sugar and isoglucose (05020501)	1,000,000	9,795,770	179,111,164	501,338,533

2.15. Additional policy dimensions

Developments in the EU sugar sector are strongly influenced by EU biofuel policies, since this provides an important outlet for out-of-quota sugar.

3. The EU banana sector policy toolbox

3.1. Additional decoupled payments

Following the implementation of the 2006 banana sector reforms, product-specific payments were integrated with decoupled direct payment arrangements. In the banana sector this mainly consisted in incorporating these payments into the POSEI programme (Items 05030250, 05030251 and 05030252), which provides special financial assistance to agricultural producers in the outermost regions of the EU. The main financial envelope under this programme was expanded significantly after 2006, increasing from €33.6 million to €386.2 million in 2010.

Table 3.1.1: POSEI expenditures (appropriation and outturns) 2005–2011 (€ million)

	2011 budget	2010 outturn	2009 outturn	2008 outturn	2007 outturn	2006 outturn	2005 outturn
POSEI EU Support Programme (05030250)	389.0	386.2	375.2	372.3	63.7	33.6	185.4
POSEI 'excluding direct aids and MARE 11 02 03' (05021104)	257.01	234.2	224.3	232.7	201.2	137.8	0
POSEI AegeanIslands (05030252)	19.0	18.5	16.5	16.8	13.5	42.5	0
POSEI other direct aid and earlier regimes (05030251)	0.1	21.0	20.9	21.2	3.8	5.3	0

According to US Department of Agriculture (USDA) estimates, EU direct aid payments are now equivalent to €0.33/kg compared to a previous level of €0.18/kg, although this may an overestimation.

3.2. Single payment scheme

Following the implementation of the 2006 banana sector reforms, for EU banana producers not lying within a POSEI region, product-specific payments were incorporated into the single payment scheme. This however was only a small minority of producers, and the additional financial allocation required amounted to only €4.6 million. Overall, therefore, the Single payment scheme has little impact on EU banana producers.

The parallel system of a single area payment scheme available to new member states does not encompass any banana producers

3.3. Intervention storage

There are no budget items providing support for intervention storage in the banana sector

3.4. Export refunds

There are no budget items providing support for export refund support in the banana sector

3.5. Tariffs

The EU bound tariff rate for bananas is €680/tonne.

The MFN rate for bananas is €176/tonne, but declining in line with the following schedule:

Date	€ per tonne
1 January 2010	148
1 January 2011	143
1 January 2012	136
1 January 2013	132
1 January 2014	127
1 January 2015	117
1 January 2017	114

Additional tariff concessions have been granted to certain dollar banana suppliers in the context of EU FTA agreements. Under these bilateral trade agreements, duties on bananas will fall progressively to €75 by 2020 for a specified volume of imports.

4. The EU fruit and vegetable sector policy toolbox

4.1. Single payment scheme (SPS)

The SPS system of direct aid payments to farmers, which entered into effect on 1 January 2005, was extended to the fruit and vegetable sector in 2007. This was accompanied by a 4- to 5-year transition period for phasing out a wide variety of product-specific premiums (depending on the product) that were previously applicable in the fruit and vegetable sector.

Some €800 million in additional allocations to the SPS was made available to accommodate the incorporation of the fruit and vegetable sector into the scheme.

Total expenditures under the SPS in 2009 amounted to €28,806 million, and in 2010 amounted to €29,071 million, with an allocation for 2011 of €30,389 million.

A parallel system of a single area payment scheme was available to new member states with total expenditures in 2009 of €3,723 million and in 2010 of €4,461 million, with an allocation for 2011 of €5,136 million.

Table 4.1.1: Phasing out of EU support to fruit and vegetable processing 2008–2011 (in €)

	2011 budget	2010 appropriation	2009 appropriation	2008 outturn
Processing aid: tomatoes (05020806)	---	p.m.	94,337	229,566,451
Processing aid: fruit products (05020807)	---	p.m.	94,337	71,206,465
Compensation for processing citrus fruit (05020809)	---	149,988	23,817,250*	196,894,127

Note: * outturn

4.2. Support to Producer Organisations

The reform of the EU fruit and vegetable regime saw the expansion of programmes of support to Producer Organisations (POs) in the fruit and vegetable sector. The level of co-financing permitted for operations carried out by POs was increased from 50% to 60%.

Aid to POs, however, is limited to an amount equivalent to 4.1% of the total value of marketed production (and 4.6% for crisis prevention and management measures).

Table 4.2.1: EU support to Producer Organisations in the fruit and vegetable sector 2008–2011 (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Operational Funds for POs (05020803)	292,000,000	690,009,354	681,542,749	581,639,058
Aid to POs to secure recognition (05020807)	107,000,000	115,196,632	82,749,645	37,333,908
Withdrawal measures (05020802)	---	100,000	2,000,000	14,546,393
Free distribution programme (05020810)	---	p.m.	100,000	2,394,628
School fruit scheme (05020812)	90,000,000	29,360,452	---	---

4.3. Intervention buying and crisis management

In the fruit and vegetable sector, intervention buying *per se* has been replaced by withdrawals organised through POs within clearly defined limits, with the costs of such measures being co-financed up to 50% of the costs. This can include free distribution to schools (which are paid at 100%).

The system of withdrawals organised through POs forms part of a wider programme of crisis management measures which include:

- green harvesting/non-harvesting;
- harvest insurance;
- support in the establishment of mutual funds;
- assistance with securing bank loans;
- training;
- support to promotional measures.

4.4. Additional coupled payments

Additional coupled payments on a transitional basis were allowed for soft fruit producers (strawberries and raspberries for processing) equivalent to up to €230 per hectare, with this being limited to a maximum 5-year transition period. Member states may make an additional payment, provide the total per hectare does not exceed €400.

4.5. Tariffs

Tariffs applicable in the fruit and vegetable sector vary from product to product and are often seasonal. In some sector these are based on minimum import prices. The complexity of this system of tariff protection applied to EU fruit and vegetable trade does not make it easy to give a simple summary, particularly since the majority of trade in fruit and vegetables takes place under a wide array of preferential trade arrangements.

For a number of products, minimum import price arrangements have a major bearing on the import duties charged. Significant difficulties are faced in managing these arrangements, leading to complaints of unfair competition from EU farmers.

4.6. Export refunds

The EU continues to maintain export refund support in the fruit and vegetable sector, although at rapidly declining levels, and with no specific allocation in the 2011 budget.

Table 4.6.1: EU export refunds in the fruit and vegetable sector 2008–2011 (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Export refunds in EU fruit and vegetable sector (05020801)	p.m.	387,697	5,164,679	18,595,117

5. The EU cotton sector policy toolbox

5.1. Single payment scheme (SPS)

The SPS, a system of direct aid payments to farmers which entered into effect on 1 January 2005, has been accompanied by a transition period for phasing out a wide variety of product-specific (partially decoupled) premiums. Total expenditures under the single payment scheme in 2009 amounted to €28,806 million and in 2010 €29,071 million, with an allocation for 2011 of €30,389 million, with EU textile plant farmers getting a share of these direct aid payments.

A parallel system of a **single area payment scheme** was available to new member states with total expenditures of €3,723 million in 2009 and €4,461 million in 2010, with an allocation for 2011 of €5,136 million.

5.2. Additional coupled payments

In the textile plant sector, the main coupled payment takes place in the form of 'area aid for cotton' (Item 05030240). The outturn under this budget item was €216.9 million in 2009 and €221,736,574 in 2010, while the allocation in the 2011 budget was €256 million.

Other additional coupled payments include 'aid for fibre and hemp' (Item 05020701: outturn €21.0 million (2009); €18,847,493 million (2010) and allocation €20 million (2011).) Only small allocations (below €0.1 million) are made as 'aid for cotton' (Item 05020702), while only €10 million is allocated in 2010 and 2011 for 'Cotton national restructuring programmes' (Item 05020703).

Table 5.2.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 appropriation	2008 outturn
Area aid for cotton (05030240)	256,000,000	221,736,574	241,000,000	247,547,650
Cotton national restructuring programmes (05020703)	10,000,000	10,000,000	---	---
Aid for cotton (05020702)	p.m.	p.m.	p.m.	0

5.3. Intervention storage

There are no budget items providing support for intervention storage in the textile plant sector.

5.4. Export refunds

There are no budget items providing support for export refund support in the textile plant sector.

5.5. Tariffs

The EU bound tariff rate for cotton is zero.

6. The EU rice sector policy toolbox

6.1. Single payment scheme (SPS)

The SPS is a system of direct aid payments to farmers which entered into effect on 1 January 2005. The SPS was accompanied by a transition period for phasing out a wide variety of product-specific premiums.

Total expenditures in 2009 amounted to €28,806 million, €29,071 million in 2010, with an allocation for 2011 of €30,389 million.

An amount equivalent to €102/tonne in payments to rice farmers was incorporated into the SPS following the implementation of rice sector reform.

A parallel system of a **single area payment scheme** was available to new member states with total expenditures of 3,723 million in 2009, and €4,461 million in 2010, with an allocation for 2011 of €5,136 million.

6.2. Additional coupled payments

The main EU support to the rice sector is extended through the budget line 'area aid for rice' (Item 05030219: 2009 outturn €164.4 million, 2010 outturn €168,912,482, and a budget for 2011 of €158 million).

The EU continues to maintain a budget line (Item 05020299) for other forms of rice sector support, including support for the production of certain varieties of rice, but with no current financial allocation.

An amount equivalent to €75/tonne in payments to rice farmers remained 'coupled', taking the total direct aid payments to EU rice farmers to €177/tonne.

Table 6.2.1: Rice sector specific budget lines appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 appropriation	2008 outturn
Area aid for rice	158,000,000	168,912,482	169,000,000	168,102,286
Other measures: rice (05020299)	p.m.	0	0	0

6.3. Intervention storage

The intervention price is set at €150 per tonne, a level which has no influence on normal market price formation and which is thus solely a 'safety net' price. A ceiling of 75,000 tonnes is set on intervention buying of rice.

Table 6.3.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Intervention storage for rice (05020202)	p.m.	0	0	0

Although the EU continues to maintain a budget line for intervention storage for rice, currently there is no financial allocation under 2010 and 2011 budgets, in view of high current levels of world market rice prices.

6.4. Export refunds

The EU continues to maintain a budget line for export refunds in the rice sector, but with no current financial allocation in the 2010 and 2011 EU budgets.

Table 6.4.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Export refunds for rice (05020201)	p.m.	0	0	0

Table 6.4.2: Tariffs

Type of rice	Bound duty (€/tonne)	Applied duty (€/tonne)
Paddy	211	211
Husked	65	30–42.5–65[1]
Whole milled or semi-milled	175	145–175[1]
Broken	128	65
Husked basmati		0[2]

Notes:

1. Duties for husked rice and whole milled and semi-milled rice may be modified twice a year, at the beginning and halfway through the marketing year, depending on the quantities imported during the previous half year (based on licences issued), for which reference levels are specified.

2. Applicable since September 2004 for 9 varieties of husked basmati rice from India and Pakistan, with no quantitative limits applied.

7. The EU beef sector policy toolbox

7.1. Single payment scheme (SPS)

The SPS is a system of direct aid payments to farmers which entered into effect on 1 January 2005, and was accompanied by a transition period for phasing out a wide variety of product specific premiums that were previously applicable in the beef sector.

Total expenditures in 2009 amounted to €28,806 million, €209,071 million in 2010, and an allocation for 2011 of €30,389 million, with EU beef farmers getting a share of these direct aid payments.

A parallel system of a **single area payment scheme** was available to new member states. Total expenditures in 2009 were €3,723 million and €4,461 million in 2010, with an allocation for 2011 of €5,136 million.

7.2. Additional coupled payments

Additional coupled payments are possible using up to 10% of national direct aid envelopes within specified ceilings, in order to protect or enhance the environment or for improving the quality and marketing of agricultural production.

Total expenditures in 2009 amounted to € 429.5 million, and € 424.9 million in 2010, with an allocation for 2011 of €132 million. This consists of:

- 'Beef special premium' (Item 05030208)
- 'Beef slaughter premium –calves' (Item 05030209)
- 'Beef slaughter premium – adults' (Item 05030210).

Table 7.2.1: Beef sector specific budget lines: appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Beef special premium (05030208)	72,000,000	92,118,652	90,641,157	90,499,730
Beef slaughter premium – calves (05030209)	7,000,000	114,699,282	117,618,490	121,005,377
Beef slaughter premium – adults (05030210)	53,000,000	218,049,315	221,275,613	224,139,751
Other measures – beef and veal (05021399)	100,000	-7,780,384	4,941,027	4,134

7.3. Intervention buying

Beef is bought into intervention only when average market prices in a member state or region fall below a level of €1,560/tonne over two consecutive weeks. Intervention buying is now seen as a safety-net measure, and not a means of supporting market prices. There is no specific budgetary allocation for the financing of 'intervention storage of beef and veal' in the 2010 and 2011 EU budgets.

Table 7.3.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Intervention storage for beef and veal (05021302)		0	0	-1,742

7.4. Private storage aid

Private traders are encouraged by means of a partial subsidy to store beef temporarily at times of oversupply.

7.5. Exceptional support measures

To cover costs of voluntary slaughtering of cattle over 30 months in the UK on food safety grounds (Item 05021303): expenditures of €22.76 million in 2009 and appropriation of €1 million in 2010 and 2011).

Table 7.5.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Exceptional support measures (05021303)	1,000,000	6,987,468	22,762,645	14,077,341

7.6. Export refunds

The EU continues to maintain export refund support in the beef sector, with expenditures of €21.5 million in 2009, appropriations of €18 million in 2010, and an allocation of €25 million in 2011.

Table 7.6.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Export refunds for beef and veal (05021301)	25,000,000	16,666,320	21,482,934	23,100,754
Export refunds live animals (05021304)	9,000,000	8,682,372	10,156,598	10,046,191

7.7. Tariffs

MFN duties:

- Beef meat *ad valorem* 12.8% + a specific duty of between €1,414/t–€3,034/t
- Preserved beef *ad valorem* 16.6%.

7.8. Additional policy dimensions

EU beef production is strongly influenced by policies and support payments in the dairy sector. It is estimated that EU dairy farmers receive €5 billion per annum in 'direct aid payments', while extensive additional support and market management tools are also in place.

The most important category of dairy sector specific payments are: the 'suckler cow premium' (Item 05030206); 'additional suckler cow premium' (Item 050302 07), with over €1 billion budgeted these two budget lines (combined) for 2011.

Table 7.8.1: Dairy sector specific budget lines: appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Suckler cow premium (05030206)	952,000,000	1,139,054,191	1,153,141,941	1,153,842,216
Additional suckler cow premiums (03030207)	51,000,000	51,564,650	51,723,556	51,776,981
Total	1,003,000,000	1,190,618,841	1,204,865,497	1,205,619,197

8. The EU dairy sector policy toolbox

8.1. Single payment scheme

The SPS system of direct aid payments to farmers entered into effect on 1 January 2005, and was accompanied by a transition period for phasing out a wide variety of product specific premiums that were previously applicable in the beef sector.

Total expenditures in 2009 amounted to €28,806 million, €29,071 million in 2010, and an allocation for 2011 of €30,389 million, with EU dairy farmers getting a share of these direct aid payments.

A parallel system of a **single area payment scheme** was available to new member states: total expenditures were €3,723 million in 2009, €4,461 million in 2010, with allocations for 2011 of €5,136 million.

8.2. Additional coupled payments

Additional coupled payments are possible using up to 10% of national direct aid envelopes within specified ceilings, in order to protect or enhance the environment or for improving the quality and marketing of agricultural production.

Total expenditures on dairy-specific payments in 2009 amounted to €1,204.9 million, to €1,190.6 million in 2010, with allocations for 2011 amounting to €1,003 million.

In September 2009 the EU agriculture commissioner estimated that EU dairy farmers received approximately €5,000 million per annum in direct aid payments (coupled and decoupled payments combined).

Table 8.2.1: Dairy sector coupled payments (appropriation and outturn) 2005 – 2011 (€ '000)

	2011 appropriation	2010 outturn	2009 outturn	2008 outturn	2007 outturn	2006 outturn	2005 outturn
Suckler cow premiums (05030207)	952,000	1,139,054	1,153,142	1,153,842	1,179,084	1,257,885	2,149,248
Additional suckler cow premium (05030207)	51,000	51,565	51,724	51,777	55,971	62,112	78,689
Dairy premium (05030216)	-	-	-	-	-	1,001,094	943,480
Additonal payments for milk producers (05030217)	-	-	-	-	-	452,744	426,110

8.3. Production quotas

In 2011, EU milk production quotas remained in place, but with a process of their gradual expansion under way in order to ensure a 'soft landing' when they are finally abolished in 2015.

8.4. Intervention buying

Intervention buying in the dairy sector is now oriented towards a safety-net function, rather than acting as a determinant of market prices. Intervention buying is seasonal and subject to quantitative ceilings (although these have proved to be highly flexible when a market crisis emerges). The level of intervention now varies greatly depending on the state of EU and global dairy markets. The system is shifting towards private storage arrangements.

Intervention buying of necessity requires the maintenance of intervention prices, which trigger buying programmes. However the levels at which intervention prices are set are no longer intended to support market prices, rather they are intended to provide a safety net during periods of acute price declines.

However, during periods of cyclical declines in market prices, the system of intervention buying as it is applied serves to sustain EU milk production at levels above those which would prevail in the absence of such programmes.

Table 8.4.1: Dairy sector intervention expenditures (appropriation and outturn) 2005–2011 (€ '000)

	2011 appropriation	2010 outturn	2009 outturn	2008 outturn	2007 outturn	2006 outturn	2005 outturn
Intervention skimmed milk powder (05021202)	-12,000	-5,516	60,638	0	0	-5,102	-59,655
Intervention butter and cream (05021204)	10,000	-20,413	26,096	13,007	-58,049	-23,109	-56,129
Intervention storage cheese (05021206)	1,000	2,640	20,104	22,884	21,846	28,317	31,403

8.5. Additional market clearance measures

A range of additional market clearance mechanisms are in place in the dairy sector, including:

- a programme for the free distribution of milk in schools;
- aid to support the use of butter and cream in the food industry;
- a general category of other measures, the budget for which can be expanded as required (e.g. in 2009 and 2010).

Table 8.5.1: Additional market clearance measures (appropriation and outturn) 2005–2011 (€ '000)

	2011 appropriation	2010 outturn	2009 outturn	2008 outturn	2007 outturn	2006 outturn	2005 outturn
Aid for disposal of skimmed milk powder (05021203)	p.m.	p.m.	7	4,690	10,891	120,021	283,441
School milk (05021208)	90,000	68,946	74,152	61,511	75,078	66,301	64,303
Other measures related to butter fat (05021205)	p.m.	699	8,332	19,066	93,027	183,028	282,973
Other measures – milk and milk products (05021299)	1,000	296,285	185,661	5	0	445	2,075

8.6. Export refunds

The EU continues to maintain export refund support in the dairy sector, with expenditures of €181.1 million in 2009, and appropriations in 2010 initially of €449 million, but with actual expenditures of only €186.4 million. The allocation for 2011 was a mere €10 million. The instrument, however, remains available to be used as market circumstances may require.

Table 8.6.1: Dairy sector export refunds (appropriation and outturn) 2005–2011 (€ '000)

	2011 appropriation	2010 outturn	2009 outturn	2008 outturn	2007 outturn	2006 outturn	2005 outturn
Export refunds (05021201)	10,000	186,444	181,100	28,832	513,378	724,935	1,140,778

8.7. Tariffs

For dairy products the EU applies a highly disaggreggated system of fixed duties per 100 kg of imports. The specific duties vary considerably from product to product, from a low of €13.1/tonne to a high of €1,837/tonne (cream and milk in packages below 2 litres), with a wide range of levels in between.

The EU also uses an import licensing allocation system for the structured marketing of dairy products imported from third countries. Traditionally this has meant that only EU dairy companies are allowed to place dairy products for sale on the EU market.

8.8. Additional policy dimensions

EU dairy production is closely connected to EU beef production, so support payments for EU beef producers also need to be taken into account.

Table 8.8.1: Dairy-related beef sector coupled payments (appropriation and outturn) 2005–2011 (€ '000)

	2011 appro-priation	2010 outturn	2009 outturn	2008 outturn	2007 outturn	2006 outturn	2005 outturn
Beef special premium (05030208)	72,000	92,119	90,641	90,500	99,107	671,012	2,122,205
Beef slaughter premium – calves (05030209)	7,000	114,699	117,619	121,005	126,518	129,529	162,737
Beef slaughter premium – adults (05030210)	53,000	218,049	221,276	224,140	235,939	516,800	1,620,296

9. The EU cereals sector policy toolbox

9.1. Single payment scheme

A system of direct aid payments to farmers which entered into effect on 1 January 2005, and was accompanied by a transition period for phasing out a wide variety of product specific premiums that were previously applicable in the beef sector.

Total expenditures in 2009 amounted to €28,806 million, €29,071 million in 2010, and an allocation of €30,389 million for 2011, with EU cereals farmers getting a share of these direct aid payments.

A parallel system of a **single area payment scheme** was available to new member states, and there were total expenditures of €3,723 million in 2009, €4,461 million in 2010, with allocation for 2011 of €5,136 million.

9.2. Additional coupled payments

In the cereals sector, additional coupled payments include:

- crop area payments: outturn €1,448.7 million (2009) and €1,434 million (2010); with a budget of €10 million for 2011;
- supplementary aid for durum wheat in traditional production zones: outturn €49 million (2009) and €47.5 million (2010); with a budget of €1 million for 2011;
- specific quality premium for durum wheat: outturn €87.7 million (2009) and €80.7 million (2010); with a budget of €0.3 million for 2011;
- dried fodder: outturn €126.6 million (2009) and €121.9 million (2010); with a budget of €129 million for 2011;
- hops area aid: outturn €2.5 million (2009) and €2.52 million (2010); with a budget of €0.1 million for 2011;
- hops, aid to producers' organisations: with a budget for 2011 of €2.3 million.

However most of these measures, with the exception of dried fodder payments and the small allocation to hops producers' organisations, are being phased out.

Table 9.2.1: Cereals sector specific budget lines (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Crop area payments (05030201)	10,000,000	1,434,867,121	1,444,668,906	1,432,235,732
Supplementary aid for durum wheat (traditional) (05030204)	1,000,000	47,454,611	49,060,017	46,104,708
Special quality premium for durum wheat (05030224)	300,000	80,676,294	87,674,629	79,190,848
Other measures cereals (05020199)	100,000	-48	-28,173	3,455
Dried fodder (05021101)	129,000,000	121,924,159	126,555,016	136,072,999
Hops area aid (05030223)	100,000	2,515,535	2,485,107	2,466,755
Hops aid to producers' organisations (05021103)	2,300,000	-	-	-

9.3. Intervention storage

Support is extended to private storage of cereals depending on market conditions. Intervention storage is now seen as a safety-net measure, and not a means of supporting market prices.

Total expenditures in 2009 amounted to nearly €24.1 million and, in 2010, to €95.7 million.

In addition, assistance is given to 'intervention for starch': outturn €40.2 million in 2009, €39.7 million in 2010, with a budget of €41 million in 2011.

Table 9.3.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Intervention storage for cereals (05020102)	-23,000,000	95,716,643	500,000	-100,728,186
Intervention storage for starch (05020103)	41,000,000	39,722,678	39,621,745	39,728,267

9.4. Export refunds

The EU continues to maintain export refund support, however when world market prices are high, then export refunds are set at zero.

Thus we find expenditures in 2009 of only €854,404 used for export refunds for cereals, while in 2010 and 2011, no specific allocation is made.

Table 9.4.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Export refunds for cereals (05020101)	p.m.	-372,455	854,404	9,700,764

9.5. Tariffs

The EU has bound MFN tariffs at the WTO on all cereals.

However the applied rates differ, with the duty being fixed 'on the basis of the differences between the effective EU intervention price for cereals, multiplied by 1.55 and a representative c.i.f. import price for cereals'. Where market conditions demand, this allows import duties to be set at zero.

For a range of cereals the EU also extends a range of TRQ preferences to major cereals trading partners. The rates applied under these TRQs can also be modified in the light of market conditions.

The EU thus maintains a very sophisticated tariff policy for cereals, which allows it to respond to volatile international market conditions.

10. The EU poultry sector policy toolbox

10.1. Single payment scheme (SPS)

The SPS is a system of direct aid payments to farmers which entered into effect on 1 January 2005, and was accompanied by a transition period for phasing out a wide variety of product-specific premiums.

Total expenditures in 2009 amounted to €28,806 million; appropriations for 2010 amounted to €28,480 million; and allocations for 2011 amounted to €30,389 million, with EU cereals farmers getting a share of these direct aid payments.

A parallel system of a **single area payment scheme** was available to new member states. Total expenditures in 2009 were €3,723 million, appropriations for 2010 were €4,497 million, and allocations for 2011 were €5,136 million.

10.2. Additional coupled payments

There are no additional coupled payments to EU poultry producers.

10.3. Intervention buying

No budgetary provision is made for intervention buying in the poultry sector.

10.4. Private storage aid

No budgetary provision is made for support to private storage in the poultry sector.

10.5. Exceptional support measures

While provisions exist for exceptional market support measures for the eggs and poultry sector, no allocations have been made to this budget line since 2008. In addition, while provision is made for 'other measures', these apply to a multiplicity of sectors including poultry, and have not been activated in the poultry sector in recent years.

Table 10.5.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Exceptional market support measures for the poultrymeat and eggs sector (05021507)	p.m.	0	0	-2,980
Other measures (pigmeat, poultry, eggs, bees and other animal products (05021599)	p.m.	0	15,044,500	0

10.6. Export refunds

The main form of assistance to the EU poultry sector is the provision of export refunds. This provides export refund support for both eggs and poultrymeat. In general, export refund assistance is not provided in support of frozen poultry part exports, which is the main plank of EU–ACP trade in poultry products.

Table 10.6.1: Appropriations and outturns (in €)

	2011 budget	2010 outturn	2009 outturn	2008 outturn
Export refunds for eggs (05021504)	3,000,000	1,972,257	3,144,165	4,341,285
Export refunds for poultrymeat (05021505)	61,000,000	90,668,355	91,562,288	97,161,649

10.7. Tariffs

For poultry products, the EU applies a highly disaggreggated system of fixed duties per 100 kg of imports (although for some categories a percentage duty is applied). The specific duties vary considerably from product to product, from a low of €187/tonne to a high of €1,024/tonne, with a wide range of levels in between. The highest duties are on products entering those market components where EU poultry producers have the greatest commercial interest and where the competitive challenge is potentially greatest.

In addition the EU has established a range of preferential duty free quotas. The following preferential quota rate for Brazil and Thailand is illustrative:

Budget item	Preferential quota
0207 14 – Cuts and offal, frozen	
0207 14 10 – Cuts – boneless	0% for Brazil (9 432 tonnes) and Thailand (5 100 tonnes)
0207 14 50 – Breasts and cuts thereof	
0207 14 70 – Other	

10.8. Additional policy dimensions

EU poultry sector developments have been strongly influenced by EU cereals sector reforms, with this having given rise to a substantial reduction in poultry sector feed costs. This provided a major stimulus to the expansion of EU poultry production and exports.

EU exports of poultry parts were also strongly influenced by the introduction of a ban on the use of meat and bonemeal in animal feed. This removed a major domestic market for poultry parts and saw a rapid expansion of exports of poultry parts to ACP countries, particularly in West Africa.

Source

Note: All tables from Section 2 onwards have been extracted from the relevant budget at the EU's 'Budget on line' website: http://eur-lex.europa.eu/budget/www/index-en.htm

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